MOODYS CORP /DE/

FORM 10-K405
(Annual Report (Regulation S-K, item 405))

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO .

COMMISSION FILE NUMBER 1-14037

MOODY'S CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE (STATE OF INCORPORATION)	13-3998945 (I.R.S. EMPLOYER IDENTIFICATION NO.)

99 CHURCH STREET, NEW YORK, NEW YORK 10007
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (212) 553-0300.
SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
COMMON STOCK, PAR VALUE $.01 PER SHARE	NEW YORK STOCK EXCHANGE
PREFERRED SHARE PURCHASE RIGHTS	NEW YORK STOCK EXCHANGE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

Indicate by check mark whether the Registrant: (1) has filed all reports required by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

As of January 31, 2002, 154,537,149 shares of Common Stock of Moody's Corporation were outstanding and the aggregate market value of such Common Stock held by nonaffiliates* (based upon its closing transaction price on the Composite Tape on such date) was approximately $5,769 million.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement for use in connection with its annual meeting of shareholders scheduled to be held on April 23, 2002, are incorporated by reference into Part III of this Form 10-K.

The Index to Exhibits is included as Part IV, Item 14 (a)(3) of this Form 10-K

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* Calculated by excluding all shares held by executive officers and directors of the Registrant without conceding that all such persons are "affiliates" of the Registrant for purposes of federal securities laws.

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PART I

ITEM 1. BUSINESS

Background

As used in this report, except where the context indicates otherwise, the term “Company” or “Moody’s” refers to Moody’s Corporation and its wholly owned subsidiaries. The Company’s executive offices are located at 99 Church Street, New York, NY 10007 and its telephone number is (212) 553-0300.

Prior to September 30, 2000, the Company operated as part of The Dun & Bradstreet Corporation (“Old D&B”). On September 8, 2000, the Board of Directors of Old D&B approved a plan to separate into two publicly traded companies – the Company and The New D&B Corporation (“New D&B”). On September 30, 2000, Old D&B distributed to its shareholders all of the outstanding shares of New D&B common stock (the “2000 Distribution”). In connection with the Distribution, Old D&B changed its name to Moody’s Corporation.

New D&B is the accounting successor to Old D&B, which was incorporated under the laws of the State of Delaware on April 8, 1998. Old D&B began operating as an independent publicly-owned corporation on July 1, 1998 as a result of its June 30, 1998 spin-off (the “1998 Distribution”) from the corporation now known as “R.H. Donnelley Corporation” and previously known as “The Dun & Bradstreet Corporation” (“Donnelley”). Old D&B became the accounting successor to Donnelley at the time of the 1998 Distribution.

Prior to the 1998 Distribution, Donnelley was the parent holding company for subsidiaries then engaged in the businesses currently conducted by New D&B, Moody’s and Donnelley. Prior to November 1, 1996, it also was the parent holding company of subsidiaries conducting business under the names Cognizant Corporation (“Cognizant”) and ACNielsen Corporation (“ACNielsen”). On that date Donnelley effected a spin-off of the capital stock of Cognizant and ACNielsen to its stockholders (the “1996 Distribution”). Cognizant subsequently changed its name to Nielsen Media Research, Inc. in connection with its 1998 spin-off of the capital stock of IMS Health Incorporated (“IMS Health”).

For purposes of governing certain ongoing relationships between the Company and New D&B after the Distribution and to provide for an orderly transition, the Company and New D&B entered into various agreements including a Distribution Agreement, Tax Allocation Agreement, Employee Benefits Agreement, Shared Transaction Services Agreement, Insurance and Risk Management Services Agreement, Data Services Agreement and Transition Services Agreement.

Detailed descriptions of the 1996, 1998 and 2000 Distributions are contained in the Company’s 2000 Annual Report on Form 10-K, filed on March 15, 2001.

The Company

Moody’s is a leading global credit rating, research and risk analysis firm in terms of market position, revenue, income and a number of other relevant standards. Moody’s publishes credit opinions, research and ratings on fixed-income securities, other credit obligations and issuers of securities. Moody’s credit ratings and research help investors analyze the credit risks associated with fixed-income securities. Credit ratings and research from reliable third parties also create efficiencies in markets for fixed-income and other obligations, such as insurance and derivatives, by providing reliable, credible and independent assessments of credit risk. Moody’s global and increasingly diverse services are designed to increase market liquidity and efficiency and may reduce transaction costs.

Founded in 1900, Moody’s employs approximately 1,700 people worldwide. Moody’s maintains offices in 17 countries and has expanded into developing markets through joint ventures or affiliation agreements with local rating agencies. Moody’s provides ratings and credit research on governmental and commercial entities in approximately 100 countries. Moody’s customers include a wide range of corporate and governmental issuers of securities as well as investors, depositors, creditors, investment banks, commercial banks, and other financial intermediaries. Moody’s is not dependent on a single customer or a few customers, such that a loss of any one would have a material adverse effect on its business.

Moody’s publishes rating opinions on a broad range of credit obligations. These include various corporate and governmental obligations, structured finance securities and commercial paper programs issued in domestic and international markets. Moody’s also assigns ratings to issuers of securities, insurance company obligations, bank loans, derivative products, bank deposits and other bank debt, and managed funds. At the end of 2001, Moody’s had provided credit ratings and analysis on more $30 trillion in debt, covering approximately 85,000 securities, with more than 4,300 corporate relationships, including industrial corporations, financial institutions, governmental entities and structured finance issuers and over 72,000 public finance obligations. Ratings are disseminated to the public through a variety of print and electronic media, including the Internet and real-time systems widely used by securities traders and investors.

Closely integrated with its ratings services, Moody’s provides research services that are utilized by institutional investors and other credit professionals. Clients of these services represent 2,800 institutions and include over 20,000 users globally. Moody’s offers more than 100 research products, covering areas such as investment grade and speculative grade corporate bonds, the banking sector, municipal bonds, and mortgage- and asset-backed securities, in cross-border and domestic markets worldwide. While research is delivered through a number of channels, the majority of clients use Moody’s proprietary Internet web site in order to have access to the Company’s ratings and research products in a real-time environment.

Moody’s Risk Management Services, Inc. (“Moody’s Risk Management Services” or “MRMS”), a wholly owned subsidiary of Moody’s, develops and distributes credit risk assessment software used by banks and other financial institutions in their commercial lending, portfolio management, and other activities. MRMS also provides modeling tools, analytics, credit education materials, seminars, computer-based lending simulations and other products and services. The products and services of MRMS have enabled it to develop continuing relationships with its clients. In January 2000, MRMS acquired a financial products software company, which provides credit risk assessment software to financial institutions. This acquisition has been fully integrated into the MRMS business.

In February 2002, Moody’s reached a definitive agreement to acquire KMV, a market-based, quantitative credit risk management tools company, in an all cash transaction for $210 million. Moody’s expects the transaction to close by the early part of the second quarter of 2002 and initially to be funded by a combination of cash on hand and its existing $160 million bank credit lines. The acquisition will expand the customer base and product offerings of Moody’s credit risk assessment business.

Prospects for Growth

Over the past decade, global public and private fixed-income markets have significantly increased in outstanding principal amount. Moody's believes that global debt capital markets will continue to increase in size and scope. In addition, the securities being issued in the global fixed-income markets are becoming more complex. Moody's expects that these trends will provide continued long-term demand for its high-quality, independent credit opinions.

The size of the world capital markets is increasing because, in general, the global political and economic climate has promoted economic growth and more productive capital investment and market structures. Despite the potential for unfavorable cyclical conditions, Moody's believes that the outlook is favorable for the continued growth of world capital markets, particularly in Europe as a consequence of economic and monetary union.

Technology, such as the Internet, makes information about investment alternatives easily available throughout the world. This technology facilitates issuers' ability to place securities outside their national market and investors' capacity to obtain information about securities issued outside their national markets. Issuers and investors are also more readily able to obtain information about new financing techniques and new types of securities that they may wish to purchase or sell, many of which may be unfamiliar to them. This availability of information promotes worldwide financial markets and a greater need for credible and globally comparable ratings. As a result, a number of new capital markets have emerged. In addition, more issuers and investors are accessing traditional capital markets.

Another trend that is increasing the size of the world capital markets is the ongoing disintermediation of financial systems. Issuers are increasingly financing in the global public capital markets, rather than through traditional financial intermediaries. Moreover, financial intermediaries are selling assets in the global public capital markets, in addition to or instead of retaining those assets. Structured finance securities markets for many types of assets have developed in many countries and are contributing to these trends.

The complexity of capital market instruments is also growing. Consequently, assessing the credit risk of such instruments becomes even more of a challenge for financial intermediaries and asset managers. In the credit markets, reliable third-party ratings represent an increasingly viable alternative to traditional in-house research as the geographic scope and complexity of financial markets grow.

Rating fees paid by issuers account for most of Moody's revenue. Therefore, a substantial portion of Moody's revenues are dependent upon the volume and number of debt securities issued in the global capital markets. Moody's is therefore affected by the performance of, and the prospects for, the major world economies and by the fiscal and monetary policies pursued by their governments. However, annual fee arrangements with frequent debt issuers and annual fees from commercial paper and medium-term note programs, bank and insurance company financial strength ratings, mutual fund ratings and other areas are less dependent on, or independent of, the volume or number of debt securities issued in the global capital markets.

Moody's operations are also subject to various politically related risks inherent in carrying on business internationally. Such risks include currency fluctuations and possible nationalization, expropriation, exchange and price controls, changes in the availability of data from public sector sources, limits on providing information across borders or other restrictive governmental actions. Management believes that the risks of nationalization or expropriation are reduced because its basic service is the creation and dissemination of information, rather than the production of products that require manufacturing facilities or the use of natural resources.

A key strategy for growth is to leverage our position as a leading brand in financial services to develop new businesses. At present, an important brand extension activity is being pursued by Moody's Risk Management Services. By providing tools for risk assessment on small and medium-sized companies, MRMS extends Moody's authority as an evaluator of credit quality beyond our traditional core in the bond markets and into the bank loan market. The planned acquisition of KMV, described previously, will extend Moody's product offerings in credit risk assessment when completed.

Competition

Moody's competes with other credit rating agencies and with investment banks and brokerage firms that offer credit opinions, research and risk analysis services. Institutional investors also have in-house credit research capabilities. Moody's most direct competitor in the global credit rating business is Standard & Poor's Credit Market Services ("S&P"), a division of The McGraw-Hill Companies, Inc. There are some rating markets, based on industry, geography and/or instrument type, in which Moody's has made investments and obtained market positions superior to S&P's. In other markets the reverse is true.

Another rating agency competitor of Moody's is Fitch, a wholly owned subsidiary of Fimalac S.A. Fitch includes the former businesses of Duff & Phelps, Fitch IBCA and Thomson BankWatch, which were recently combined in merger transactions and acquisitions. Although Moody's and S&P are each larger than Fitch, competition is expected to increase from the combinations. One or more significant rating agencies also may emerge in Europe over the next few years in response to the growth in the European capital markets and development of the European Monetary Union ("EMU"). In addition, local providers in non-U.S. jurisdictions or comparable competitors that may emerge in the future may receive support from local governments and other institutions.

Over the last decade, additional rating agencies have been established, primarily in emerging markets and as a result of local capital market regulation. Regulators worldwide have recognized that credit ratings can further regulatory objectives for the development of public fixed-income securities markets. The result of such regulatory activity has been the creation of a number of primarily national rating agencies in various countries. Certain of these regulatory efforts may have the unintended effect of producing less credible ratings over time. Attempts to standardize ratings systems or criteria may make all rating systems and agencies appear undifferentiated, obscuring variations in the quality of the ratings providers. In addition, since Moody's believes that some of its most significant challenges and opportunities will arise outside the United States, it will have to compete with rating agencies that may have a stronger local presence or a longer operating history in those markets. These local providers or comparable competitors that may emerge in the future may receive support from local governments and other institutions.

Regulators of financial institutions are attempting to improve their approach to supervision. They are shifting away from rule-based systems that address only specific risk components and from institution-specific protections towards other supervisory methods. The regulators' evolving approach includes their making qualitative judgments about the sophistication of each financial institution's risk management processes and systems, in terms of both market and credit risk. Although such regulatory trends present opportunities for the use of Moody's ratings, they may also result in additional competition for Moody's or increased regulatory involvement in Moody's practices.

Credit rating agencies such as Moody's also compete with other means of managing credit risk, such as credit insurance and credit derivatives. Competitors that develop quantitative methodologies for assessing credit risk also may pose a competitive threat to Moody's.

Moody's Strategy

Moody's intends to focus on the following opportunities:

Expansion in Financial Centers. Moody's serves its customers through its global network of offices and business affiliations. Moody's currently maintains full-service rating and marketing operations in global financial centers such as Frankfurt, Hong Kong, London, Madrid, Milan, New York, Paris, Singapore and Tokyo. Moody's expects that its global network will position it to benefit from the expansion in worldwide capital markets and thereby increase revenue. Moody's also expects that the growth of its ratings and research activities as a consequence of financial market integration under EMU will continue. Moody's expects to continue its expansion into developing markets either directly or through joint ventures, including its affiliations with Korea

Investors Service, which became a consolidated subsidiary in 2002 (see Note 5 to the consolidated financial statements), ICRA Limited (India) and Magister Bankwatch Calificadora de Riesgo, SA (Argentina), or other means.

New Rating Products. Moody's is pursuing numerous initiatives that expand credit ratings from public fixed income securities markets to other sectors with credit risk exposures. Moody's has a committed effort to extend its credit opinion franchise to the global bank counterparty universe through emerging market ratings, including bank financial strength ratings. Insurance financial strength ratings in the property and casualty, reinsurance, and life insurance markets represent additional growth opportunities. Moody's has also introduced issuer ratings for corporations not active in the debt markets and a Rating Assessment Service for issuers interested in a definitive Moody's rating opinion about hypothetical or potential financial developments related to such issuer. As the loan and capital markets converge, Moody's expects to continue to expand its rating coverage of bank loans and project finance loans and securities. Moody's has also introduced equity mutual fund indices and style-based analytical tools for institutional managers to assist in evaluating fund portfolio characteristics and their performance. As part of our effort to continue adding value in structured finance, we are introducing new services to enable investors to monitor the performance of their investments. Moody's introduced an enhanced monitoring product for collateralized debt obligations in January 2002, and plans to introduce additional enhancements in this and other asset classes later in the year.

Internet-Enhanced Products and Services. Moody's is expanding its use of the Internet and other electronic media to enhance client service. Moody's web site provides clients with instant access to ratings data and credit analysis. Internet delivery also enables Moody's to provide services to more individuals within a client organization than paper-based products and to offer higher-value services because customers do not need to handle paper-based reports. Moody's expects that access to these applications will increase client use of Moody's services. Moody's expects to continue to invest in electronic media to capitalize on these and other opportunities.

Additional Opportunities in Securitization. The repackaging of financial assets has had a profound effect on the fixed-income markets. New patterns of securitization are expected to emerge in the next decade. Although the bulk of assets securitized in the past five years have been consumer assets owned by banks, commercial assets — principally commercial mortgages, term receivables and corporate loans — are now increasingly being securitized. Securitization has evolved into a strategic corporate finance tool in the United States and Europe and is evolving in Asia. Ongoing global development of non-traditional financial instruments, such as derivatives, future flow securities, hybrids, credit-linked bonds and catastrophe bonds should continue to support growth.

New Credit Risk Management Services. Moody's will continue to provide banks and other financial institutions with credit risk management services. Moody's believes that there will be increased demand for such services because of recent proposals by international bank regulatory authorities to recognize banks' internal credit risk management systems for the purpose of determining regulatory capital. The Company continues to make significant strides in broadening the geographic scope of one of MRMS' most important products, country-specific models that predict private company default probabilities. In Europe, models for Germany, Spain, and France were introduced in 2001; product roll-outs are planned for Japan and Mexico in 2002. The planned acquisition of KMV, described previously, will further extend Moody's product offerings in credit risk management services when completed.

Expansion of Credit Research Products and Investment Analytic Tools. Moody's plans to continue to expand its research and analytic products by producing and acquiring additional products through internal development and arrangements with others.

Regulation

Moody's is registered as an investment adviser under the Investment Advisers Act of 1940. Moody's has been designated as a Nationally Recognized Statistical Rating Organization ("NRSRO") by the SEC. The SEC first applied the NRSRO designation in 1975 to agencies whose credit ratings could be used to determine net capital requirements for broker-dealers. Congress (in certain mortgage-related legislation), the SEC (in its regulations under the Securities Act, the Exchange Act and the Investment Company Act of 1940) and other governmental and private bodies have used the ratings of NRSROs to distinguish between, among other things, “investment grade” and “non-investment grade” securities.

In December 1997, the SEC proposed regulations that would define the criteria for designation as an NRSRO. The proposal states that the SEC would require rating agencies to have each of the following attributes before it will grant NRSRO status:

- national recognition, which means that the rating agency is recognized as an issuer of credible and reliable ratings by the predominant users of securities ratings in the United States,
- adequate staffing, financial resources and organizational structure to ensure that it can issue credible and reliable ratings of the debt of issuers, including the ability to operate independently of economic pressures or control by companies it rates and a sufficient number of staff members qualified in terms of education and experience to evaluate an issuer’s credit thoroughly and completely,
- systematic ratings procedures, designed to ensure credible and accurate ratings,
- ongoing contacts with the management of issuers, including access to senior level management of issuers,
- internal procedures to prevent misuse of non-public information and compliance with such procedures, and
- registration with the SEC as an investment adviser under the Investment Advisers Act of 1940.

Moody’s does not believe that this proposal, if adopted, would have a material adverse effect on its operations or financial position.

Recently, there has been discussion in the U.S. regarding study of the regulation of credit rating agencies. For example, in March 2002 the SEC stated that it intends to re-examine the role of rating agencies in the U.S. securities markets and the potential need for greater regulation.

Moody’s is also subject to regulation in certain non-U.S. jurisdictions in which it operates. In certain countries, governments may provide financial or other support to local-based rating agencies. In addition, governments may from time to time establish official rating agencies or credit ratings criteria or procedures for evaluating local issuers.

The Basic Committee on Banking Supervision is preparing a new capital adequacy framework to replace the framework adopted in 1998. Under this framework as now proposed, ratings assigned by a credit rating agency would be an alternative available to certain banks to determine the risk weights for many of their credit exposures. The Basle Committee’s proposal would institutionalize ratings of certain rating agencies as an alternative in the credit measurement processes of internationally active financial institutions and subject rating agencies to a broader range of oversight. Because the content of the proposal is not yet finalized, Moody’s cannot predict at this time the final form of any such regulation. However, Moody’s does not believe that this proposal, if adopted in its present form, would materially affect its financial position, its results of operations or the manner in which it conducts its business.

Other legislation and regulation relating to credit rating and research services has been considered from time to time by local, national and multinational bodies and is likely to be considered in the future. If enacted, any such legislation and regulation could significantly change the competitive landscape in which Moody’s operates. Management of Moody’s cannot predict whether these or any other proposals will be enacted or the ultimate impact on the competitive position, financial position or results of operations of Moody’s.

Intellectual Property

Moody’s owns and controls a variety of trade secrets, confidential information, trademarks, trade names, copyrights, patents and other intellectual property rights that, in the aggregate, are of material importance to Moody’s business. Management of Moody’s believes that each of the “Moody’s” name and related names, marks and logos are of material importance to Moody’s. Moody’s is licensed to use certain technology and other intellectual property rights owned and controlled by others, and, similarly, other companies are licensed to use certain technology and other intellectual property rights owned and controlled by Moody’s. Moody’s considers its trademarks, service marks, databases, software and other intellectual property to be proprietary, and Moody’s relies on a combination of copyright, trademark, trade secret, patent, non-disclosure and contract safeguards for protection.

The names of Moody’s products and services referred to herein are trademarks, service marks or registered trademarks or service marks owned by or licensed to Moody’s or one or more of its subsidiaries.

Employees

As of December 31, 2001, the number of full-time equivalent employees of Moody’s was approximately 1,700.

EXECUTIVE OFFICERS OF THE REGISTRANT

Name, Age and Position	Biographical Data
John Rutherfurd, Jr., 62 President and Chief Executive Officer	Mr. Rutherfurd has served as the Company’s President and Chief Executive Officer since October 1, 2000 and has been a member of the Board of Directors since May 30, 2000. Mr. Rutherfurd served as President of Moody’s Investors Service, Inc. from January 1998 until November 2001. Prior thereto, he was the Chief Administrative Officer from 1996 until January 1998. Mr. Rutherfurd also served as Managing Director of Moody’s Holdings Inc. from 1995 until 1996, and served as President of Interactive Data Corporation (“IDC”) a wholly owned subsidiary of Old D&B, from 1985 to 1989 and from 1990 until IDC was sold by Old D&B in September 1995. Mr. Rutherfurd is also a director of the NASD and ICRA Limited, a credit rating agency in India.
Jeanne M. Dering, 46 Senior Vice President and Chief Financial Officer	Ms. Dering has served as the Company’s Senior Vice President and Chief Financial Officer since October 1, 2000. Ms. Dering joined Moody’s Investors Service, Inc., in 1997 as Managing Director, Finance Officer, and became its Chief Financial Officer in 1998. Prior thereto, she spent over 10 years at Old D&B in a number of financial management positions, including Director of Budgets & Financial Analysis and Director of Financial Planning — Acquisitions and New Business Development.

Name, Age and Position	Biographical Data
John J. Goggins, 41 Senior Vice President and General Counsel	Mr. Goggins has served as the Company's Senior Vice President and General Counsel since October 1, 2000. Mr. Goggins joined Moody's Investors Service, Inc., in February 1999 as Vice President and Associate General Counsel and became General Counsel in 2000. Prior thereto, he served as counsel at Dow Jones & Company from 1995 to 1999, where he was responsible for securities, acquisitions and general corporate matters. Prior to Dow Jones, he was an associate at Cadwalader, Wickersham, & Taft from 1985 to 1995, where he specialized in mergers and acquisitions.
Raymond W. McDaniel, 44 Senior Vice President, Moody's Corporation and President, Moody's Investors Service, Inc.	Mr. McDaniel has served as President of Moody's Investors Service, Inc. since November 2001, and has been a Senior Vice President of the Company since October 1, 2000. Mr. McDaniel also served as Senior Managing Director, Global Ratings and Research, of Moody's Investors Service, Inc., from November 2000 until November 2001. Prior thereto, he had served as Managing Director, International, since 1996 and served as Managing Director, Europe, from 1993 until 1996. He also served as Associate Director in Moody's Structured Finance Group from 1989 until 1993, and as Senior Analyst in the Mortgage Securitization Group from 1988 to 1989.
Douglas M. Woodham, 45 Senior Vice President, Strategy, Corporate Development and Technology	Mr. Woodham has served as the Company's Senior Vice President, Strategy, Corporate Development and Technology since October 2001. Prior to joining Moody's, he served as managing director for EFINANCEWORKS from 2000 to October 2001. Mr. Woodham was a partner, member of the Operating Committee and east coast manager for the Business Technology Office at McKinsey & Company from 1997 to 2000. He served as vice president and chief information officer for Enron from 1994 to 1997 and was a partner at McKinsey & Company from 1985 to 1994. Mr. Woodham was an economist at the Federal Reserve Bank of New York from 1982 to 1985.

ITEM 2. PROPERTIES

The executive offices of Moody's are located at 99 Church Street, New York, New York, in a 297,000-square-foot property owned by Moody's. Moody's operations are also conducted from 4 other U.S. offices and 16 non-U.S. office locations, all of which are leased. These other properties are geographically distributed to meet sales and operating requirements worldwide. These properties are generally considered to be both suitable and adequate to meet current operating requirements, and virtually all space is being utilized.

ITEM 3. LEGAL PROCEEDINGS

Moody's is involved in legal proceedings, claims and litigation arising in the ordinary course of business. In the opinion of management, although the outcome of such matters cannot be predicted with certainty, the ultimate liability of Moody's in connection with such matters will not have a material adverse effect on Moody's financial position, results of operations or cash flows. In addition, Moody's is involved in the following legal proceedings.

Information Resources, Inc. ("IRI")

In addition to the matters referred to above, on July 29, 1996, IRI filed a complaint in the United States District Court for the Southern District of New York, naming as defendants R.H.Donnelley Corporation ("Donnelley"), ACNielsen Company, (a subsidiary of ACNielsen Corporation) and IMS International Inc. (a subsidiary of the company then known as Cognizant Corporation). At the time of the filing of the complaint, each of the other defendants was a subsidiary of Donnelley.

The complaint alleges various violations of United States antitrust laws, including purported violations of Sections 1 and 2 of the Sherman Act. The complaint also alleges a claim of tortious interference with a contract and a claim of tortious interference with a prospective business relationship. These claims relate to the acquisition by defendants of Survey Research Group Limited ("SRG"). IRI alleges SRG violated an alleged agreement with IRI when it agreed to be acquired by the defendants and that the defendants induced SRG to breach that agreement.

IRI's complaint alleges damages in excess of $350 million, which amount IRI has asked to be trebled under antitrust laws. IRI also seeks punitive damages in an unspecified amount.

On October 15, 1996, defendants moved for an order dismissing all claims in the complaint. On May 6, 1997, the United States District Court for the Southern District of New York issued a decision dismissing IRI's claim of attempted monopolization in the United States, with leave to replead within 60 days. The Court denied defendants' motion with respect to the remaining claims in the complaint. On June 3, 1997, defendants filed an answer denying the material allegations in IRI's complaint, and ACNielsen filed a counterclaim alleging that IRI had made false and misleading statements about its services and commercial activities. On July 7, 1997, IRI filed an Amended and Restated Complaint repleading its alleged claim of monopolization in the United States and realleging its other claims. By notice of motion dated August 18, 1997, defendants moved for an order dismissing the amended claim. On December 1, 1997, the Court denied the motion. On December 22, 1999, defendants filed a motion for partial summary judgment seeking to dismiss IRI's non-U.S. antitrust claims. On July 12, 2000, the Court granted the motion dismissing claims of injury suffered from activities in foreign markets where IRI operates through subsidiaries or companies owned by joint ventures or "relationships" with local companies. Discovery in this case is ongoing.

In November 1996, Donnelley completed the 1996 Distribution. On October 28, 1996, in connection with the 1996 Distribution, Cognizant, ACNielsen and Donnelley entered into the Indemnity and Joint Defense Agreement. See Note 14 (Contingencies) in Part II, Item 8 of this Form 10-K, for additional information with respect to this agreement.

In June 1998, Donnelley completed the 1998 Distribution. In connection with the 1998 Distribution, Old D&B and Donnelley entered into an agreement (the "1998 Distribution Agreement") whereby Old D&B

assumed all potential liabilities of Donnelley arising from the IRI action and agreed to indemnify Donnelley in connection with such potential liabilities.

During 1998, Cognizant separated into two new companies, IMS Health and Nielsen Media Research. IMS Health and Nielsen Media Research are each jointly and severally liable for all Cognizant liabilities under the Indemnity and Joint Defense Agreement.

In September 2000, Old D&B completed the 2000 Distribution. In connection with the 2000 Distribution, New D&B and Moody's entered into an agreement (the "2000 Distribution Agreement") whereby New D&B undertook to be jointly and severally liable with Moody's for Old D&B's obligations to Donnelley under the 1998 Distribution Agreement, including any liabilities relating to the IRI action. However, under the 2000 Distribution Agreement, as between themselves, each of New D&B and Moody's has agreed to be responsible for 50% of any payments to be made in respect of the IRI action under the 1998 Distribution Agreement or otherwise, including any legal fees or expenses related thereto.

Management is unable to predict at this time the final outcome of the IRI action or whether the resolution of such matters could materially affect Moody's results of operations, cash flows or financial position.

L'Association Francaise des Porteurs d' Emprunts Russes

On June 20, 2001 a summons was served in an action brought by L'Association Francaise des Porteurs d' Emprunts Russes ("AFPER") against Moody's France SA (a subsidiary of the Company) and filed in the Court of First Instance of Paris, France. In this suit, AFPER, a group of holders of bonds issued by the Russian government prior to the 1917 Bolshevik Revolution, makes claims against Moody's France SA and Standard & Poor's SA for lack of diligence and prudence in their ratings of Russia and Russian debt since 1996. AFPER alleges that, by failing to take into account the post-Revolutionary repudiation of pre-Revolutionary Czarist debt by the Soviet government in rating Russia and new issues of Russian debt beginning in 1996, the rating agencies enabled the Russian Federation to issue new debt without repaying the old obligations of the Czarist government. Alleging joint and several liability, AFPER seeks damages of approximately $2.43 billion plus legal costs. Moody's believes that the allegations lack legal or factual merit and intends to vigorously contest the action.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the fourth quarter of the fiscal year covered by this report on Form 10-K, no matter was submitted to a vote of Security Holders.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

Information in response to this Item is set forth under the captions "Common Stock Information" and "Dividends" in Part II, Item 7 of this Form 10-K.

ITEM 6. SELECTED FINANCIAL DATA

The Company's selected consolidated financial data should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," and the Moody's Corporation consolidated financial statements and notes thereto. Certain of the selected financial data is derived from the unaudited consolidated financial statements of Moody's. In the opinion of management, these financial statements include all necessary adjustments for a fair presentation of such data in conformity with generally accepted accounting principles. The Company's consolidated financial statements are presented as if the Company were a separate entity for all periods presented. The financial data included herein may not necessarily reflect the results of operations and financial position of Moody's in the future or what they would have been had it been a separate entity.

Through September 30, 2000, Moody's expenses included allocations of costs from Old D&B for employee benefits, centralized services and other corporate overhead. Expenses related to these services were allocated to Moody's based on utilization of specific services or, where such an estimate could not be determined, based on Moody's revenue in proportion to Old D&B's total revenue. Although Moody's management believes these allocations are reasonable, such allocated costs are not necessarily indicative of the actual costs that would have been incurred if Moody's had performed or obtained these services as a separate entity. The allocations included in expenses in the consolidated statements of operations were $13.3 million, $17.2 million, $16.4 million and $15.8 million in 2000, 1999, 1998 and 1997, respectively. There were no such allocations in 2001.

	Year Ended December 31,				
amounts in millions, except per share data	**2001**	2000	1999	1998	1997
Results of operations (1)					
Revenue	**$796.7**	$602.3	$564.2	$513.9	$457.4
Expenses (2)	**398.2**	313.8	293.8	288.4	267.4
Operating income	**398.5**	288.5	270.4	225.5	190.0
Non-operating (expense) income, net (3)	**(16.6)**	(4.5)	8.5	12.4	0.2
Income before provision for income taxes	**381.9**	284.0	278.9	237.9	190.2
Provision for income taxes	**169.7**	125.5	123.3	95.9	64.0
Income before cumulative effect of accounting change	**212.2**	158.5	155.6	142.0	126.2
Cumulative effect of accounting change, net of income tax benefit (4)	—	—	—	—	(20.3)
Net income	**$212.2**	$158.5	$155.6	$142.0	$105.9
Dividends declared per share	**$0.180**	$0.045	$ —	$ —	$ —
Earnings per share					
Basic	**$ 1.35**	$ 0.98	$ 0.96	$ 0.84	$ 0.62
Diluted	**$ 1.32**	$ 0.97	$ 0.95	$ 0.83	$ 0.61
Weighted average shares outstanding					
Basic	**157.6**	161.7	162.3	169.5	170.8
Diluted	**160.2**	163.0	164.3	171.7	172.6

	As of December 31,				
	2001	2000	1999	1998	1997
					(Unaudited)
Balance sheet data					
Total assets	**$ 505.4**	$ 398.3	$ 274.8	$ 296.2	$ 266.5
Long-term debt	**300.0**	300.0	—	—	—
Shareholders' equity	**$(304.1)**	$(282.5)	$(223.1)	$(192.6)	$(152.9)

(1) The results of operations above include the following amounts related to the Financial Information Services ("FIS") business that was sold in July 1998: revenue of $18.4 million and $34.3 million in 1998 and 1997, respectively, and operating income of $4.2 million and $5.8 million in 1998 and 1997, respectively. Included in non-operating (expense) income, net are pre-tax gains on the sale of FIS of $9.2 million in 1999 and $12.6 million in 1998.

(2) Expenses in 2001 included unusual expenses of approximately $5.0 million for severance, legal fees and other costs related to a settlement with the Department of Justice in April 2001; $6.0 million related to charitable contributions and initial funding for the newly formed Moody's Foundation; and $3.4 million for the write-down of investments in Argentine rating agencies.

(3) Non-operating (expense) income, net in 2001 and 2000 included $22.9 million and $5.8 million, respectively, of interest expense which principally related to the $300 million of notes payable outstanding at December 31, 2001 and 2000. These amounts were partially offset by interest income on invested cash of $6.5 million in 2001 and $2.2 million in 2000. Interest expense and income was immaterial in 1999, 1998 and 1997.

(4) Represents the impact of a change in revenue recognition policies whereby the Company began recognizing certain revenues over the service period, instead of as previously recognized, at the time of billing.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis of financial condition and results of operations should be read in conjunction with the Moody's Corporation consolidated financial statements and notes thereto included elsewhere in this Form 10-K.

The Company

Except where otherwise indicated, the terms "Moody's" or "the Company" refer to Moody's Corporation and its wholly owned subsidiaries. Moody's is a leading global credit rating, research and risk analysis firm in terms of market position, revenue, income and a number of other relevant standards. The Company publishes rating opinions on a broad range of credit obligations. These include various corporate and governmental obligations, structured finance securities and commercial paper programs, issued in domestic and international markets. Moody's also assigns ratings to issuers of securities, insurance company obligations, bank loans, derivative products, bank deposits and other bank debt and managed funds.

Closely integrated with its ratings services, Moody's provides research services that are utilized by institutional investors and other credit professionals. Moody's publishes more than 100 research products covering areas such as investment grade and speculative grade corporate bonds, the banking sector, municipal bonds and mortgage- and asset-backed securities, in cross-border and domestic markets worldwide.

Moody's Risk Management Services, Inc., a wholly owned subsidiary of Moody's ("Moody's Risk Management Services" or "MRMS"), develops and distributes credit risk assessment software used by banks and other financial institutions in their portfolio management, commercial lending and other activities. Moody's Risk Management Services also provides credit modeling tools, analytics, credit education materials, seminars, computer-based lending simulations and other products and services that have enabled it to develop continuing relationships with its clients. In January 2000, MRMS acquired a financial software products company that provided credit risk assessment software to financial institutions. In February 2002, the Company announced that it reached a definitive agreement to acquire KMV, a market-based, quantitative credit risk management tools company, in an all cash transaction for $210 million. Moody's expects the transaction to close by the early part of the second quarter of 2002 and initially to be funded by a combination of cash on hand and its existing bank credit lines. The acquisition will expand the customer base and product offerings of Moody's credit risk assessment business.

Factors Affecting Comparability

On September 30, 2000 (the "Distribution Date"), The Dun & Bradstreet Corporation ("Old D&B") separated into two independent, publicly traded companies—Moody's Corporation and The New D&B Corporation ("New D&B"). The separation was accomplished through a tax-free distribution to the shareholders of Old D&B of all of the shares of common stock of a newly formed, wholly owned subsidiary, New D&B, which comprised the business of Old D&B's Dun & Bradstreet operating company ("the D&B Business"). The remaining business of Old D&B consisted solely of the business of providing ratings and related research and risk management services ("the Moody's Business") and was renamed "Moody's Corporation." Old D&B's common stock became Moody's common stock, and shares of common stock of Old D&B represent a continuing interest in the Moody's Business. The financial statements of Moody's have been restated to reflect the recapitalization described above. The method by which Old D&B distributed its shares is herein after referred to as "the Distribution."

In general, pursuant to the terms of the Distribution Agreement entered into at the Distribution Date, all assets and liabilities of the D&B Business were allocated to New D&B and all assets and liabilities of the Moody's Business were allocated to Moody's. The net indebtedness of Old D&B at the Distribution Date was allocated equally between the parties, before giving effect to certain adjustments.

The consolidated financial statements of Moody's Corporation reflect the financial position, results of operations and cash flows of Moody's as if it were a separate entity for all periods presented. The financial statements include allocations of certain Old D&B corporate headquarters assets and liabilities that were transferred from Old D&B at the Distribution Date, as well as allocations of certain expenses for employee benefits, centralized services and corporate overhead that were provided by Old D&B prior to the Distribution Date (see Note 1 to the Company's consolidated financial statements, Description of Business and Basis of Presentation, for additional information). The expense allocations were based on utilization of specific services or, where such an estimate could not be determined, based on Moody's revenue in proportion to Old D&B's total revenue. Management believes these allocations are reasonable. However, the costs of these services and benefits charged to Moody's are not necessarily indicative of the costs that would have been incurred if Moody's had performed or obtained these services as a separate entity.

Critical Accounting Policies and Estimates

Moody's discussion and analysis of its financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires Moody's to make estimates and judgments that affect reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. Moody's bases its estimates on historical experience and on other assumptions that are believed to be reasonable under the circumstances. On an ongoing basis, Moody's evaluates its estimates, including those related to revenue recognition, accounts receivable allowances, deferred tax assets and undistributed earnings of non-U.S. subsidiaries, contingencies, valuation of investments in affiliates, long-lived and intangible assets and goodwill, and stock options. In addition, during 2001, Moody's recorded estimated insurance recoveries related to the impact of the September 11th tragedy. Actual results may differ from these estimates under different assumptions or conditions. Below are descriptions of some of the judgments that Moody's makes in applying its accounting policies in these areas.

Revenue Recognition

In recognizing revenue related to ratings, Moody's uses judgments to match billed revenue with services to be provided in the future. These judgments are generally not dependent on the outcome of future uncertainties, but rather relate to allocating revenue across accounting periods. Such areas are discussed below.

- Moody's monitors its ratings on issuers and their outstanding securities. In cases where the Company does not charge ongoing annual fees or other monitoring fees for a particular issuer, the Company defers portions of rating fees that will be attributed to future monitoring activities and recognizes such fees over the estimated monitoring periods. Deferred revenue at December 31, 2001 included approximately $15 million related to estimated deferred monitoring fees.

- Under the Company's frequent issuer program ("FIP") arrangements, ratings customers pay a fixed annual fee regardless of issuance activity, with reduced transaction fees as securities are issued and rated and an overall cap on annual billings. Moody's amortizes the fixed annual fees on a straight-line basis over the contract period, which is generally one year. As customers reach their annual billing caps, transaction fees are deferred and prorated over the contract period to match revenue with future services for which no further billings will be made. Deferred revenue at December 31, 2001 included approximately $2 million related to deferred FIP transaction fees.

In addition, Moody's estimates revenue for ratings of commercial paper for which, in addition to a fixed annual fee, issuers are billed quarterly based on amounts outstanding. Related revenue is accrued each quarter based on estimated amounts outstanding, and is billed in the following quarter when actual data is available. At December 31, 2001, accounts receivable included approximately $18 million of accrued commercial paper revenue. Historically, the Company has not had material differences between the estimated revenue and the actual billings.

Accounts Receivable Allowances

Moody's records as reductions of revenue provisions for estimated future adjustments to customer billings, based on historical experience and current conditions. Such provisions are reflected as additions to the accounts receivable allowance and totaled approximately $29 million or 3.6% of revenue in 2001. Adjustments to and write-offs of receivables are charged against the allowance. Moody's evaluates its estimates on a regular basis and makes adjustments to provision rates and the accounts receivable allowance as considered appropriate.

Deferred Tax Assets and Undistributed Earnings of Non-U.S. Subsidiaries

In assessing the need for deferred tax asset valuation allowances, Moody's considers future taxable income and ongoing prudent and feasible tax planning strategies. Based on these assessments, Moody's has determined that it expects to be able to realize in the future its deferred tax assets, which totaled $32.6 million at December 31, 2001. However, if Moody's profitability or other circumstances were to change adversely, the Company could determine that it would not be able to realize all or part of its deferred tax assets in the future. In such case, a valuation allowance would be established and an increase in the tax provision would result in the period such determination was made.

In addition, the Company has approximately $26 million of undistributed earnings of non-U.S. subsidiaries for which no deferred taxes have been provided. It is currently management's intent to permanently re-invest those earnings in its subsidiaries. If management's approach to re-investing those earnings changed or such earnings were distributed to the U.S., incremental expense of approximately $1 million for U.S. federal and foreign income taxes would be incurred.

Contingencies

Accounting for contingencies, including those matters described in the "Contingencies" section of this management's discussion and analysis, requires the use of judgment and estimates in assessing their magnitude and likely outcome. In many cases, the outcomes of such matters will be determined by third parties, including governmental or judicial bodies. The provisions made in the consolidated financial statements, as well as the related disclosures, represent management's best estimates of the current status of such matters and their potential outcome based on a review of the facts and in consultation with outside legal counsel. Since the potential exposure on many of these matters is material, resolution of these matters in amounts that are different from what has been accrued in the consolidated financial statements could have a material impact on Moody's reported results and financial position.

Investments in Affiliates, Long-Lived and Intangible Assets and Goodwill

Moody's assesses the impairment of its investments in affiliates, identifiable intangible and long-lived assets and goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable. This evaluation requires the use of judgment as to the effects of external factors and market conditions on the Company's conduct of its operations, and it requires the use of estimates in projecting future operating results. Based on such assessment, in the fourth quarter of 2001, the Company recorded a pre-tax charge of $3.4 million to write off a portion of its equity investment in two Argentine rating agencies. If actual external conditions or future operating results differ from the Company's judgments, impairment charges may be necessary to reduce the carrying value of the Company's investments in affiliates, long-lived and intangible assets and goodwill.

Stock Options

In accordance with Statement of Financial Accounting Standards No. 123, the Company has elected not to recognize in its consolidated financial statements compensation expense related to options granted, and instead has disclosed the related pro forma net income and earnings per share effects in the notes to the financial statements. The stock option values that underly the disclosures are based on assumptions and estimates that the Company believes are reasonable. However, circumstances existing when options are exercised could cause the actual cost of the options to differ from these estimates.

In addition to the stock options outstanding at December 31, 2001, as disclosed in Note 8, Stock Options, to the Company's consolidated financial statements, Moody's granted approximately 3.5 million options in February 2002. Using what the Company believes are reasonable assumptions and the Black-Scholes option pricing model, the estimated value of this grant was $36 million, approximately 10% of Moody's 2001 pre-tax income. The Company has a policy of repurchasing its shares to offset the dilutive impacts of stock option exercises, which will be an important use of its cash flow over time. During 2001, approximately $24 million was spent on such repurchases (after option proceeds and related tax benefits), which was approximately 9% of the Company's after-tax cash flow before dividends and share repurchases.

Insurance Recovery Estimates

As a result of the September 11th tragedy, Moody's was displaced from its New York City headquarters building for approximately two months. The Company quickly restored operations and conducted its business from various temporary office locations during its displacement. Incremental costs of approximately $6.5 million were incurred during this period, principally related to restoration of the building, use of temporary office facilities and restoration of critical systems. Moody's has filed for recovery of these costs under its all-risk property and business interruption insurance policy. The Company believes that a substantial portion of the costs will be recovered and has reflected an appropriate receivable on its December 31, 2001 balance sheet; if such recovery were less than anticipated, a charge to earnings would be made for the unrecovered amounts.

Operating Segments

Moody's operates primarily in one reportable business segment: ratings, which accounts for approximately 90% of the Company's total revenue. The ratings segment is composed of four ratings groups: corporate finance, structured finance, financial institutions and sovereign risk, and public finance. Given the dominance of the ratings segment to Moody's overall results, the Company does not separately measure and report operating income for the ratings business. Rather, revenue is the predominant measure utilized by senior management for assessing performance and for the allocation of resources, and operating income is evaluated for Moody's as a whole. Moody's also reports revenue separately for two geographic areas: U.S. and international. Revenue included in "Other" consists of research revenue, generated from the sale of investor-oriented credit research, and risk management services revenue, generated from the sale of credit risk assessment software and related products and services.

Results of Operations

Year Ended December 31, 2001 Compared with Year Ended December 31, 2000

Moody's revenue was $796.7 million in 2001, an increase of $194.4 million or 32.3% from $602.3 million in 2000. The increase reflected strong growth in ratings revenue across all ratings groups. Other revenue reflected double-digit growth in both Moody's Risk Management Services and research revenue.

Moody's ratings revenue was $694.4 million in 2001, an increase of 33.6% from $519.6 million in 2000. Strong double-digit growth in global structured finance, European and U.S. corporate finance and public finance drove much of the increase.

Structured finance ratings revenue of $273.8 million in 2001 grew 37.4% over 2000 revenue of $199.2 million. The increase was due to strong growth in the U.S. across several market sectors including credit derivatives, asset-backed securities and both commercial and residential mortgage-backed securities. European structured finance was very strong due primarily to asset-backed securities, commercial mortgage-backed securities and credit derivatives.

Revenue from corporate finance ratings was $225.7 million in 2001 compared with $162.7 million in 2000, an increase of 38.7%. Lower interest rates in the U.S. resulted in strong issuance growth in both investment grade and high yield bonds. The strong revenue growth also reflected the success of Moody’s Rating Assessment Service, which was introduced in the second half of 2000. In addition, new monitoring fees for infrequent issuers were initiated in 2001, which produced approximately $9 million of revenue growth over 2000.

Revenue from financial institution and sovereign risk ratings was $130.7 million in 2001, an increase of 17.1% over $111.6 million in 2000. Lower interest rates in the U.S. drove increased investment grade issuance for banks and other financial institutions. In addition, revenue in Europe grew at a double-digit pace due to lower borrowing costs.

Public finance ratings revenue grew 39.3% to $64.2 million in 2001, up from $46.1 million in 2000. This was primarily due to a 43% increase in the dollar volume of U.S. municipal bonds issued in 2001 compared to 2000. Refinancing activity was especially strong due to the favorable interest rate environment, and represented 31% of total issuance dollar volume in 2001 versus 17% in 2000.

Other revenue increased $19.6 million, or 23.7%, to $102.3 million in 2001. Moody's Risk Management Services revenue grew 33.9% to $30.8 million, driven by continued strong sales of its credit risk assessment software and subscription products. Research revenue increased 19.8%, to $71.5 million, reflecting continued international expansion, new product introductions and growth in demand for products delivered via the Internet.

Revenue in the United States was $560.7 million in 2001, an increase of 30.7% over $428.9 million in 2000. This increase reflected strong growth in ratings revenue, principally due to higher issuance volumes in most market sectors, including investment grade and high yield corporate bonds, municipal bonds, asset-backed securities and mortgage-backed securities. The number of investment grade corporate issues was up more than 48% over 2000 and public finance issuance dollar volume grew by 43%. In U.S. structured finance, asset-backed issuance volume was up 29%, residential mortgage volume rose 130% and commercial mortgage volume was up 50%.

Moody's international revenue was $236.0 million in 2001 compared to $173.4 million in 2000, an increase of 36.1%. European structured finance revenue almost doubled for the year. International corporate finance revenue grew more than 20% and financial institutions revenue showed solid double-digit growth. International revenue at Moody's Risk Management Services rose 46.1% and non-U.S. research revenue grew 23.7%.

2001 operating expenses of $239.6 million grew 26.4% from $189.6 million in 2000. The increase reflected higher compensation and related expenses due to an increase in the number of analysts, particularly in Europe and in worldwide structured finance, as well as higher incentive compensation costs due to the Company's very strong 2001 results. Also included in operating expense was a $3.4 million charge to write down investments in Argentine rating agencies, due to the recent currency devaluation and the unstable economic and political situation. Selling, general and administrative expenses of $141.6 million in 2001 were up 31.6% compared to $107.6 million in 2000. This increase principally reflected higher incentive compensation costs due to the Company's very strong 2001 results, unusual costs of approximately $5.0 million for severance, legal fees and other costs related to the Company's legal settlement with the Department of Justice in April 2001 and $6.0 million related to charitable contributions and initial funding for the newly formed Moody's Foundation. Depreciation and amortization expense increased from $16.6 million in 2000 to $17.0 million in 2001.

Moody's operating income of $398.5 million in 2001 was up 38.1% from $288.5 million in 2000. Due to the unexpected strength in revenue throughout the year, the Company's 2001 operating margin was 50%, up from 48% a year earlier and above our long-term target of 48%.

Non-operating expense increased to $16.6 million in 2001 from $4.5 million in 2000. This was principally the result of a full year of interest expense related to the Company's private debt placement that was completed in the fourth quarter of 2000, offset in part by interest income on invested cash.

Moody's effective tax rate was 44.4% for 2001 compared to 44.2% for 2000.

Reported net income was $212.2 million in 2001 compared to $158.5 million in 2000, an increase of 33.9%. Basic earnings per share were $1.35 in 2001 and $0.98 in 2000, an increase of 37.8%. Diluted earnings per share were $1.32 in 2001 and $0.97 in 2000, an increase of 36.1%. On a pro forma basis, including interest expense on the private placement debt (and excluding any interest income) for both periods, diluted earnings per share would have been $1.30 for 2001 compared with $0.91 for 2000, a gain of 42.9%.

Year Ended December 31, 2000 Compared with Year Ended December 31, 1999

Moody's revenue was $602.3 million in 2000, an increase of $38.1 million or 6.8% from $564.2 million in 1999. The increase reflected modest growth in ratings revenue, with strong gains in global structured finance ratings, partially offset by the impact of declines in several sectors of the U.S. market. Other revenue reflected strong growth in Moody's Risk Management Services, primarily related to the acquisition of a financial software products company in January 2000. It also reflected double-digit growth in research revenue, driven by international expansion, new product introductions and growth in demand for products delivered via the Internet.

Moody's ratings revenue was $519.6 million in 2000, an increase of 3.5% from $502.2 million in 1999. Strong growth in global structured finance and international corporate finance was partially offset by the effects of a decline in securities issuance in the U.S. capital markets.

Structured finance ratings revenue of $199.2 million in 2000 grew 15.5% over 1999 revenue of $172.4 million. The increase in

2000 revenue was principally the result of strong growth in the asset-backed and derivatives markets in the U.S., Europe and Japan. Moody's revenue from ratings of U.S. credit derivatives grew by 12% in 2000, as the number of collateralized debt obligations that Moody's rated increased by 14%.

Revenue from corporate ratings was $162.7 million in 2000 compared with $165.5 million in 1999, a decline of 1.7%. Revenue from high yield ratings declined in 2000, as the number of issues during the year was 55% lower than in 1999. This impact was substantially offset by revenue from new European issuers and double-digit growth in bank loan ratings revenue.

Revenue from financial institution and sovereign risk ratings was $111.6 million in 2000, an increase of 6.5% over $104.8 million in 1999. Growth in 2000 reflected 21% volume growth in international bond and medium-term note issuance, somewhat offset by the negative effects of a decline in U.S. debt issuance and U.S. industry consolidation in this sector.

Public finance ratings revenue declined 22.5% to $46.1 million in 2000, from $59.5 million in 1999. The decrease was principally the result of a 16% decline in the number of U.S. municipal bonds issued in 2000 compared to 1999.

Other revenue increased 33.4% to $82.7 million in 2000, reflecting double-digit growth in research revenue due to strong demand for products delivered via the Internet and increased international sales. In addition, Moody's Risk Management Services revenue more than doubled compared to 1999, primarily due to the acquisition of a financial software products company in January 2000.

Revenue in the United States was $428.9 million in 2000, an increase of 1.3% over $423.4 million in 1999. Ratings revenue declined 1% compared to the prior year, as the effects of lower issuance levels in the core corporate and public finance sectors were substantially offset by strong growth in asset-backed finance, credit derivatives and bank loan ratings. Double-digit revenue growth was achieved in Moody's Risk Management Services and research revenue.

Moody's international revenue was $173.4 million in 2000 versus $140.8 million in 1999, an increase of 23.2%. This performance was principally driven by strong growth in ratings of international structured finance securities, particularly in Europe and Japan, and an increased number of European corporate issuers. Strong growth was achieved in international research revenue, reflecting new products and geographic expansion, and in Moody's Risk Management Services revenue.

2000 operating expenses of $189.6 million grew 3.3% from $183.6 million in 1999. The increase reflected higher compensation and related expenses due to an increase in the number of analysts, particularly in Europe and in worldwide structured finance. This growth was partially offset by cost containment efforts in light of low revenue growth in the U.S. and lower production and delivery costs due to conversion of research products to Internet delivery. Selling, general and administrative expenses of $107.6 million in 2000 were up 10.7% compared to $97.2 million in 1999. This increase was principally due to higher compensation and related costs to support international business expansion, increased corporate overhead costs resulting from becoming a separate public company and higher sales related costs in the risk management services business. Depreciation and amortization expense increased from $13.0 million in 1999 to $16.6 million in 2000, principally reflecting amortization of goodwill and intangible assets related to the previously mentioned acquisition.

Moody's operating income of $288.5 million in 2000 was up 6.7% from $270.4 million in 1999. Non-operating expense of $4.5 million in 2000 principally reflected interest expense related to Moody's private debt placement that was completed in the fourth quarter, offset in part by interest income on invested cash. Non-operating income of $8.5 million in 1999 principally reflected a $9.2 million gain related to the 1998 sale of the Company's Financial Information Services business ("FIS").

Moody's effective tax rate was 44.2% for both 2000 and 1999.

Reported net income was $158.5 million in 2000 compared with $155.6 million in 1999, an increase of 1.9%. Basic and diluted earnings per share for 2000 were $0.98 and $0.97, respectively, compared to $0.96 and $0.95, respectively, in 1999. Excluding the 1999 gain related to the sale of FIS, and including interest expense on the private placement debt (but excluding any interest income) for both periods, diluted earnings per share would have been $0.91 in 2000 compared with $0.84 in 1999, an increase of 8.3%.

Year Ended December 31, 1999 Compared with Year Ended December 31, 1998

Moody's revenue was $564.2 million in 1999, an increase of 9.8% from $513.9 million in 1998. Revenue in 1998 included $18.4 million related to FIS, which was sold in July 1998. Excluding FIS, Moody's 1999 revenue grew 13.9% from $495.5 million in 1998. The strong revenue performance reflected double-digit growth in ratings revenue, fueled by continued expansion of European capital markets and growth in several sectors of the U.S. market. Moody's 1999 revenue also reflected double-digit growth in research revenue, driven by international expansion and new product introductions.

Moody's ratings revenue was $502.2 million in 1999, an increase of 13.7% from $441.5 million in 1998. This growth was principally driven by ratings of corporate bonds, structured finance products and commercial paper. International ratings revenue growth was especially strong, as the introduction of the Euro and a significant increase in merger-related financing drove significant growth in European capital markets. These revenue gains were partially offset by the effects of volume declines in the U.S. high yield and municipal markets, compared to strong performance in these markets in 1998.

Structured finance ratings revenue of $172.4 million in 1999 grew 20.6% over 1998 revenue of $143.0 million. The increase in 1999 revenue was principally the result of strong growth in the asset-backed and derivatives markets in the U.S., Europe and Japan. Moody’s revenue from ratings of U.S. credit derivatives grew by more than 40% in 1999, as issuance volumes surged to record levels.

Revenue from corporate ratings was $165.5 million in 1999 compared with $143.6 million in 1998, an increase of 15.3%. The revenue growth was principally driven by strong international issuance volumes. U.S. bank loan ratings activity expanded significantly in 1999 as Moody’s rated more than $300 billion of new loans, an increase of 50% over 1998. Revenue from high yield ratings declined in 1999, as issuance dollar volume during the year was approximately 32% lower than 1998’s record level.

Revenue from financial institution and sovereign risk ratings was $104.8 million in 1999, an increase of 16.3% over $90.1 million in 1998. The increase principally reflected higher debt issuance in and expanded coverage of the global banking sector.

Public finance ratings revenue declined 8.2% to $59.5 million in 1999 from $64.8 million in 1998. The decrease was principally the result of lower municipal debt issuance in 1999 following 1998’s near-record level.

Revenue in the United States was $423.4 million in 1999, an increase of 2.5% over $413.0 million in 1998. Excluding the 1998 revenue of FIS, United States revenue increased 7.1% in 1999, from $395.3 million in 1998. This increase was principally the result of gains in structured finance, commercial paper and bank loan ratings, partially offset by the effects of volume declines in the high yield and municipal markets.

Moody’s international revenue was $140.8 million in 1999 versus $100.9 million in 1998, an increase of 39.5%. Excluding the 1998 revenue of FIS, international revenue increased 40.5% in 1999 from $100.2 million in 1998. This performance was principally driven by growth in European capital markets, where the introduction of the Euro and a significant increase in merger-related financing drove strong debt issuance. Strong growth was also achieved in ratings of international asset-backed securities, particularly in Europe and Japan.

1999 operating expenses of $183.6 million grew $6.3 million, or 3.6%, from $177.3 million in 1998. Excluding 1998 operating expense of $8.5 million related to FIS, 1999 operating expense increased by $14.8 million, or 8.8%. The increase principally reflected higher compensation and related expenses due to an increase in the number of analysts, particularly in Europe and the structured finance business. Selling, general and administrative expenses of $97.2 million in 1999 were up $1.5 million compared to $95.7 million in 1998. Excluding $4.6 million of 1998 selling, general and administrative expenses related to FIS, 1999 expense grew by $6.1 million, or 6.7%. This increase was principally due to higher compensation and related costs. Depreciation and amortization expense was $13.0 million in 1999, a decrease of $2.4 million from 1998. Excluding FIS depreciation and amortization expense of $1.1 million in 1998, the 1999 expense declined by $1.3 million. This reflected lower levels of capital spending in 1998 and 1999 versus prior years, partly as a result of declining technology costs.

Moody’s operating income of $270.4 million in 1999 was up 19.9% from $225.5 million in 1998. Excluding 1998 operating income related to FIS of $4.2 million, 1999 operating income grew 22.2% from $221.3 million in 1998.

Non-operating income, net, was $8.5 million in 1999 and $12.4 million in 1998. Non-operating income included pre-tax gains related to the sale of FIS of $9.2 million in 1999 and $12.6 million in 1998.

Moody’s effective tax rate was 44.2% for 1999, compared with 40.3% in 1998. The change resulted from an increase in the percentage of Moody’s income allocable to states with high income tax rates and refinements of certain estimates.

Moody’s reported net income was $155.6 million in 1999 versus $142.0 million in 1998, an increase of 9.6%. Basic and diluted earnings per share in 1999 were $0.96 and $0.95, respectively, compared with basic and diluted earnings per share of $0.84 and $0.83, respectively, in 1998. Moody’s results included after-tax gains related to the sale of FIS of $5.1 million ($0.03 per basic and diluted share) in 1999 and $7.5 million ($0.04 per basic and diluted share) in 1998. Excluding these gains, Moody’s 1999 net income of $150.5 million increased 11.9% or $16.0 million over $134.5 million in 1998.

Market Risk

Moody’s maintains operations in 16 countries outside the United States and over 90% of its revenue for the year ended December 31, 2001 was billed and collected in U.S. dollars. Approximately 25% of the Company’s expenses were incurred in currencies other than the U.S. dollar. As such, the Company is exposed to market risk from changes in foreign exchange rates.

As of December 31, 2001, approximately 12% of Moody’s assets were located outside the U.S. Of Moody’s aggregate cash and cash equivalents of $163.2 million at December 31, 2001, approximately $34 million was located outside the United States (with $28 million in the U.K.), making the Company susceptible to fluctuations in foreign exchange rates. The effect of changes in the value of foreign currencies relative to the U.S. dollar on assets and liabilities of non-U.S. operations are charged or credited to the cumulative translation adjustment in shareholders’ equity.

Cash equivalents consist of investments in high quality investment grade securities within and outside the United States. By policy, the Company limits the amount it can invest with any one issuer. The Company manages its credit risk exposure by allocating its cash equivalents among various money market mutual funds, short-term certificates of deposit or issuers of high-grade commercial paper.

The Company has not engaged in foreign currency hedging transactions nor does the Company have any derivative financial instruments. However, going forward, the Company will assess the need to enter into hedging transactions to limit its risk due to fluctuations in exchange rates.

Liquidity and Capital Resources

Net cash provided by operating activities was $306.3 million, $67.6 million, and $197.7 million for the years ended December 31, 2001, 2000 and 1999, respectively. Cash provided by operating activities in 2001 increased substantially compared with 2000 reflecting, among other things, the $174.6 million income tax-related payment in 2000 that is described later in this section and year-to-year growth in Moody's net income of $53.7 million in 2001. In addition, the 2001 increase reflected a deferral of approximately $50 million of U.S. federal income taxes that normally would have been paid during the year; such taxes were paid in January 2002. Moody's accrued liabilities at December 31, 2001 were $101.5 million higher than at December 31, 2000. In addition to the impact of the income tax deferral, the increase reflected higher accruals for incentive compensation, which were paid in the first quarter of 2002. In addition, accounts receivable at year-end 2001 were $47.4 million higher than the prior year-end, reflecting the high level of fourth quarter 2001 billings. It is anticipated that the majority of these receivables will be collected in the first quarter of 2002. The decrease in cash provided by operating activities in 2000 compared to 1999 was primarily due to a payment of approximately $174.6 million, representing Moody's 50% share, in connection with an amended tax return filed by Old D&B on May 12, 2000. In addition, payments for incentive compensation in 2000 were higher than in 1999. The $15.0 million increase in accounts receivable in 2000 reflected strong growth in fourth quarter billings.

Net cash used in investing activities was $30.0 million, $33.6 million and $12.0 million for the years ended December 31, 2001, 2000 and 1999, respectively. The 2001 amount included $15.2 million of investments in international rating agencies. The increase in cash used from 1999 to 2000 was principally due to the acquisition of a financial software products company in January 2000 for $17.4 million. In addition, the Company increased its spending on computer equipment and software development from 1999 to 2000. Capital expenditures, which principally include investments in purchasing, developing and upgrading computer hardware, software and systems, and improvements to owned and leased office facilities, were $14.8 million in 2001, $14.4 million in 2000 and $12.9 million in 1999. Currently, the Company has commitments related to its planned acquisition of KMV for $210 million and contingent payments of up to $5.4 million related to the Company's investment in Korea Investors Service. See Notes 5, Investments in Affiliates, and 17, Subsequent Event, to the Company's consolidated financial statements for further detail.

Net cash (used in) provided by financing activities was ($233.0) million, $81.6 million and ($186.4) million for the years ended December 31, 2001, 2000 and 1999, respectively. The 2001 and 2000 amounts consisted primarily of $267.6 million and $71.8 million, respectively, for repurchases of the Company's common stock under its share repurchase program. These amounts were offset in part by stock option proceeds and related tax benefits of $62.9 million and $12.7 million, respectively. In addition, the 2001 and 2000 amounts included dividends paid of $28.3 million and $7.2 million, respectively. The 2000 amount also included $104.5 million of net proceeds from the private debt placement that was completed in the fourth quarter and distributions made to Old D&B through the Distribution Date. The 1999 amount represents a net distribution to Old D&B.

Pursuant to the Distribution Agreement, Moody's was allocated $195.5 million of debt at September 30, 2000. Moody's funded this debt with borrowings under a $160 million unsecured bank revolving credit facility and a bank bridge line of credit. On October 3, 2000, the Company issued $300 million of notes in a private placement (the "Notes"). The private placement notes have a five-year term and bear interest at an annual rate of 7.61%, payable semi-annually. The cash proceeds from the private placement were used in part to repay the outstanding balance on the revolving credit facility and to repay the bridge line of credit.

The revolving credit facility (the "Facility"), which was undrawn as of December 31, 2001, consists of an $80 million 5-year facility and an $80 million 364-day facility. Interest rates on borrowings under the Facility are based on prevailing short-term rates at the time of such borrowings. As noted below, Moody's intends to draw down on this Facility to initially fund the planned acquisition of KMV.

The Notes and the Facility (the "Agreements") contain covenants that, among other things, restrict the ability of the Company and its subsidiaries, without the approval of the lenders, to engage in mergers, consolidations, asset sales and sale-leaseback transactions or to incur liens. The Notes and the Facility also contain financial covenants that, among other things, require the Company to maintain an interest coverage ratio, as defined in the Agreements, of not less than 3 to 1, and a ratio of total indebtedness to earnings before interest, taxes, depreciation and amortization, as defined in the Agreements, of not more than 4 to 1. At December 31, 2001 the Company was in compliance with its debt covenants. If an event of default were to occur (as defined in the Agreements) and was not remedied by the Company within the stipulated time frame, an acceleration of the Notes and restrictions on the use of the Facility could occur.

At December 31, 2001 and 2000, Moody's did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, Moody's is not exposed to any financing, liquidity, market or credit risk that could arise if it had engaged in such relationships.

In February 2002, Moody's reached a definitive agreement to acquire KMV, a market-based, quantitative credit risk management tools company, in an all cash transaction for $210 million. Moody's expects the transaction to close by the early part of the second quarter of 2002 and initially to be funded by a combination of cash on hand and its existing $160 million Facility. The Company plans to secure more permanent financing for all or part of the purchase price, in order to retain open bank credit lines and to use its cash flow from operations for share repurchases. The KMV acquisition is subject to a number of closing conditions and there can be no guarantee that the transaction will be consummated or that the Company will be able to successfully integrate the KMV and Moody's Risk Management Services businesses.

Moody's expects to have positive operating cash flow, as well as after-tax free cash flow, for fiscal year 2002. The Company currently intends to use the majority of such free cash flow to continue its share repurchase program. However, any projections of future cash needs and cash flows are subject to substantial uncertainty. See "Additional Factors That May Affect Future Results" in this section. In addition, the Company will from time to time consider acquisitions of or investments in complementary businesses, products, services and technologies, which might affect liquidity requirements and cause the Company to pursue additional financing. There can be no assurance that financing will be available in amounts or on terms acceptable to the Company, if at all.

Additional Factors That May Affect Future Results

The following risk factors and other information included in this Form 10-K should be carefully considered. The risks and uncertainties described below are not the only ones the Company faces. Additional risks and uncertainties not presently known to the Company or that the Company's management currently deems immaterial also may impair its business operations. If any of the following risks occur, Moody's business, financial condition, operating results and cash flows could be materially adversely affected.

Changes in the Volume of Debt Securities Issued in Domestic and/or Global Capital Markets and Changes in Interest Rates and Other Volatility in the Financial Markets

Approximately 90% of Moody's revenue in 2001 was derived from ratings, a significant portion of which was related to the issuance of credit sensitive securities issued in the global capital markets. Moody's enjoyed revenue growth from these sources in 2001 that was substantially greater than its historical averages, principally due to strong issuance volumes driven by the favorable interest rate environment in the U.S. and very strong growth in global structured finance issuance. The Company anticipates that a substantial part of its business will continue to be dependent on the number and dollar volume of debt securities issued in the capital markets. Therefore, the Company's results could be adversely affected by a reduction of the level of debt issuance.

Unfavorable financial or economic conditions that either reduce investor demand for debt securities or impair issuers' ability to issue such securities could reduce the number and dollar volume of debt issuance and other transactions for which Moody's provides ratings services. In addition, increases in interest rates, volatility in financial markets or the interest rate environment, significant political or economic events, defaults of significant issuers and other market and economic factors may negatively impact the general level of debt issuance, the debt issuance plans of certain categories of borrowers, and/or the types of credit-sensitive products being offered. A sustained period of market decline or weakness could also have a material adverse affect on Moody's business and financial results.

Possible Loss of Market Share through Competition

The markets for credit ratings, research and risk management services are intensely competitive. Moody's competes on the basis of a number of factors, including quality of ratings, client service, research, reputation, price, geographic scope, range of products and technological innovation. Moody's faces increasing competition from Standard & Poor's Credit Market Service, Fitch, local rating agencies in a number of jurisdictions and niche companies that provide ratings for particular types of financial products or issuers (such as A.M. Best Company in the insurance industry). Since Moody's believes that some of its most significant challenges and opportunities will arise outside the U.S., it will have to compete with rating agencies that may have a stronger local presence or a longer operating history in those markets. These local providers or comparable competitors that may emerge in the future may receive support from local governments or other institutions.

Introduction of Competing Products or Technologies by Other Companies

The markets for credit rating, research and risk management services are increasingly competitive. The ability to provide innovative products and technologies that anticipate customers' changing requirements and utilize emerging technological trends is a key factor to maintaining market share. Competitors may develop quantitative methodologies for assessing credit risk that customers and market participants may deem preferable to or more cost-effective than the credit risk assessment methods currently employed by Moody's.

Increased Pricing Pressure from Competitors and/or Customers

In the credit rating, research and risk management markets, competition for customers and market share has spurred more aggressive tactics by some competitors in areas such as pricing and service. Moody's intends to continue providing the highest quality products and the best service to its customers and the capital markets. However, if its pricing and services are not sufficiently competitive with its current and future competitors, Moody's may lose market share.

Possible Loss of Key Employees to Investment or Commercial Banks or Elsewhere and Related Compensation Cost Pressures

Moody's success depends in part upon recruiting and retaining highly skilled, experienced analysts and other professionals. Competition for qualified staff in the financial services industry is intense, and Moody's ability to attract staff could be impaired if it is unable to offer competitive compensation and other incentives. Investment banks and other competitors for analyst talent may be able to offer higher compensation than Moody's. Moody's also may not be able to identify and hire employees outside the U.S. with the required experience or skills to perform sophisticated credit analysis. Moody's ability to effectively compete will continue to depend, among other things, on its ability to attract new employees and to retain and motivate existing employees.

Exposure to Litigation Related to Moody's Rating Opinions

Moody's faces litigation from time to time from parties claiming damages arising from allegedly inaccurate ratings. In addition, as Moody's international business expands, these types of claims may increase because foreign jurisdictions may not have legal protections comparable to those in the U.S. (such as the First Amendment). These risks often may be difficult to assess or quantify and their existence and magnitude often remains unknown for substantial periods of time.

Potential Emergence of Government-Sponsored Credit Rating Agencies

When governments adopt regulations that require debt securities to be rated, establish criteria for credit ratings or authorize only certain entities to provide credit ratings, the competitive balance among rating agencies and the level of demand for ratings may be negatively affected. Government-mandated ratings criteria may also have the effect of displacing objective assessments of creditworthiness. In these circumstances, issuers may be less likely to base their choice of rating agencies on criteria such as independence and credibility, and more likely to base their choice on their assumption as to which credit rating agency might provide a higher rating, which may negatively affect the Company.

Proposed U.S., Foreign, State and Local Legislation and Regulations, Including Those Relating to Nationally Recognized Statistical Rating Organizations

In the U.S. and other countries, the laws and regulations applicable to credit ratings and rating agencies continue to evolve. Recently there has been discussion in the U.S. regarding study of the regulation of credit rating agencies. Changes in the current U.S. regulatory regime could increase Moody's costs or change the environment in which Moody's operates. Failure to maintain governmental authorizations or to comply with local laws and regulations could negatively impact the ability of Moody's to compete in the U.S. and other jurisdictions.

Multinational Operations

Moody's maintains offices outside the U.S. and derives a significant portion of its revenue from sources outside the U.S. Operations in several different countries expose Moody's to a number of legal, economic and regulatory risks such as:

- changes in legal and regulatory requirements
- possible nationalization, expropriation, price controls and other restrictive governmental actions
- restrictions on the ability to convert local currency into U.S. dollars
- currency fluctuations
- export and import restrictions, tariffs and other trade barriers
- difficulty in staffing and managing offices as a result of, among other things, distance, travel, cultural differences and intense competition for trained personnel
- longer payment cycles and problems in collecting receivables
- political and economic instability
- potentially adverse tax consequences

Although such factors have not historically had a material adverse effect on the business, financial condition and results of operations of the Company, any of such factors could have such an effect in the future.

Share Repurchase Program

In October 2000, the Board of Directors of Moody's Corporation authorized a share repurchase program of up to $250 million, which amount was subsequently increased to $300 million. The program includes both special share repurchases and systematic repurchases of Moody's common stock to offset the dilutive effect of share issuance under the company's employee benefit arrangements. In October 2001, Moody's Board of Directors authorized special and systematic share repurchases of up to an additional $300 million.

During the fourth quarter of 2001, the Company repurchased 2.1 million shares of its common stock at a total cost of approximately $72 million. For the full year 2001, Moody's repurchased 8.5 million shares at a total cost of $268 million, bringing total repurchases since program inception to 11.3 million shares at a cost of approximately $340 million. This includes 3.4 million shares, at a cost of approximately $103 million, to offset issuances under Moody's stock plans. Moody's anticipates completing the current $300 million share repurchase program by mid-2003.

Contingencies

Moody's is involved in legal proceedings of a nature considered normal to its business. In the opinion of management, although the outcome of such legal proceedings cannot be predicted with certainty, the ultimate liability of Moody's in connection with such legal proceedings will not have a material effect on the Company's results of operations, cash flows or financial position. In addition, Moody's has certain other contingencies discussed below.

Tax Matters

Pursuant to the Distribution Agreement, New D&B and Moody's have agreed to each be financially responsible for 50% of any potential liabilities that may arise with respect to the matters described below, to the extent such potential liabilities are not directly attributable to their respective business operations.

Old D&B and its predecessors entered into global tax planning initiatives in the normal course of business, including through tax-free restructurings of both their foreign and domestic operations. These initiatives are subject to normal review by tax authorities. It is possible that additional liabilities may be proposed by tax authorities as a result of these reviews and that one or more of the reviews could be resolved unfavorably. At this time, Moody's management is unable to predict the extent of such reviews, the outcome thereof or whether the resolution of these matters could materially affect Moody's results of operations, cash flows or financial position.

The IRS has completed its review of the utilization of certain capital losses generated during 1989 and 1990. On June 26, 2000, the IRS, as part of its audit process, issued a formal assessment with respect to the utilization of these capital losses and Old D&B responded by filing a petition for a refund in the U.S. District Court on September 21, 2000, after the payments described below were made.

On May 12, 2000, an amended tax return was filed for the 1989 and 1990 tax periods, which reflected $561.6 million of tax and interest due. Old D&B paid the IRS approximately $349.3 million of this amount on May 12, 2000, of which 50% was on behalf of Moody's. IMS Health has informed Old D&B that it paid to the IRS approximately $212.3 million on May 17, 2000. The payments were made to the IRS to stop further interest from accruing. Notwithstanding the filing and payment, New D&B is contesting the IRS's formal assessment and would also contest the assessment of amounts, if any, in excess of the amounts paid. Moody's had previously accrued its anticipated share of the probable liability arising from the utilization of these capital losses.

Information Resources, Inc.

On July 29, 1996, Information Resources, Inc. ("IRI") filed a complaint in the United States District Court for the Southern District of New York, naming as defendants R.H. Donnelley Corporation ("Donnelley"), ACNielsen Company, (a subsidiary of ACNielsen Corporation) and IMS International Inc. (a subsidiary of the company then known as Cognizant Corporation). At the time of the filing of the complaint, each of the other defendants was a subsidiary of Donnelley.

The complaint alleges various violations of United States antitrust laws, including purported violations of Sections 1 and 2 of the Sherman Act. The complaint also alleges a claim of tortious interference with a contract and a claim of tortious interference with a prospective business relationship. These claims relate to the acquisition by defendants of Survey Research Group Limited ("SRG"). IRI alleges SRG violated an alleged agreement with IRI when it agreed to be acquired by the defendants and that the defendants induced SRG to breach that agreement.

IRI's complaint alleges damages in excess of $350 million, which amount IRI has asked to be trebled under antitrust laws. IRI also seeks punitive damages in an unspecified amount.

Under the terms of the 1998 Distribution Agreement, as a condition to the Distribution, New D&B undertook to be jointly and severally liable with Moody's for Old D&B's obligations to Donnelley under the 1998 Distribution Agreement, including any liabilities relating to the IRI action. However, under the Distribution Agreement, as between themselves, each of New D&B and Moody's has agreed to be responsible for 50% of any payments to be made in respect of the IRI action pursuant to the 1998 Distribution Agreement or otherwise, including any legal fees or expenses related thereto.

Management is unable to predict at this time the final outcome of the IRI action or whether the resolution of such matter could materially affect Moody's results of operations, cash flows or financial position. See Note 14 to the Company's consolidated financial statements, Contingencies, for additional information.

L'Association Francaise des Porteurs d'Emprunts Russes

On June 20, 2001 a summons was served in an action brought by L'Association Francaise des Porteurs d'Emprunts Russes ("AFPER") against Moody's France SA (a subsidiary of the Company) and filed in the Court of First Instance of Paris, France. In this suit, AFPER, a group of holders of bonds issued by the Russian government prior to the 1917 Bolshevik Revolution, makes claims against Moody's France SA and Standard & Poor's SA for lack of diligence and prudence in their ratings of Russia and Russian debt since 1996. AFPER alleges that, by failing to take into account the post-Revolutionary repudiation of pre-Revolutionary Czarist debt by the Soviet government in rating Russia and new issues of Russian debt beginning in 1996, the rating agencies enabled the Russian Federation to issue new debt without repaying the old obligations of the Czarist government. Alleging joint and several liability, AFPER seeks damages of approximately $2.43 billion plus legal costs. Moody's believes the allegations lack legal or factual merit and intends to vigorously contest the action.

Dividends

During 2001 and in the fourth quarter of 2000, the Company paid a quarterly dividend of 4.5 cents per share of Moody's common stock, resulting in dividends paid per share of 18.0 cents in

2001 and 4.5 cents in 2000. Prior to the fourth quarter of 2000, when Moody's was a subsidiary of Old D&B, the Company did not pay dividends directly to Old D&B shareholders.

In December 2001, the Company's Board of Directors declared a first quarter 2002 dividend of 4.5 cents per share, payable on March 10, 2002 to shareholders of record on February 28, 2002. The payment and level of cash dividends by Moody's going forward will be subject to the discretion of the Moody's Board of Directors.

Common Stock Information

As described above in "Item 1—Business—The Distribution", the Distribution was completed on September 30, 2000. As of October 3, 2000 the Company's common stock began trading on the New York Stock Exchange under the symbol "MCO". The table below indicates the high and low sales price of the Company's common stock and the dividends paid for the periods shown. The number of registered shareholders of record at January 31, 2002 was 5,754.

	Price Per Share		Dividends Paid Per Share
	High	Low	
From October 3, 2000 through December 31, 2000	$28.88	$22.63	$0.045
2001:			
First quarter	$29.11	$25.49	$0.045
Second quarter	$34.85	$26.17	$0.045
Third quarter	$37.00	$30.60	$0.045
Fourth quarter	$41.10	$31.46	$0.045
Year ended December 31, 2001	**$41.10**	**$25.49**	**$0.180**

Fees of Independent Accountants

During 2001, Moody's incurred $3.7 million for services rendered by PricewaterhouseCoopers ("PwC"), its independent accountants. The aggregate fees of PwC for professional services rendered for the audit of the Company's annual financial statements for the year ended December 31, 2001 and for the review of the financial statements included in the Company's Quarterly Reports on Form 10-Q during such year were approximately $0.6 million.

PwC did not render professional services to the Company relating to financial information systems design and implementation, for the year ended December 31, 2001.

The aggregate fees for services rendered by PwC to the Company, were approximately $3.1 million (including $0.2 million incurred but not billed in 2001). Approximately one-half of such fees were for consultation on various tax matters of a non-recurring nature, in connection with the Company's transition to an independent company. The remainder principally related to tax consulting and compliance, expatriate tax services, acquisition reviews and statutory audits of non-U.S. subsidiaries.

It is the intention of the Company in 2002 to substantially reduce the amount of non-audit services provided by PwC and thereafter to minimize the amount of these services from PwC, compatible with their efficient use.

Forward-Looking Statements

Certain statements contained in this Form 10-K are forward-looking statements and are based on future expectations, plans and prospects for Moody's business and operations that involve a number of risks and uncertainties. The forward-looking statements are made as of the date of the Company's Annual Report on Form 10-K for the year ended December 31, 2001, and management disclaims any duty to update or revise such statements on a going-forward basis, whether as a result of subsequent developments, changed expectations or otherwise. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company is identifying certain factors that could cause actual results to differ, perhaps materially, from those indicated by these forward-looking statements. Those factors include, but are not limited to, changes in the volume of debt securities issued in domestic and/or global capital markets; changes in interest rates and other volatility in the financial markets; possible loss of market share through competition; introduction of competing products or technologies by other companies; pricing pressures from competitors and/or customers; the potential emergence of government-sponsored credit rating agencies; proposed U.S., foreign, state and local legislation and regulations, including those relating to nationally recognized statistical rating organizations; the possible loss of key employees to investment or commercial banks or elsewhere and related compensation cost pressures; and the outcome of any review by controlling tax authorities of the Company's global tax planning initiatives. These factors and other risks and uncertainties that could cause Moody's actual results to differ significantly from management's expectations, are described in greater detail in

"Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Additional Factors That May Affect Future Results" and in other reports of the Company filed from time to time with the Securities and Exchange Commission.

Table of Contents

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information in response to this Item is set forth under the caption "Market Risk" in Part II, Item 7 of this Form 10-K.

ITEM 8. FINANCIAL STATEMENTS

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Schedules are omitted as not required or inapplicable or because the required information is provided in the consolidated financial statements, including the notes thereto.

Report of Independent Accountants

To the Shareholders and the Board of Directors of Moody’s Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, shareholders’ equity and cash flows present fairly, in all material respects, the financial position of Moody’s Corporation and its subsidiaries at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company’s management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
New York, New York
February 4, 2002

MOODY'S CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(amounts in millions, except per share data)

	Year Ended December 31,		
	2001	2000	1999
Revenue	**$796.7**	$602.3	$564.2
Expenses			
Operating	**239.6**	189.6	183.6
Selling, general and administrative	**141.6**	107.6	97.2
Depreciation and amortization	**17.0**	16.6	13.0
Total expenses	**398.2**	313.8	293.8
Operating income	**398.5**	288.5	270.4
Interest expense, net	**(16.5)**	(3.6)	—
Gain on sale of business	**—**	—	9.2
Other non-operating expense, net	**(0.1)**	(0.9)	(0.7)
Non-operating (expense) income, net	**(16.6)**	(4.5)	8.5
Income before provision for income taxes	**381.9**	284.0	278.9
Provision for income taxes	**169.7**	125.5	123.3
Net income	**$212.2**	$158.5	$155.6
Earnings per share			
Basic	**$ 1.35**	$ 0.98	$ 0.96
Diluted	**$ 1.32**	$ 0.97	$ 0.95
Weighted average shares outstanding			
Basic	**157.6**	161.7	162.3
Diluted	**160.2**	163.0	164.3

The accompanying notes are an integral part of the consolidated financial statements.

MOODY'S CORPORATION
CONSOLIDATED BALANCE SHEETS
(dollar amounts in millions, except per share data)

	December 31,	
	2001	2000
Assets		
Current assets:		
Cash and cash equivalents	**$ 163.2**	$ 119.1
Accounts receivable, net of allowances of $27.3 in 2001 and $24.4 in 2000	**148.4**	101.0
Other current assets	**59.6**	57.5
Total current assets	**371.2**	277.6
Property and equipment, net	**42.9**	43.4
Prepaid pension costs	**57.2**	53.8
Intangibles assets, net	**10.3**	13.7
Other assets	**23.8**	9.8
Total assets	**$ 505.4**	$ 398.3
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 236.9**	$ 135.4
Deferred revenue	**122.4**	101.4
Total current liabilities	**359.3**	236.8
Non-current portion of deferred revenue	**19.8**	16.3
Notes payable	**300.0**	300.0
Other liabilities	**130.4**	127.7
Total liabilities	**809.5**	680.8
Commitments and contingencies (Notes 13 and 14)		
Shareholders' equity:		
Preferred stock, par value $.01 per share; 10,000,000 shares authorized; no shares issued and outstanding	**—**	—
Series common stock, par value $.01 per share; 10,000,000 shares authorized; no shares issued and outstanding	**—**	—
Common stock, par value $.01 per share; 400,000,000 shares authorized; 171,451,136 shares issued and outstanding at December 31, 2001 and 2000	**1.7**	1.7
Capital surplus	**43.7**	7.9
Accumulated deficit	**(39.3)**	(223.2)
Treasury stock, at cost; 17,043,168 and 11,040,266 shares of common stock at December 31, 2001 and 2000, respectively	**(307.5)**	(67.0)
Cumulative translation adjustment	**(2.7)**	(1.9)
Total shareholders' equity	**(304.1)**	(282.5)
Total liabilities and shareholders' equity	**$ 505.4**	$ 398.3

The accompanying notes are an integral part of the consolidated financial statements.

MOODY'S CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(amounts in millions)

	Year Ended December 31,		
	2001	2000	1999
Cash flows from operating activities			
Net income	**$ 212.2**	$ 158.5	$ 155.6
Reconciliation of net income to net cash provided by operating activities:			
Depreciation and amortization	**17.0**	16.6	13.0
Deferred income taxes	**(0.8)**	(2.3)	7.3
Loss on disposal of property and equipment	**0.6**	0.3	—
Impairment of investments in affiliates	**3.4**	—	—
Gain on sale of business	**—**	—	(9.2)
Changes in assets and liabilities:			
Accounts receivable	**(47.6)**	(14.6)	13.7
Other current assets	**(3.7)**	28.3	(4.6)
Prepaid pension costs	**(3.4)**	(4.1)	(1.9)
Other assets	**(2.9)**	0.9	(2.0)
Accounts payable and accrued liabilities	**101.6**	(138.6)	20.7
Deferred revenue	**24.8**	16.2	14.3
Other liabilities	**5.1**	6.4	(9.2)
Net cash provided by operating activities	**306.3**	67.6	197.7
Cash flows from investing activities			
Net capital additions	**(14.8)**	(14.4)	(12.9)
Acquisitions and investments in affiliates	**(15.2)**	(17.4)	—
Other	**—**	(1.8)	0.9
Net cash used in investing activities	**(30.0)**	(33.6)	(12.0)
Cash flows from financing activities			
Proceeds from issuance of notes	**—**	300.0	—
Net proceeds from stock plans	**62.9**	12.7	—
Cost of treasury shares repurchased	**(267.6)**	(71.8)	—
Payment of dividends	**(28.3)**	(7.2)	—
Net distributions to Old D&B	**—**	(152.1)	(186.4)
Net cash (used in) provided by financing activities	**(233.0)**	81.6	(186.4)
Effect of exchange rate changes on cash	**0.8**	0.1	0.1
Increase (decrease) in cash and cash equivalents	**44.1**	115.7	(0.6)
Cash and cash equivalents, beginning of the period	**119.1**	3.4	4.0
Cash and cash equivalents, end of the period	**$ 163.2**	$ 119.1	$ 3.4

The accompanying notes are an integral part of the consolidated financial statements.

MOODY'S CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(amounts in millions)

	Common Stock		Capital Surplus	Accumulated Deficit	Cumulative Translation Adjustment	Treasury Stock		Total Shareholders' Equity	Comprehensive Income
	Shares	Amount				Shares	Amount		
Balance at January 1, 1999	171.5	$1.7	$ —	$(191.6)	$(2.7)	(6.4)	$ —	$(192.6)	
Net income				155.6				155.6	$155.6
Currency translation adjustment					0.3			0.3	0.3
Net change in Old D&B treasury stock						(4.2)	—	—	
Net distributions to Old D&B				(186.4)				(186.4)	
Comprehensive income									155.9
Balance at December 31, 1999	171.5	1.7	—	(222.4)	(2.4)	(10.6)	—	(223.1)	
Net income				158.5				158.5	158.5
Dividends paid				(7.2)				(7.2)	
Net proceeds from stock plans			12.7					12.7	
Net change in Old D&B treasury stock prior to the Distribution Date						1.6	—	—	
Net treasury stock activity after the Distribution Date			(4.8)			(2.0)	(67.0)	(71.8)	
Currency translation adjustment					0.5			0.5	0.5
Net distributions to Old D&B				(152.1)				(152.1)	
Comprehensive income									159.0
Balance at December 31, 2000	171.5	1.7	7.9	(223.2)	(1.9)	(11.0)	(67.0)	(282.5)	
Net income				**212.2**				**212.2**	**212.2**
Dividends paid				**(28.3)**				**(28.3)**	
Net proceeds from stock plans			**62.9**					**62.9**	
Net treasury stock activity			**(27.1)**			**(6.0)**	**(240.5)**	**(267.6)**	
Currency translation adjustment					**(0.8)**			**(0.8)**	**(0.8)**
Comprehensive income									**$211.4**
Balance at December 31, 2001	**171.5**	**$1.7**	**$ 43.7**	**$ (39.3)**	**$(2.7)**	**(17.0)**	**$(307.5)**	**$(304.1)**	

The accompanying notes are an integral part of the consolidated financial statements.

MOODY'S CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
TABULAR AMOUNTS IN MILLIONS, EXCEPT PER SHARE DATA

Note 1 Description of Business and Basis of Presentation

Moody's Corporation ("Moody's" or the "Company"), a global credit rating, research and risk analysis firm, publishes credit opinions, research and ratings on fixed-income securities, issuers of securities and other credit obligations. The Company publishes rating opinions on a broad range of credit obligations issued in domestic and international markets, including various corporate and governmental obligations, structured finance securities and commercial paper programs. The Company also publishes investor-oriented credit research including in-depth research on major issuers, industry studies, special comments and credit opinion handbooks. Moody's Risk Management Services develops and distributes credit risk assessment software used by banks and other financial institutions in their commercial lending, portfolio management and other activities. It also provides modeling tools, analytics, credit education materials, seminars, computer-based lending simulations and other products and services.

The Company operated as part of The Dun & Bradstreet Corporation ("Old D&B") until September 30, 2000 (the "Distribution Date"), when Old D&B separated into two publicly traded companies—Moody's Corporation and The New D&B Corporation ("New D&B"). At that time, Old D&B distributed to its shareholders shares of New D&B stock. New D&B comprised the business of Old D&B's Dun & Bradstreet operating company (the "D&B Business"). The remaining business of Old D&B consisted solely of the business of providing ratings and related research and risk management services (the "Moody's Business") and was renamed "Moody's Corporation." The method by which Old D&B distributed its shares is hereinafter referred to as "the Distribution."

For purposes of governing certain ongoing relationships between the Company and New D&B after the Distribution and to provide for an orderly transition, the Company and New D&B entered into various agreements including a Distribution Agreement, Tax Allocation Agreement, Employee Benefits Agreement, Shared Transaction Services Agreement, Insurance and Risk Management Services Agreement, Data Services Agreement and Transition Services Agreement.

Pursuant to the terms of the Distribution Agreement, the Company retained all of the assets and liabilities related to the Moody's Business and New D&B retained all of the assets and liabilities related to the D&B Business. Prior to the Distribution Date, Old D&B provided certain centralized services to the Company, the cost of which was allocated to the Company. Management believes these allocations were reasonable; however, the costs of these services are not necessarily indicative of the costs that would have been incurred if the Company had performed or obtained these services as a separate entity. These allocations, included in the consolidated statements of operations, were $13.3 million in 2000 and $17.2 million in 1999. The consolidated financial statements reflect the financial position, results of operations and cash flows of the Company as if it were a separate entity for all periods presented.

Note 2 Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements include those of Moody's Corporation and all its subsidiaries. The effects of all intercompany transactions have been eliminated. The Company generally consolidates all majority-owned and controlled subsidiaries. Investments in companies over which the Company has significant influence but not a controlling interest are carried on an equity basis. Investments for which the Company does not have the ability to exercise significant influence over operating and financial policies are carried at cost. See Note 5 for a description of the Company's investments in affiliates.

Cash and Cash Equivalents

Cash equivalents principally consist of money market funds, short-term certificates of deposit and commercial paper with maturity periods of three months or less when purchased. Approximately $152 million and $88 million, respectively, were cash equivalents at December 31, 2001 and 2000. Interest income on cash and cash equivalents was $6.5 million and $2.2 million, respectively, for the years ended December 31, 2001 and 2000.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over their estimated useful lives, typically three to ten years for computer equipment and office furniture and fixtures and seven to forty years for buildings and building improvements. Expenditures for maintenance and repairs that do not extend the economic useful life of the related assets are charged to expense as incurred. Gains and losses on disposals of property and equipment are reflected in the consolidated statements of operations. Leasehold improvements are amortized over the shorter of the term of the lease or the estimated useful life of the improvement.

Computer Software

Costs for the development of computer software that will be sold, leased or otherwise marketed are capitalized when technological feasibility has been established. These assets, included in other assets in the consolidated balance sheets, primarily relate to the development of credit risk assessment software to be licensed to customers. The capitalized costs generally consist of professional services provided by third parties and compensation costs of employees that develop the software. These costs are amortized on a straight-line basis over three years, which approximates their useful life, and are reported at the lower of unamortized cost or net realizable value. At December 31, 2001 and 2000, the amounts included in other assets were $6.0 million and $4.7 million, respectively, net of accumulated amortization of $5.5 million and $4.4 million, respectively.

The Company capitalizes costs related to software developed or obtained for internal use in accordance with Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." These assets, included in property and equipment in the consolidated balance sheets, relate to the Company's accounting, product delivery and other systems. Such costs generally consist of direct costs of third party license fees, professional services provided by third parties and employee compensation, in each case incurred either during the application stage or in connection with upgrades and enhancements that increase functionality. Such costs are depreciated over their estimated useful lives, generally three to five years. Costs incurred during the preliminary project stage of development as well as maintenance costs are expensed as incurred.

Long-Lived Assets

Long-lived assets are reviewed for recoverability whenever events or changes in circumstances indicate that the carrying amount may be impaired. If the estimated undiscounted future cash flows are lower than the carrying amount of the asset, a loss is recognized for the difference between the carrying amount and the estimated fair value of the asset.

Intangible Assets

Goodwill of $6.0 million and $8.5 million at December 31, 2001 and 2000, respectively, net of accumulated amortization of $5.3 million and $3.2 million, respectively, represents the excess of the purchase price over the fair value of identifiable net assets of acquired businesses and is amortized on a straight-line basis over five to ten years. Other intangible assets of $4.3 million and $5.2 million at December 31, 2001 and 2000, respectively, net of accumulated amortization of $1.8 million and $0.9 million, arose through acquisitions of businesses and are being amortized over their estimated useful lives, generally five to seven years.

At each balance sheet date, the Company reviews the recoverability of goodwill and intangible assets based on estimated undiscounted future cash flows from operating activities compared with the carrying value, and recognizes any impairment on the basis of such comparison. For the years ended December 31, 2001 and 2000, no goodwill impairments were recognized.

Effective January 1, 2002, the Company will adopt Statement of Financial Accounting Standards (“SFAS”) No. 142, “Goodwill and Other Intangible Assets,” for purchase business combinations. Among other things, the goodwill described above will no longer be amortized. See a further description of this statement under the “Recently Issued Accounting Pronouncements” section of this Note 2.

Employee Benefit Plans

Pension benefits and postretirement healthcare and life insurance benefits earned by employees during the year as well as interest on projected benefit obligations are accrued currently. Prior service costs and credits resulting from changes in plan benefits are amortized over the average remaining service period of the employees expected to receive benefits.

Revenue Recognition

The Company recognizes revenue in accordance with Staff Accounting Bulletin No. 101, “Revenue Recognition in Financial Statements.” As such, revenue is recognized when an agreement exists, the services have been provided and accepted by the customer, fees are determinable and the collection of resulting receivables is considered probable.

Revenue attributed to ratings of issued securities is generally recognized when the rating is issued. Revenue attributed to monitoring activities is recognized over the period in which the related monitoring is performed, which is generally one year and can be up to 30 years in certain cases, particularly related to commercial mortgage-backed securities.Revenue related to annual fees for areas such as frequent issuer program arrangements and commercial paper programs is generally recognized over the contract term, which is principally one year. In recognizing revenue related to ratings, Moody’s uses judgments to match billed revenue with services to be provided in the future. These judgments are generally not dependent on the outcome of future uncertainties, but rather relate to allocating revenue across accounting periods.

Revenue from sales of research products and from risk management services subscription products is recognized over the related subscription period, which is principally one year. Revenue from sales of risk management services software is generally recognized at the time the product is shipped to customers, as the Company’s obligations are complete. Related maintenance revenue is recognized over the maintenance period, which is generally one year.

Amounts billed in advance of providing the related products or services are credited to deferred revenue and reflected in revenue when earned. The consolidated balance sheets reflect as current deferred revenue amounts that are expected to be recognized within one year of the balance sheet date, and as non-current deferred revenue amounts that are expected to be recognized over periods greater than one year. Non-current deferred revenue principally reflects monitoring fees for commercial mortgage-backed securities that are billed when the related rating is issued.

Accounts Receivable Allowances

Moody’s records as reductions of revenue provisions for estimated future adjustments to customer billings, based on historical experience and current conditions. Such provisions are reflected as additions to the accounts receivable allowance; adjustments to and write-offs of receivables are charged against the allowance. Moody's evaluates its estimates on a regular basis and makes adjustments to its provisions and the accounts receivable allowance as considered appropriate.

Selling, General and Administrative Expense

Selling, general and administrative expense is charged to income as incurred. This expense includes such items as compensation for officers and corporate staff and compensation and other expenses related to sales of products. It also includes items such as office rent, business insurance, professional fees and gains and losses from sales and disposals of assets. 2001 selling, general and administrative expense included unusual costs of approximately $5.0 million for severance, legal fees and other costs related to the Company's legal settlement with the Department of Justice in April 2001 and $6.0 million related to charitable contributions and initial funding for the newly formed Moody's Foundation.

Foreign Currency Translation

For all operations outside the United States where the Company has designated the local currency as the functional currency, assets and liabilities are translated into U.S. dollars using end of year exchange rates, and revenue and expenses are translated using average exchange rates for the year. For these operations, currency translation adjustments are accumulated in a separate component of shareholders' equity. Realized transaction gains and losses are reflected in other non-operating expense, net. Transaction losses were $0.1 million, $0.9 million and $0.7 million in 2001, 2000 and 1999, respectively.

Comprehensive Income

Comprehensive income represents the change in net assets of a business enterprise during a period due to transactions and other events and circumstances from non-owner sources including foreign currency translation impacts. The required disclosures have been included in the consolidated statements of shareholders' equity. The net effect of income taxes on comprehensive income was not significant for any period presented.

Income Taxes

The Company accounts for income taxes under the liability method in accordance with SFAS No. 109, "Accounting for Income Taxes." Therefore, income tax expense is based on reported income before income taxes, and deferred income taxes reflect the effect of temporary differences between the amounts of assets and liabilities that are recognized for financial reporting purposes and the amounts that are recognized for income tax purposes.

Prior to the Distribution, the Company was included in the federal and certain state income tax returns of Old D&B; however, the provision for income taxes for each of the years ended December 31, 2000 and 1999 has been calculated on a separate-company basis. Moody's share of income taxes paid by Old D&B through the Distribution Date have been reflected in the consolidated statements of shareholders' equity as net distributions to Old D&B.

Fair Value of Financial Instruments

The Company's financial instruments include cash, cash equivalents and trade receivables and payables, all of which are short-term in nature and, accordingly, approximate fair value. The fair value of the Company's long-term notes payable is estimated using discounted cash flow analyses based on the prevailing interests rates available to the Company. The carrying amount and fair value of the notes payable at December 31, 2001 were $300.0 million and $324.3 million, respectively. At December 31, 2000, the fair value of the Company's notes payable approximated the carrying value of $300 million. See Note 10, Indebtedness.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash and cash equivalents and trade receivables.

Cash equivalents consist of investments in high quality investment grade securities within and outside the United States. By policy, the Company limits the amount it can invest with any one issuer. The Company manages its credit risk exposure by allocating its cash equivalents among various money market mutual funds, short-term certificates of deposit or issuers of high-grade commercial paper. As of December 31, 2001, the Company did not maintain any derivative investments or engage in any hedging activities.

Credit is extended to customers based on an evaluation of their financial condition. No customer accounted for 10% or more of accounts receivable at December 31, 2001 or 2000.

Earnings Per Share of Common Stock

In accordance with SFAS No. 128, "Earnings per Share," basic earnings per share is calculated based on the weighted average number of shares of common stock outstanding during the reporting period. Diluted earnings per share is calculated giving effect to all potentially dilutive common shares, assuming that such shares were outstanding during the reporting period.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Estimates are used for, but not limited to, revenue recognition, accounts receivable allowances, income taxes, contingencies, valuation of investments in affiliates, long-lived and intangible assets and goodwill, stock options, and depreciation and amortization rates for property and equipment, goodwill, other intangible assets and computer software.

Recently Issued Accounting Pronouncements

On July 20, 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets."

SFAS No. 141 addresses financial accounting and reporting for goodwill and other intangible assets acquired in a business combination at acquisition. It requires the purchase method of accounting to be used for all business combinations initiated after June 30, 2001, establishes specific criteria for the recognition of intangible assets separately from goodwill and requires unallocated negative goodwill to be written off immediately as an extraordinary gain instead of being deferred and amortized. SFAS No. 141 is effective for all business combinations initiated after June 30, 2001 and for all business combinations accounted for by the purchase method for which the date of acquisition is after June 30, 2001.

SFAS No. 142 addresses financial accounting and reporting for intangible assets acquired individually or with a group of other assets (but not those acquired in a business combination) at acquisition. SFAS No. 142 also addresses financial accounting and reporting for goodwill and other intangible assets subsequent to their acquisition. SFAS No. 142 provides that goodwill and intangible assets that have indefinite useful lives will not be amortized but rather will be tested at least annually for impairment. It also provides that intangible assets that have finite useful lives will continue to be amortized over their useful lives, but those lives will no longer be limited to forty years. The provisions of SFAS No. 142 are effective for fiscal years beginning after December 15, 2001.

The Company will adopt SFAS No. 142 beginning January 1, 2002. The Company has considered the provisions of SFAS Nos. 141 and No. 142 and does not expect that adoption of these pronouncements will have a material impact on its financial statements.

Note 3 Reconciliation of Weighted Average Shares Outstanding

Below is a reconciliation of basic weighted average shares outstanding to diluted weighted average shares outstanding:

	2001	2000	1999
Weighted average number of shares—Basic	**157.6**	161.7	162.3
Dilutive effect of shares issuable under stock option, restricted stock and performance share plans	**2.6**	1.3	2.0
Weighted average number of shares—Diluted	**160.2**	163.0	164.3

Options to purchase 0.1 million, 8.0 million and 3.0 million shares of common stock were outstanding at December 31, 2001, 2000 and 1999, respectively, but were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the Company's common stock during the applicable period.

Note 4 Property and Equipment, Net

Property and equipment, net consisted of:

	December 31,	
	2001	2000
Land, building and building improvements	**$ 23.9**	$ 24.1
Office and computer equipment	**41.5**	38.4
Office furniture and fixtures	**15.2**	14.2
Internal-use computer software	**14.0**	10.1
Leasehold improvements	**28.8**	28.6
Property and equipment, at cost	**123.4**	115.4
Less: accumulated depreciation and amortization	**(80.5)**	(72.0)
Property and equipment, net	**$ 42.9**	$ 43.4

The consolidated statements of operations reflect depreciation and amortization expense related to the above assets of $11.7 million, $11.6 million and $11.4 million for the years ended December 31, 2001, 2000 and 1999, respectively.

Note 5 Investments in Affiliates

The company maintains investments in non-U.S. credit rating agencies in Argentina, Korea, India and Chile. It accounts for these investments using the cost or equity method, depending on the level of influence the Company is able to exert over the operations of the investee. A summary of the significant investments follows.

Argentina

From 1999 through 2001, the Company made equity investments totaling $4.4 million in two Argentine rating agencies. In January 2002, the Argentine government announced the creation of a dual currency system in which certain transactions would be settled at an expected fixed exchange rate of 1.4 Argentine pesos to one U.S. dollar, while non-qualifying transactions would be settled using a free floating market exchange rate. In February 2002, the Argentine government announced a shift to a single free floating market exchange rate. From 1991 until the date of the announcement, the Argentine peso had been pegged to the U.S. dollar at the rate of one to one.

Given the significant adverse change in the economic climate in Argentina, the Company determined that the Argentine ratings businesses, their future cash flows and operations were materially impacted and that this was not a temporary change. Therefore, the recoverability of these investments was reviewed based on a comparison of carrying value to fair value, which was calculated using estimated future discounted cash flows of the businesses. Based on that review, it was determined that the fair values of these investments were $3.4 million less than the aggregate carrying value; this amount was charged to expense in the fourth quarter of 2001.

Korea

In August 1998, the Company made a 10% cost-basis investment in Korea Investors Service ("KIS"), a Korean rating agency. In December 2001, the Company entered into a definitive agreement to increase its investment to just over 50%, at a cost of $9.6 million with contingent payments of up to $5.4 million based on future earnings of KIS. The purchase price of $9.6 million was held in escrow pending regulatory approval in Korea, which was received in January 2002.

The investment was recorded at cost through December 31, 2001; starting in January 2002, the Company will consolidate the results of KIS in its financial statements.

India

In August 1998, the Company made an 11% cost-basis investment in ICRA Limited, an Indian rating agency. In September 2001, the Company increased its investment to 21%, at a cost of $1.3 million, and started accounting for its investment under the equity method.

Note 6 Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following:

	December 31,	
	2001	2000
Accounts payable	**$ 6.1**	$ 3.4
Accrued income taxes (see Note 9)	**67.2**	16.5
Accrued compensation and benefits	**111.9**	68.9
Other	**51.7**	46.6
Total	**$236.9**	$135.4

Note 7 Pension and Post-Retirement Benefits

Moody's maintains defined benefit pension plans in which substantially all U.S. employees of the Company are eligible to participate. The Company also provides certain healthcare and life insurance benefits for retired U.S. employees.

Prior to the Distribution, the Company's employees participated in Old D&B's pension and post-retirement benefit plans. The Company accounted for its participation in these Old D&B plans as multi-employer plans. Accordingly, through the Distribution Date, the Company recorded pension and post-retirement benefit costs as allocated by Old D&B. The amounts of these allocations were insignificant for the years ended December 31, 2000 and 1999. Effective at the Distribution Date, Moody's assumed responsibility for pension and post-retirement benefits relating to its active employees. New D&B has assumed responsibility for the Company's retirees and vested terminated employees as of the Distribution Date.

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Following is a summary of the activity related to these benefit plans for the period from the Distribution Date through December 31, 2000 and for the year ended December 31, 2001, as well as the status of the plans at December 31, 2001:

	Pension Plans		Other Post-Retirement Plans	
	2001	2000	**2001**	2000
Change in benefit obligation				
Projected benefit obligation, beginning of the period	**$(31.2)**	$(30.9)	**$(3.4)**	$(3.2)
Service cost	**(4.4)**	(1.1)	**(0.4)**	(0.1)
Interest cost	**(2.4)**	(0.6)	**(0.2)**	—
Benefits paid	**0.2**	—	**—**	—
Plan amendment	**(1.6)**	—	**—**	—
Actuarial gain/(loss)	**(1.2)**	1.4	**(0.6)**	(0.1)
Assumption change	**(0.6)**	—	**—**	—
Projected benefit obligation, end of the period	**$(41.2)**	$(31.2)	**$(4.6)**	$(3.4)
Change in plan assets				
Fair value of plan assets	**$ 84.5**	$ 88.0	**$ —**	$ —
Actual return on plan assets	**(5.1)**	(3.5)	**—**	—
Fair value of plan assets	**$ 79.4**	$ 84.5	**$ —**	$ —
Reconciliation of funded status to total amount recognized				
Funded status of the plan	**$ 38.2**	$ 53.3	**$(4.6)**	$(3.4)
Unrecognized actuarial (gain)/loss	**11.6**	(3.0)	**0.6**	0.1
Unrecognized prior service cost	**2.3**	0.7	**—**	—
Additional minimum liability	**(0.5)**	—	**—**	—
Net amount recognized	**$ 51.6**	$ 51.0	**$(4.0)**	$(3.3)
Amounts recognized in the consolidated balance sheet				
Prepaid pension cost	**$ 56.7**	$ 53.8	**$ —**	$ —
Pension and postretirement benefits liability	**(5.1)**	(2.8)	**(4.0)**	(3.3)
Intangible asset	**0.5**	—	**—**	—
Net amount recognized	**$ 52.1**	$ 51.0	**$(4.0)**	$(3.3)
Components of net periodic (income) expense				
Service cost	**$ 4.4**	$ 1.1	**$ 0.4**	$ 0.1
Interest cost	**2.4**	0.6	**0.2**	—
Expected return on plan assets	**(8.3)**	(2.1)	**—**	—
Amortization of net loss from earlier periods	**0.3**	—	**—**	—
Amortization of unrecognized prior service costs	**0.1**	—	—	—
Net periodic (income) expense	**$ (1.1)**	$ (0.4)	**$ 0.6**	$ 0.1

The following assumptions were used in determining the benefit obligation and net periodic pension (income) expense for the period from the Distribution Date through December 31, 2000 and for the year ended December 31, 2001:

	Pension Plans		Other Post-Retirement Plans	
	2001	2000	**2001**	2000
Weighted average discount rate	**7.25%**	7.50%	**7.25%**	7.50%
Rate of increase in future compensation	**4.41%**	3.91%	**—**	—

Expected return on plan assets	**9.75%**	9.75%	**—**	—

For post-retirement benefit plan measurement purposes, a 9.0% annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2002. The rate was assumed to decrease gradually to 5.0% through 2009 and remain at that level thereafter. Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A one percentage point change in the assumed healthcare cost trend rates would have the following effects:

	One Percentage-Point Increase		One Percentage-Point Decrease	
	2001	2000	**2001**	2000
Effect on benefit obligation at end of period	**$0.4**	$0.3	**$(0.4)**	$(0.3)
Effect on total service and interest costs	**$0.1**	—	**—**	—

Profit Participation Plan

Moody's has a profit participation plan (the "Plan") covering substantially all U.S. employees. The Plan provides for an employee salary deferral contribution and Company contributions. Employees may contribute up to 16% of their pay, subject to the federal limit. Moody's contributes an amount equal to 50% of employee contributions, with Moody's contribution limited to 3% of the employee's pay. Moody's also makes additional contributions to the Plan that are based on growth in the Company's earnings per share. Prior to the Distribution, employees of Moody's participated in the profit participation plan of Old D&B and the Company accounted for its participation in that plan as a multi-employer plan. Expense associated with these plans was $11.1 million, $3.5 million and $2.8 million in 2001, 2000 and 1999, respectively.

Note 8 Stock-Based Compensation Plans

Prior to the Distribution, certain employees of Moody's received grants of Old D&B stock options under Old D&B's 1998 Key Employees' Stock Option Plan (the "1998 Plan"). At the Distribution Date, all unexercised Old D&B stock options held by Moody's employees were converted into separately exercisable options to acquire Moody's common stock and separately exercisable options to acquire New D&B common stock, such that each option had the same ratio of the exercise price per option to the market value per share, the same aggregate difference between market value and exercise price, and the same vesting provisions, option periods and other terms and conditions applicable prior to the Distribution. Old D&B stock options held by employees and retirees of Old D&B were converted in the same manner. Immediately after the Distribution, the 1998 Plan was amended and adopted by the Company.

Under the 1998 Plan, 16,500,000 shares of the Company's common stock were reserved for issuance. The 1998 Plan provides that options are exercisable not later than ten years from the grant date. The vesting period for awards under the 1998 Plan is determined by the Board of Directors at the date of the grant and generally ranges from one to five years. Options may not be granted at less than the fair market value of the Company's common stock at the date of grant. For incentive stock options granted to a shareholder of more than 10% of the Company's outstanding stock, the exercise price per share cannot be less than 110% of the fair market value of the Company's common stock at the date of grant.

The 2001 Moody's Corporation Key Employees' Stock Incentive Plan (the "2001 Plan") was approved by the Board of Directors in February 2001 and approved by shareholders in April 2001. Under the 2001 plan, 5,800,000 shares of common stock have been reserved for issuance. Options may not be granted at less than the fair market value of the Company's common stock at the date of grant. The 2001 Plan provides that options are exercisable not later than ten years from the grant date. The vesting period for awards under the 2001 Plan is determined by the Board of directors at the date of the grant. Unlike the 1998 Plan, the 2001 Plan also provides that consultants to the Company or any of its subsidiaries are eligible to be granted options. There were no options outstanding under the 2001 Plan at December 31, 2001.

Under the 1998 and 2001 Plans, key employees of the Company may be granted shares of common stock ("Performance Shares") based on the achievement of revenue growth goals or other operating objectives. At the end of the performance period, Company performance at target will yield the targeted amount of shares, whereas Company performance above or below target will yield larger or smaller share awards, respectively. As a result of the Distribution, Performance Share grants relating to the Company's revenue performance for 1999 and 2000 were converted such that the employees would receive a combination of Moody's shares and cash in lieu of New D&B shares. In 2001, approximately 100,000 shares of Moody's common stock were awarded based on the Company's revenue performance for 1999 and 2000. Cash payments aggregating $2.5 million were made in lieu of New D&B shares. There were no new Performance Share grants in 2001. The Company recorded compensation expense relating to performance share grants of $4.6 million in 2000 and $11.5 million in 1999. No such expense was recorded in 2001.

The Company also maintains a plan for its Board of Directors, the 1998 Directors Plan (the "Directors Plan"), which permits the granting of awards in the form of non-qualified stock options, restricted stock or performance shares. Under the Directors Plan, 400,000 shares of common stock were reserved for issuance. Any director of the Company who is not an employee of the Company or any of its subsidiaries as of the date that an award is granted is eligible to participate in the Directors Plan.

In February 2002, employees and directors of the Company were granted 3.5 million options under the 1998 Plan and the Directors Plan. Option grants under the above plans in 2001 were not material.

SFAS No. 123, "Accounting for Stock-Based Compensation" requires that companies with stock-based compensation plans either recognize compensation expense based on the fair value of options granted or continue to apply Accounting Principles Board Opinion No. 25 ("APB No. 25") and related interpretations and disclose pro forma net income and earnings per share assuming that the fair value method had been applied. Moody's has elected to continue applying APB No. 25 and related interpretations in accounting for its plans. Accordingly, no compensation expense has been recognized for the Company's fixed stock option plans.

Had compensation expense for Moody's stock option plans been determined based on the fair value at the grant dates for awards under those plans consistent with the method required by SFAS No. 123, Moody's net income and earnings per share would have been reduced to the pro forma amounts shown below:

	Year Ended December 31,		
	2001	2000	1999
Net income:			
As reported	**$212.2**	$158.5	$155.6
Pro forma	**$202.9**	$151.8	$153.2
Basic earnings per share:			
As reported	**$ 1.35**	$ 0.98	$ 0.96
Pro forma	**$ 1.29**	$ 0.94	$ 0.94
Diluted earnings per share:			
As reported	**$ 1.32**	$ 0.97	$ 0.95
Pro forma	**$ 1.27**	$ 0.93	$ 0.93

The pro forma disclosures shown above are not representative of the effects on net income and earnings per share in future years.

The pro forma net income and earnings per share amounts for periods prior to the Distribution Date relate to the fair value of the Old D&B options held by Moody's employees. Pro forma amounts subsequent to the Distribution Date relate to Moody's options held by Moody's employees and New D&B employees and retirees and reflect an increase in fair value due to changes in assumptions for Moody's stock options. Post-distribution, such increase is reflected in income immediately for vested options and spread over the remaining vesting period for converted unvested options. 2001 and 2000 pro forma net income includes charges of $2.5 million and $2.4 million, respectively, relating to New D&B employees and retirees.

The weighted average fair value of Moody's options granted in 2001 was $9.38. The weighted average fair value of Moody's options granted after the Distribution Date in 2000 was $8.20. The weighted average fair value of Old D&B options granted prior to the Distribution Date was $8.66 in 2000 and $8.78 in 1999.

The fair value of stock options used to compute the pro forma net income and earnings per share disclosures is the estimated present value at grant date using the Black-Scholes option-pricing model, with the following weighted average assumptions:

		2000	
	2001	After Distribution	Conversion at Distribution
Expected dividend yield	**0.56%**	0.72%	0.72%
Expected stock volatility	**25%**	25%	25%
Risk-free interest rate	**4.27%**	5.94%	5.79%
Expected holding period	**4.5 yrs**	4.5 yrs	3.0 yrs

In 2000 prior to the distribution and in 1999, the following weighted average assumptions were used: expected dividend yield of 2.40% in both periods, expected stock volatility of 30% in both periods, risk-free interest rate of 6.69% and 6.41%, respectively, and expected holding period of five years in both periods.

Changes in stock options for the three years ended December 31, 2001 are summarized below:

	Number Outstanding	Weighted Average Exercise Price
Options outstanding, December 31, 1998	4.4	$25.87
Granted	1.2	29.22
Exercised	(0.4)	20.56
Surrendered or retired	(0.1)	30.63
Options outstanding, December 31, 1999	5.1	26.98
Granted	0.4	28.53
Exercised	(0.2)	22.37
Surrendered or retired	(0.5)	29.40
Options outstanding, September 30, 2000	4.8	17.99
Options converted, October 1, 2000	14.8	19.94
Granted	5.5	27.87
Exercised	(0.6)	15.36
Surrendered or retired	(0.4)	23.13
Options outstanding, December 31, 2000	19.3	22.30
Granted	0.1	34.77
Exercised	(2.5)	17.04
Surrendered or retired	(2.2)	24.24
Options outstanding, December 31, 2001	**14.7**	**$23.00**

Option activity for the period from December 31, 1998 through September 30, 2000 reflects Old D&B options that were held by employees of Moody’s. The options converted at October 1, 2000 reflect the conversion of all Old D&B options, including both those held by employees of Moody’s and those held by employees and retirees of New D&B, into separately exercisable options to acquire common stock of Moody’s as described above.

Below is a summary of options held by Moody’s employees and by New D&B employees and retirees as of each date:

	Moody's Employees	New D&B Employees and Retirees
Options outstanding at:		
October 1, 2000	4.8	10.0
December 31, 2000	10.2	9.1
December 31, 2001	**8.6**	**6.1**

The following table summarizes information about stock options outstanding at December 31, 2001:

	Options Outstanding		
Range of Exercise Prices	Number Outstanding	Average Remaining Contractual Life in Years	Weighted Average Exercise Price
$14.54–$21.96	5.7	4.5	$18.15
$21.98–$27.59	4.6	7.2	$23.92
$28.13–$36.50	4.4	8.7	$28.21

Total	14.7

Range of Exercise Prices	Options Exercisable: Number Exercisable	Options Exercisable: Weighted Average Exercise Price
$14.54–$21.96	4.7	$17.76
$21.98–$27.59	0.2	$24.01
$28.13–$36.50	1.2	$28.13
Total	6.1	

Note 9 Income Taxes

Components of the Company's income tax provision are as follows:

	Year Ended December 31,		
	2001	2000	1999
Current:			
Federal	**$102.4**	$ 81.7	$ 77.8
State and local	**49.3**	42.7	36.6
Non U.S.	**16.5**	3.6	1.6
Total current	**168.2**	128.0	116.0
Deferred:			
Federal	**1.2**	(1.6)	4.8
State and local	**0.5**	(0.9)	2.6
Non U.S.	**(0.2)**	—	(0.1)
Total deferred	**1.5**	(2.5)	7.3
Total provision for income taxes	**$169.7**	$125.5	$123.3

A reconciliation of the U.S. federal statutory tax rate to the Company's effective tax rate on income before provision for income taxes is as follows:

	Year Ended December 31,		
	2001	2000	1999
U.S. statutory tax rate	**35.0%**	35.0%	35.0%
State and local taxes, net of federal tax benefit	**8.5**	9.5	9.2
U.S. taxes on foreign income	**1.0**	—	—
Other	**(0.1)**	(0.3)	—
Effective tax rate	**44.4%**	44.2%	44.2%

Income taxes paid were $98.6 million, $206.0 million and $116.0 million in 2001, 2000 and 1999, respectively.

The components of deferred tax assets and liabilities are as follows:

	December 31,	
	2001	2000

Deferred tax assets:		
Current:		
Accounts receivable allowances	**$ 12.2**	$ 11.5
Accrued compensation and benefits	**4.4**	4.1
Other accrued liabilities	**1.4**	3.8
Total current	**18.0**	19.4
Non-current:		
Depreciation and amortization	**4.7**	3.8
Accrued compensation and benefits	**3.3**	3.4
Other	**6.6**	5.3
Total non-current	**14.6**	12.5
Total deferred tax assets	**32.6**	31.9
Deferred tax liabilities, non-current:		
Pension plans	**(25.4)**	(24.5)
Amortization of capitalized software	**(2.9)**	(1.5)
Other	**(0.1)**	(0.5)
Total deferred tax liabilities	**(28.4)**	(26.5)
Net deferred tax asset	**$ 4.2**	$ 5.4

The current deferred tax assets, as well as prepaid taxes of $26.4 million and $28.5 million at December 31, 2001 and 2000, respectively, are included in other current assets in the consolidated balance sheets. Non-current deferred tax liabilities, net of non-current deferred tax assets, are included in other liabilities. Management has determined, based on the Company's history of prior and current levels of operating earnings, that no valuation allowance for deferred tax assets should be provided as of December 31, 2001 and 2000.

At December 31, 2001, undistributed earnings of non-U.S. subsidiaries aggregated $26.1 million. Deferred tax liabilities have not been recognized for these undistributed earnings because it is management's intention to reinvest such undistributed earnings outside the U.S. If all undistributed earnings were remitted to the U.S., the amount of incremental U.S. federal and foreign income taxes payable, net of foreign tax credits, would be $1.0 million.

Note 10 Indebtedness

Pursuant to the Distribution Agreement, Moody's was allocated $195.5 million of debt at September 30, 2000. Moody's funded this debt with borrowings under a $160 million unsecured bank revolving credit facility and a bank bridge line of credit.

On October 3, 2000 the Company issued $300 million of notes payable (the "Notes") in a private placement. The cash proceeds from the Notes were used in part to repay the outstanding balance on the revolving credit facility and to repay the bridge line of credit. The Notes have a five-year term and bear interest at an annual rate of 7.61%, payable semi-annually. Interest paid under the Notes was $22.6 million for the year ended December 31, 2001; no interest was paid in 2000.

The revolving credit facility (the "Facility"), which was undrawn as of December 31, 2001, consists of an $80 million 5-year facility, which expires in September 2005 and an $80 million 364-day facility, which expires in September 2002. Interest on outstanding borrowings is payable monthly at rates of interest that are based on prevailing short-term interest rates at the time of such borrowings. No interest was paid under the Facility for the year ended December 31, 2001. Interest paid under the Facility for the year ended December 31, 2000 was $0.1 million.

The Notes and the Facility contain covenants that, among other things, restrict the ability of the Company and its subsidiaries, without the approval of the lenders, to engage in mergers, consolidations, asset sales and sale-leaseback transactions or to incur liens, and require the Company to maintain certain financial ratios. The Notes and the Facility also contain financial covenants which, among other things require the Company to maintain an interest coverage ratio, as defined in the Agreements, of not less than 3 to 1, and a ratio of total indebtedness to earnings before interest, taxes, depreciation and amortization, as defined in the Agreements, of not more than 4 to 1.

Note 11 Acquisition and Divestiture

On January 27, 2000, the Company acquired the net assets of a financial software products company for $17.4 million in cash. The acquisition was accounted for using the purchase method of accounting for business combinations from the date of acquisition. The purchase price was allocated based on estimated fair values of the acquired assets at the date of acquisition, which resulted in acquired goodwill, other intangibles including customer relationships and covenants not to compete, and capitalized software aggregating $16.6 million. These amounts are being amortized on a straight-line basis over three to seven years.

In July 1998, Moody's sold its Financial Information Services business ("FIS"), which was engaged in the publishing of historical financial information. Moody's received $26.5 million at the sale date and recorded a pre-tax gain of $12.6 million. During the third quarter of 1999, certain agreements related to the sale of FIS expired or were completed. As a result, estimated liabilities established at the time of the divestiture in connection with these agreements, determined to be no longer required, were adjusted, resulting in a pre-tax gain of $9.2 million.

Note 12 Capital Stock

Authorized Capital Stock

The total number of shares of all classes of stock that the Company has authority to issue under its Restated Certificate of Incorporation is 420,000,000 shares with a par value of $0.01, of which 400,000,000 shares represent shares of common stock, 10,000,000 shares represent shares of preferred stock and 10,000,000 shares represent shares of series common stock. The preferred stock and series common stock can be issued with varying terms, as determined by the Board of Directors.

Rights Agreement

The Company has a Rights Agreement designed to protect its shareholders in the event of unsolicited offers to acquire the Company and coercive takeover tactics that, in the opinion of the Board of Directors, could impair its ability to represent shareholder interests. Under the Rights Agreement, each share of common stock has a right that trades with the stock until the right becomes exercisable. Each right entitles the registered holder to purchase 1/1000 of a share of a series A junior participating preferred stock, par value $0.01 per share, at a price of $100 per 1/1000 of a share, subject to adjustment. The rights will generally not be exercisable until a person or group ("Acquiring Person") acquires beneficial ownership of, or commences a tender offer or exchange offer that would result in such person or group having beneficial ownership of, 15% or more of the outstanding common stock at such time.

In the event that any person or group becomes an Acquiring Person, each right will thereafter entitle its holder (other than the Acquiring Person) to receive, upon exercise and payment, shares of stock having a market value equal to two times the exercise price in the form of the Company's common stock or, where appropriate, the Acquiring Person's common stock. The rights are not currently exercisable, as no shareholder is currently an Acquiring Person. The Company may redeem the rights, which expire in June 2008, for $0.01 per right, under certain circumstances, including for a Board approved acquirer either before the acquirer becomes an Acquiring Person or during the window period after the triggering event.

Share Repurchase Program

In October 2000, the Board of Directors of Moody's Corporation authorized a share repurchase program of up to $250 million; this amount was subsequently increased to $300 million. The program includes both special share repurchases and systematic repurchases of Moody's common stock to offset the dilutive effect of share issuance under the Company's employee benefit arrangements. In October 2001, Moody's Board of Directors authorized share repurchases of up to an additional $300 million.

For the year ended December 31, 2001, Moody's repurchased 8.5 million shares of its common stock at a total cost of $268 million, bringing total repurchases since program inception to 11.3 million shares at a cost of approximately $340 million. This includes 3.4 million shares, at a cost of approximately $103 million, to offset issuances under Moody's stock plans. Moody's anticipates completing the current $300 million share repurchase program by mid-2003.

Dividends

During 2001 and in the fourth quarter of 2000, the Company paid a quarterly dividend of 4.5 cents per share of Moody's common stock. In December 2001, the Company's Board of Directors declared a first quarter 2002 dividend of 4.5 cents per share, payable on March 10, 2002 to shareholders of record on February 28, 2002.

Note 13 Lease Commitments

Moody's operates its business from various leased facilities, which are under operating leases that expire over the next eleven years. Moody's also leases certain computer and other equipment under operating leases that expire over the next six years. Rent expense under operating leases for the years ended December 31, 2001, 2000 and 1999 was $8.0 million, $7.1 million and $5.6 million, respectively. Rent expense for 2001, 2000 and 1999 was net of sublease rental income of $1.0 million in each year related to a facility utilized by FIS, which was sold in July 1998.

The approximate minimum rent for operating leases that have remaining noncancelable lease terms in excess of one year at December 31, 2001, net of sublease rental commitments, are as follows:

Year Ended December 31,	
2002	$ 7.7
2003	6.8
2004	5.7
2005	4.3
2006	4.0
Thereafter	3.7
Total minimum lease payments	$32.2

Note 14 Contingencies

Moody's is involved in legal proceedings, claims and litigation arising in the ordinary course of business. Although the outcome of such matters cannot be predicted with certainty, in the opinion of management, the ultimate liability of Moody's in connection with such matters will not have a material adverse effect on Moody's financial position, results of operations or cash flows.

In addition, Moody's has certain other contingencies discussed below.

Information Resources, Inc.

On July 29, 1996, Information Resources, Inc. ("IRI") filed a complaint in the United States District Court for the Southern District of New York, naming as defendants the corporation then known as The Dun & Bradstreet Corporation and, as discussed below, now known as R.H. Donnelley Corporation ("Donnelley"), A.C. Nielsen Company (a subsidiary of ACNielsen Corporation) and IMS International, Inc. (a subsidiary of the company then known as Cognizant Corporation). At the time of the filing of the complaint, each of the other defendants was a subsidiary of Donnelley.

The complaint alleges various violations of United States antitrust laws, including purported violations of Sections 1 and 2 of the Sherman Act. The complaint also alleges a claim of tortious interference with a contract and a claim of tortious interference with a prospective business relationship. These claims relate to the acquisition by defendants of Survey Research Group Limited ("SRG"). IRI alleges SRG violated an alleged agreement with IRI when it agreed to be acquired by the defendants and that the defendants induced SRG to breach that agreement.

IRI's complaint alleges damages in excess of $350 million, which amount IRI asked to be trebled under antitrust laws. IRI also seeks punitive damages of an unspecified amount.

In November 1996, Donnelley completed a distribution to its shareholders (the "1996 Distribution") of the capital stock of ACNielsen Corporation ("ACNielsen") and Cognizant Corporation ("Cognizant"). On October 28, 1996, in connection with the 1996 Distribution, Cognizant, ACNielsen and Donnelley entered into an Indemnity and Joint Defense Agreement (the "Indemnity and Joint Defense Agreement") pursuant to which they have agreed (i) to certain arrangements allocating potential liabilities ("IRI Liabilities") that may arise out of or in connection with the IRI action and (ii) to conduct a joint defense of such action. In particular, the Indemnity and Joint Defense Agreement provides that ACNielsen will assume exclusive liability for IRI Liabilities up to a maximum amount to be calculated at such time such liabilities, if any, become payable (the "ACN Maximum Amount"), and that Donnelley and Cognizant will share liability equally for any amounts in excess of the ACN Maximum Amount. The ACN Maximum Amount will be determined by an investment banking firm as the maximum amount that ACNielsen is able to pay after giving effect to (i) any plan submitted by such investment bank that is designed to maximize the claims-paying ability of ACNielsen without impairing the investment banking firm's ability to deliver a viability opinion (but which will not require any action requiring shareholder approval), and (ii) payment of related fees and expenses. For these purposes, financial viability means the ability of ACNielsen, after giving effect to such plan, the payment of related fees and expenses and the payment of the ACN Maximum Amount, to pay its debts as they become due and to finance the current and anticipated operating and capital requirements of its business, as reconstituted by such plan, for two years from the date any such plan is expected to be implemented. On February 19, 2001, ACNielsen announced that it had merged with VNU N.V. Pursuant to the Indemnity and Joint Defense Agreement, VNU is to be included with ACNielsen for purposes of determining the ACN Maximum Amount, and VNU must assume ACNielsen's liabilities under that agreement.

In June 1998, Donnelley completed a distribution to its shareholders (the "1998 Distribution") of the capital stock of Old D&B and changed its name to R.H. Donnelley Corporation. In connection with the 1998 Distribution, Old D&B and Donnelley entered into an agreement (the "1998 Distribution Agreement") whereby Old D&B has assumed all potential liabilities of Donnelley arising from the IRI action and agreed to indemnify Donnelley in connection with such potential liabilities.

During 1998, Cognizant separated into two companies, IMS Health Incorporated ("IMS Health") and Nielsen Media Research, Inc. ("NMR"). IMS Health and NMR are each jointly and severally liable for all Cognizant liabilities under the Indemnity and Joint Defense Agreement.

Under the terms of the Distribution Agreement, as a condition to the Distribution, New D&B undertook to be jointly and severally liable with Moody's for Old D&B's obligations to Donnelley under the 1998 Distribution Agreement, including any liabilities arising under the Indemnity and Joint Defense Agreement. However, as between themselves, each of New D&B and Moody's will be responsible for 50% of any payments to be made with respect to the IRI action pursuant to the 1998 Distribution Agreement, including legal fees or expenses related thereto.

Management is unable to predict at this time the final outcome of the IRI action or whether the resolution of this matter could materially affect Moody's results of operations, cash flows or financial position. As such, no amount in respect of this matter has been accrued in the financial statements of the Company.

L'Association Francaise des Porteurs d' Emprunts Russes

On June 20, 2001 a summons was served in an action brought by L'Association Francaise des Porteurs d' Emprunts Russes ("AFPER") against Moody's France SA (a subsidiary of the Company) and filed in the Court of First Instance of Paris, France. In this suit, AFPER, a group of holders of bonds issued by the Russian government prior to the 1917 Bolshevik Revolution, makes claims against Moody's France SA and Standard & Poor's SA for lack of diligence and prudence in their ratings of Russia and Russian debt since 1996. AFPER alleges that, by failing to take into account the post-Revolutionary repudiation of pre-Revolutionary Czarist debt by the Soviet government in rating Russia and new issues of Russian debt beginning in 1996, the rating agencies enabled the Russian Federation to issue new debt without repaying the old obligations of the Czarist government. Alleging joint and several liability, AFPER seeks damages of approximately $2.43 billion plus legal costs. Moody's believes the allegations lack legal or factual merit and intends to vigorously contest the action.

Tax Matters

Pursuant to the Distribution Agreement, New D&B and Moody's have agreed to each be financially responsible for 50% of any potential liabilities that may arise with respect to the reviews described below, to the extent such potential liabilities are not directly attributable to their respective business operations.

Old D&B and its predecessors entered into global tax planning initiatives in the normal course of business, including through tax-free restructurings of both their foreign and domestic operations. These initiatives are subject to normal review by tax authorities. It is possible that additional liabilities may be proposed by tax authorities as a result of these reviews and that some of the reviews could be resolved unfavorably. At this time, Moody's management is unable to predict the extent of such reviews, the outcome thereof or whether the resolution of these matters could materially affect Moody's results of operations, cash flows or financial position.

The IRS has completed its review of the utilization of certain capital losses generated during 1989 and 1990. On June 26, 2000, the IRS, as part of its audit process, issued a formal assessment with respect to the utilization of these capital losses and Old D&B responded by filing a petition for a refund in the U.S. District Court on September 21, 2000, after the payments described below were made.

Pursuant to a series of agreements, IMS Health and Nielsen Media Research are jointly and severally liable to pay one-half, and R.H. Donnelley Corporation ("Donnelley") the other half, of any payments for taxes and accrued interest arising from this matter and certain other potential tax liabilities after Donnelley pays the first $137 million.

In connection with the 1998 Distribution, Old D&B and Donnelley entered into an agreement whereby Old D&B assumed all potential liabilities of Donnelley arising from these tax matters and agreed to indemnify Donnelley in connection with such potential liabilities.

On May 12, 2000, an amended tax return was filed for the 1989 and 1990 tax periods, which reflected $561.6 million of tax and interest due. Old D&B paid the IRS approximately $349.3 million of this amount on May 12, 2000, of which 50% was on behalf of Moody's. IMS Health informed Old D&B that it paid to the IRS approximately $212.3 million on May 17, 2000. The payments were made to the IRS to stop further interest from accruing. Notwithstanding the filing and payment, New D&B is contesting the IRS's formal assessment and would also contest the assessment of amounts, if any, in excess of the amounts paid. Moody's had previously accrued its anticipated share of the probable liability arising from the utilization of these capital losses.

Note 15 Segment Information

The Company reports segment information in accordance with SFAS No. 131, “Disclosures about Segments of an Enterprise and Related Information.” In accordance with SFAS No. 131, operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company operates primarily in one reportable business segment: ratings, which accounted for approximately 90% of the Company's total revenue in 2001. Given the dominance of the ratings segment to Moody's overall results, the Company does not separately measure and report operating income for the ratings business. Rather, revenue is the predominant measure utilized by senior management for assessing performance and for the allocation of resources, and operating income is evaluated for the Company as a whole. In addition, assets are not allocated on a segment basis and are considered only on a total company basis.

The ratings segment comprises four major rating groups, each of which has similar economic and financial characteristics. They are corporate finance, structured finance, financial institutions and sovereign risk and public finance.

Revenue included in "Other" consists of research revenue, generated from the sale of investor-oriented credit research, and risk management services revenue, generated from the sale of credit risk assessment software and related products and services.

The accounting principles underlying the revenue information reported for each segment are consistent with those described in the summary of significant accounting policies in Note 2. There are no intersegment sales and no single customer accounted for 10% or more of total revenue.

	Year Ended December 31,		
	2001	2000	1999
Revenue:			
Ratings			
Structured finance	**$273.8**	$199.2	$172.4
Corporate finance	**225.7**	162.7	165.5
Financial institutions and sovereign risk	**130.7**	111.6	104.8
Public finance	**64.2**	46.1	59.5
Total ratings revenue	**694.4**	519.6	502.2
Other	**102.3**	82.7	62.0
Total revenue	**796.7**	602.3	564.2
Total expenses	**398.2**	313.8	293.8
Gain on sale of business	**—**	—	9.2
Interest and other non-operating expense, net	**(16.6)**	(4.5)	(0.7)
Income before provision for income taxes	**$381.9**	$284.0	$278.9

Revenue and long-lived asset information by geographic area for the year ended and as of December 31 is summarized below:

	2001	2000	1999
Revenue:			
United States	**$560.7**	$428.9	$423.4
International	**236.0**	173.4	140.8
Total	**$796.7**	$602.3	$564.2
Long-lived assets:			
United States	**$ 50.3**	$ 53.4	$ 41.7
International	**8.9**	8.4	6.6
Total	**$ 59.2**	$ 61.8	$ 48.3

International revenue is determined based on the customer's country of domicile.

Note 16 Valuation and Qualifying Accounts

Accounts receivable allowances primarily represent adjustments to customer billings that are estimated when the related revenue is recognized.

Below is a summary of activity for each of the three years in the period ended December 31, 2001:

	Balance at Beginning of the Year	Additions Charged to Revenue	Write-offs	Balance at End of the Year
2001	**$(24.4)**	**$(28.8)**	**$25.9**	**$(27.3)**
2000	(24.5)	(29.3)	29.4	(24.4)
1999	(20.7)	(40.3)	36.5	(24.5)

Note 17 Subsequent Event (Unaudited)

In February 2002, Moody's reached a definitive agreement to acquire KMV, a market-based, quantitative credit risk management tools company, in an all cash transaction for $210 million. The acquisition will expand the customer base and product offerings of Moody's credit risk assessment business, which is currently operated by Moody's Risk Management Services. Moody's expects the transaction to close by the early part of the second quarter of 2002 and initially to be funded by a combination of cash on hand and its existing $160 million bank credit facility. The Company intends to pursue more permanent financing for all or part of the purchase price, in order to retain open bank credit lines and to use cash flow from operations for share repurchases.

Note 18 Quarterly Financial Data (Unaudited)

	Three Months Ended				
	March 31	June 30	September 30	December 31	Year
2001					
Revenue	**$180.2**	**$205.2**	**$190.4**	**$220.9**	**$796.7**
Operating income	**89.8**	**104.0**	**93.7**	**111.0**	**398.5**
Net income	**48.0**	**55.5**	**49.9**	**58.8**	**212.2**
Basic earnings per share	**$ 0.30**	**$ 0.35**	**$ 0.32**	**$ 0.38**	**$ 1.35**
Diluted earnings per share	**$ 0.30**	**$ 0.34**	**$ 0.31**	**$ 0.37**	**$ 1.32**
2000					
Revenue	$139.3	$149.4	$152.5	$161.1	$602.3
Operating income	63.8	74.8	72.9	77.0	288.5
Net income	35.9	41.7	40.5	40.4	158.5
Basic earnings per share	$ 0.22	$ 0.26	$ 0.25	$ 0.25	$ 0.98
Diluted earnings per share	$ 0.22	$ 0.26	$ 0.25	$ 0.25	$ 0.97

Basic and diluted earnings per share are computed independently for each of the periods presented. The number of weighted average shares outstanding changes as common shares are issued for employee benefit arrangements and other purposes or as shares are repurchased. Accordingly, the sum of the quarterly earnings per share data may not agree to the total for the year.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

ITEM 11. EXECUTIVE COMPENSATION

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Except for the information relating to the executive officers of the Company set forth in Part I of this Form 10-K, the information called for by Items 10-13 is contained in the Company's definitive proxy statement for use in connection with its annual meeting of shareholders scheduled to be held on April 23, 2002, and is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) List of documents filed as part of this report.

(1) Financial Statements.
See Index to Financial Statements, Item 8 of this Form 10-K.

(2) Financial Statement Schedules.
None.

(3) Exhibits.
See Index to Exhibits on pages 42-44 of this Form 10-K.

(b) Reports on Form 8-K.

(1) The Company filed a Current Report on Form 8-K on April 11, 2001, on which information was reported under Items 5 and 7.

(2) The Company filed a Current Report on Form 8-K on February 22, 2002, on which information was reported under Items 5 and 7.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MOODY'S CORPORATION
(Registrant)

By: /s/ JOHN RUTHERFURD, JR.

John Rutherfurd, Jr.
President and Chief Executive Officer

Date: March 22, 2002

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

/s/ JOHN RUTHERFURD, JR

John Rutherfurd, Jr. Director, President
and Chief Executive Officer
(principal executive officer)

/s/ CLIFFORD L. ALEXANDER, JR.

Clifford L. Alexander, Jr. Chairman of
the Board of Directors

/s/ JEANNE M. DERING

Jeanne M. Dering, Senior Vice President
and Chief Financial Officer
(principal financial officer)

/s/ CHARLES R. BRUSCHI

Charles R. Bruschi
Vice President and Corporate Controller
(principal accounting officer)

/s/ HALL ADAMS, JR

Hall Adams, Jr., Director

/s/ ROBERT R. GLAUBER

Robert R. Glauber, Director

/s/ MARY JOHNSTON EVANS

Mary Johnston Evans, Director

/s/ HENRY A. MCKINNELL, JR. PH.D.

Henry A. McKinnell, Jr. Ph.D, Director

/s/ CONNIE MACK

Connie Mack, Director

Date: March 22, 2002

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INDEX TO EXHIBITS

S-K EXHIBIT NUMBER

3 ARTICLES OF INCORPORATION AND BY-LAWS

.1 Restated Certificate of Incorporation of the Registrant dated June 15, 1998, as amended effective June 30, 1998, and as further amended effective October 1, 2000 (incorporated by reference to Exhibit 3.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed October 4, 2000).

.2 Amended and Restated By-laws of the Registrant (incorporated by reference to Exhibit 3.2 of the Registrant's Registration Statement on Form 10, file number 1-14037, filed June 18, 1998).

4 INSTRUMENTS DEFINING THE RIGHTS OF SECURITY HOLDERS, INCLUDING INDENTURES

.1 Specimen Common Stock certificate (incorporated by reference to Exhibit 4.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed October 4, 2000).

.2* Amended and Restated Rights Agreement between the Registrant, EquiServe Trust Company, N.A., as Rights Agent, and The Bank of New York, as successor Rights Agent, dated as of October 22, 2001.

.3 Five-Year Credit Agreement, dated as of September 11, 2000, among the Registrant, certain subsidiaries of the Registrant, the lenders party thereto, The Chase Manhattan Bank, as administrative agent, Citibank, N.A., as syndication agent, and The Bank of New York, as documentation agent (incorporated by reference to Exhibit 4.2 to the Report on Form 8-K of the Registrant, file number 1-14037, filed October 4, 2000).

.4 Amended and Restated Credit Agreement, dated as of September 10, 2001, between Moody's Corporation and certain subsidiaries of the Registrant, the lenders party thereto, The Chase Manhattan Bank, as administrative agent, Citibank, N.A., as syndication agent, and The Bank of New York, as documentation agent. (incorporated by Reference to Exhibit 10.1 to the Report on Form 10-Q of the Registrant, file number 1-14037, filed November 11, 2001).

10 MATERIAL CONTRACTS

.1 Distribution Agreement, dated as of September 30, 2000, between the Registrant and The Dun & Bradstreet Corporation (f.k.a. The New D&B Corporation) (incorporated by reference to Exhibit 10.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed October 4, 2000).

.2 Tax Allocation Agreement, dated as of September 30, 2000, between the Registrant and The Dun & Bradstreet Corporation (f.k.a. The New D&B Corporation) (incorporated by reference to

S-K EXHIBIT NUMBER	
	Exhibit 10.2 to the Report on Form 8-K of the Registrant, file number 1-14037, filed October 4, 2000).
.3	Employee Benefits Agreement, dated as of September 30, 2000, between the Registrant and The Dun & Bradstreet Corporation (f.k.a. The New D&B Corporation) (incorporated by reference to Exhibit 10.3 to the Report on Form 8-K of the Registrant, file number 1-14037, filed October 4, 2000).
.4*+	Supplemental Executive Benefit Plan of Moody's Corporation, dated as of September 30, 2000.
.5	Intellectual Property Assignments, dated as of September 1, 2000, between the Registrant and The Dun & Bradstreet Corporation (f.k.a. The New D&B Corporation) (incorporated by reference to Exhibit 10.4 to the Report on Form 8-K of the Registrant, file number 1-14037, filed October 4, 2000).
.6	Pension Benefit Equalization Plan of Moody's Corporation (incorporated by reference to Exhibit 10.9 to Registrant's Quarterly Report on Form 10-Q, file number 1-14037, filed November 14, 2000).
.7	Profit Participation Benefit Equalization Plan of Moody's Corporation (incorporated by reference to Exhibit 10.11 to Registrant's Quarterly Report on Form 10-Q, file number 1-14037, filed November 14, 2000).
.8	The Moody's Corporation Nonfunded Deferred Compensation Plan for Non-Employee Directors (incorporated by reference to Exhibit 10.12 to Registrant's Quarterly Report on Form 10-Q, file number 1-14037, filed November 14, 2000).
.9	1998 Moody's Corporation Replacement Plan for Certain Non-Employee Directors Holding Dun & Bradstreet Corporation Equity-Based Awards (incorporated by reference to Exhibit to Registrant's Quarterly Report on Form 10-Q, file number 1- 14037, filed November 14, 2000).
.10	1998 Moody's Corporation Replacement Plan for Certain Employees Holding Dun & Bradstreet Corporation Equity-Based Awards (incorporated by reference to Exhibit 10.14 to Registrant's Quarterly Report on Form 10-Q, file number 1-14037, filed November 14, 2000).
.11*+	1998 Moody's Corporation Non-Employee Directors' Stock Incentive Plan (as amended on April 23, 2001).
.12	1998 Moody's Corporation Key Employees' Stock Incentive Plan (incorporated by reference to Exhibit 10.16 to Registrant's Quarterly Report on Form 10-Q, file number 1-14037, filed November 14, 2000).
.13	Moody's Corporation Career Transition Plan (incorporated by reference to Exhibit 10.17 to Registrant's Annual Report on Form 10-K, file number 1-14037, filed March 15, 2001).
.14	Distribution Agreement, dated as of June 30, 1998, between R.H. Donnelley Corporation (f.k.a. The Dun & Bradstreet Corporation) and the Registrant (f.k.a. The New Dun & Bradstreet Corporation) (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q, filed August 14, 1998).
.15*+	2001 Moody's Corporation Key Employees Stock Incentive Plan.
.16	Tax Allocation Agreement, dated as of June 30, 1998, between

S-K EXHIBIT NUMBER	
	R.H. Donnelley Corporation (f.k.a. The Dun & Bradstreet Corporation) and the Registrant (f.k.a. The New Dun & Bradstreet Corporation) (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q, filed August 14, 1998).
.17	Employee Benefits Agreement, dated as of June 30, 1998, between R.H. Donnelley Corporation (f.k.a. The Dun & Bradstreet Corporation) and the Registrant (f.k.a. The New Dun & Bradstreet Corporation) (incorporated by reference to Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q, filed August 14, 1998).
.18	Distribution Agreement, dated as of October 28, 1996, among R.H. Donnelley Corporation (f.k.a. The Dun & Bradstreet Corporation), Cognizant Corporation and ACNielsen Corporation (incorporated by reference to Exhibit 10(x) to the Annual Report on Form 10-K of R.H. Donnelley Corporation (f.k.a. The Dun & Bradstreet Corporation) for the year ended December 31, 1996, file number 1-7155, filed March 27, 1997).
.19	Tax Allocation Agreement, dated as of October 28, 1996, among R.H. Donnelley Corporation (f.k.a. The Dun & Bradstreet Corporation), Cognizant Corporation and ACNielsen Corporation (incorporated by reference to Exhibit 10(y) to the Annual Report on Form 10-K of R.H. Donnelley Corporation (f.k.a. The Dun & Bradstreet Corporation) for the year ended December 31, 1996, file number 1-7155, filed March 27, 1997).
.20	Employee Benefits Agreement, dated as of October 28, 1996, among R.H. Donnelley Corporation (f.k.a. The Dun & Bradstreet Corporation), Cognizant Corporation and ACNielsen Corporation (incorporated by reference to Exhibit 10(z) to the Annual Report on Form 10-K of R.H. Donnelley Corporation (f.k.a. The Dun & Bradstreet Corporation) for the year ended December 31, 1996, file number 1-7155, filed March 27, 1997).
.21	Indemnity and Joint Defense Agreement, dated as of October 28, 1996, among R.H. Donnelley Corporation (f.k.a. The Dun & Bradstreet Corporation), Cognizant Corporation and ACNielsen Corporation (incorporated by reference to Exhibit 10(aa) to the Annual Report on Form 10-K of R.H. Donnelley Corporation (f.k.a. The Dun & Bradstreet Corporation) for the year ended December 31, 1996, file number 1-7155, filed March 27, 1997).
.22	Separation Agreement and General Release, dated as of April 10, 2001, between Moody's Investors Service, Inc. and Donald Noe. (incorporated by reference to Exhibit 10.1 to the Report on Form 10-Q of the Registrant, file number 1-14037, filed May 15, 2001).
.23	Separation Agreement and General Release, dated as of April 10, 2001, between Moody's Investors Service, Inc. and Kenneth J. H. Pinkes. (incorporated by reference to Exhibit 10.2 to the Report on Form 10-Q of the Registrant, file number 1-14037, filed May 15, 2001).
.24	Agreement and Plan of Merger and Stock Purchase Agreement, dated as of February 10, 2002, by and among Moody's Corporation, XYZ Acquisition LLC, KMV LLC, KMV Corporation and the principal members of KMV LLC and the shareholders of KMV Corporation identified therein. (incorporated by reference to Exhibit 2.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed February 22, 2002).
.21*	SUBSIDIARIES OF THE REGISTRANT List of Active Subsidiaries as of January 31, 2002.
.23*	CONSENTS OF EXPERTS AND COUNSEL Consent of PricewaterhouseCoopers LLP.

* Filed herewith

\+ Represents a management contract or compensatory plan

AMENDED RIGHTS AGREEMENT

Exhibit 4.2

AMENDMENT NO. 1 TO

RIGHTS AGREEMENT

This Amendment No. 1 (this “Amendment”) to the Rights Agreement, dated as of this 22nd day of October, 2001, by and among Moody’s Corporation, a Delaware corporation (“Moody’s”), EquiServe Trust Company, N.A., as Rights Agent (the “Initial Agent”), and The Bank of New York, as successor Rights Agent (the “Successor Agent”).

RECITALS

WHEREAS, Moody’s (formerly, The Dun & Bradstreet Corporation) and the Initial Agent entered into that certain Amended and Restated Rights Agreement dated as of September 27, 2000 (the “Rights Agreement”);

WHEREAS, Moody’s has notified the Initial Agent in writing that it no longer will contract with the Initial Agent for transfer agent services effective on or about October 1, 2001;

WHEREAS, Moody’s has notified the Initial Agent in writing that it has elected to terminate the Initial Agent as Rights Agent under the Rights Agreement effective as of October 1, 2001 (the “Effective Date”); and

WHEREAS, Moody’s has notified the Successor Agent (with a copy to the Initial Agent) that it has been appointed as Successor Rights Agent under the Rights Agreement and Successor Agent has accepted such appointment;

NOW, WHEREFORE, in consideration of the mutual covenants set forth herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. As of the Effective Date, Initial Agent will be removed as Rights Agent under the Rights Agreement and Successor Agent will be substituted as successor Rights Agent. From and after the Effective Date, any and all references in the Rights Agreement to (a) the Initial Agent shall be read to refer to the Successor Agent and (b) to the Rights Agent shall refer to the Successor Agent, as Rights Agent under the Rights Agreement.

2. As of the Effective Date, all rights, entitlements, obligations, duties, and liabilities of the Rights Agent under the Rights Agreement shall be assumed by Successor Agent and Initial Agent shall have no such rights, entitlements, obligations, duties, and liabilities of the Rights Agent thereafter.

3. Except with respect to their respective rights to enforce the obligations set forth herein, Moody's and Initial Agent hereby permanently and forever discharge and release each other, their affiliates, successors and assigns with respect to any and all liabilities, claims, debts, damages and rights of action that they ever may have had, have, or ever will have against the other, whether currently known or unknown, whether or not currently accrued, in connection with the Rights Agreement or Initial Agent's service as Rights Agent thereunder.

4. The first sentence of Section 2 of the Rights Agreement is hereby amended and restated in its entirety as follows: "The Company hereby appoints the Rights Agent to act as agent for the Company in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment."

5. The second sentence of Section 3(a) of the Rights Agreement is hereby amended and restated in its entirety as follows: "As soon as practicable after the Distribution Date and receipt of written notice of the Distribution Date from the Company, the Company will prepare and execute, the Rights Agent will countersign, and the Company will send or cause to be sent (and the Rights Agent will, if requested, send) by first-class, insured, postage-prepaid mail, to each record holder of Common Stock as of the close of business on the Distribution Date (other than any Acquiring Person or any Associate or Affiliate of an Acquiring Person), at the address of such holder shown on the records of the Company, a Right Certificate, in substantially the form of Exhibit B hereto (a "Right Certificate"), evidencing one Right (subject to adjustment as provided herein) for each share of Common Stock so held."

6. The last sentence of Section 6(a) of the Rights Agreement is hereby amended and restated in its entirety as follows: "The Company may require payment by the holder of Rights of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer, split up, combination or exchange of Right Certificates."

7. The heading of Section 8 of the Rights Agreement is hereby amended by deleting the words "and Destruction" therefrom.

8. The last sentence of Section 8 of the Rights Agreement is hereby amended and restated in its entirety as follows: "The Rights Agent shall deliver all canceled Right Certificates to the Company."

9. The first sentence of Section 18(a) of the Rights Agreement is hereby amended and restated in its entirety as follows: "The Company agrees to pay to the Rights Agent such compensation as shall be agreed to in writing by the Company and the Rights Agent for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and other disbursements incurred in the administration and execution of this Rights Agreement and the exercise and performance of its duties hereunder."

10. Section 18(a) of the Rights Agreement is hereby amended by adding at the end of such section the following sentence: "The provisions of this Section 18(a) shall survive the expiration of the Rights and the termination of this Agreement."

11. The first sentence of Section 19(a) of the Rights Agreement is hereby amended and restated in its entirety as follows: "Any corporation into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any corporation succeeding to all or substantially all of the stock transfer or corporate trust powers of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Rights Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto; provided, that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 21 hereof."

12. Section 20(a) of the Rights Agreement is hereby amended and restated in its entirety as follows: "The Rights Agent may consult with legal counsel of its selection (who may be legal counsel for the Company), and the opinion of such counsel shall be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion."

13. Section 20(c) of the Rights Agreement is hereby amended by adding at the end of the first sentence the following: "; provided, however, that the Rights Agent shall not be liable for indirect, special, consequential or punitive damages."

14. Section 26 of the Rights Agreement is hereby amended by adding after the Company's address for notices or demands, the following: Subject to Section 21 hereof, any notice or demand authorized by this Rights Agreement to be given or made by the Company or by the holder of any Right Certificate to or on the Successor Agent shall be sufficiently given or made if sent by first-class mail, postage pre-paid, addressed (until another address is filed in writing with the Company) as follows:

The Bank of New York
Stock Transfer Administration
28 East 28th Street – 8th Fl
New York, NY 10016
Attention: Alexander Pabon, AVP

15. Except as amended hereby, the Rights Agreement shall remain in full force and effect and is hereby ratified and confirmed in all respects.

16. This Amendment and the performance of the parties hereunder shall be interpreted, construed, and enforced in accordance with the laws of the State of New York.

17. This Amendment may be executed in multiple counterparts. Each such counterpart shall be an original and all together shall constitute but one and the same Amendment.

IN WITNESS WHEREOF, the parties have executed this Amendment No. 1 to the Rights Agreement on the date set forth herein.

MOODY'S CORPORATION

By: /s/ JOHN J. GOGGINS

John J. Goggins
Senior Vice President
and General Counsel

EQUISERVE TRUST COMPANY, N.A.

By: /s/ Collin Ekeogu

Collin Ekeogu
Director, Corporate Actions
Administration

THE BANK OF NEW YORK

By: /s/ Alexander Pabon

Alexander Pabon
Assistant Vice President

SUPPLEMENTAL EXECUTIVE BENEFIT PLAN
OF MOODY’S CORPORATION

Exhibit 10.4

SUPPLEMENTAL EXECUTIVE BENEFIT PLAN OF MOODY’S CORPORATION

PREAMBLE

The principal purpose of this Supplemental Executive Benefit Plan is to provide as deferred compensation, on an unfunded basis, a competitive level of retirement income and disability benefits to a select group of management or highly compensated employees of the Corporation and its affiliated companies in order to attract, retain, and motivate such employees.

Definitions

“Affiliate” means any corporation, partnership, division or other organization controlling, controlled by or under common control with the Corporation or any joint venture entered into by the Corporation.

“Average Final Compensation” means the greater of (a) a Participant’s or Vested Former Participant’s average final compensation as defined in the Moody’s Corporation Retirement Account as if no provision were set forth therein incorporating limitations imposed by Sections 401 or 415 or any other applicable Section of the Code, or (b) if the Participant is disabled at the time of his Retirement, the Participant’s Basic Earnings. For purposes of (a), Average Final Compensation will not include an employee’s compensation while the employee is a Vested Former Participant or a Former Participant and will include compensation from the date of the Participant’s employment with the Corporation or an Affiliate.

“Basic Disability Plan” means as to any Participant either (a) the long-term disability plan of the Corporation or an Affiliate pursuant to which long-term disability benefits are payable to such Participant or (b) if the Affiliate which employs such Participant has not adopted a long-term disability plan, the long-term disability plan of the Corporation.

“Basic Disability Plan Benefit” means the amount of benefits actually payable to a Participant from the Basic Disability Plan or which would be payable if the Participant were a member of such Plan. For purposes of determining a Participant’s Basic Disability Plan Benefit, a disability benefit shall not be treated as actually payable to a Participant unless the Participant is actually covered by a long-term disability plan of the Corporation or an Affiliate.

“Basic Earnings” means the total amount paid by the Corporation or any Affiliate to a Participant in the twelve (12) months immediately preceding the onset of the Participant’s disability, (a) including salary, wages, regular cash bonuses and commissions, lump sum payments in lieu of foregone merit increases, “bonus buyouts” as the result of job changes, and any portion of such amounts (i) voluntarily deferred or reduced by the Participant under any employee benefit plan of the Corporation or any Affiliate available to all levels of Employees of the Corporation and/or any Affiliate(s) on a non-discriminatory basis upon satisfaction of eligibility requirements or (ii) voluntarily deferred or reduced under any executive deferral plan of the Corporation or any Affiliate (so long as such amounts would otherwise not have been excluded had they not been deferred), but (b) excluding any pension, retainers, severance pay, special stay-on bonus payments, income derived from stock options, stock appreciation rights and restricted stock awards and dispositions of stock acquired thereunder, payments dependent upon any contingency after the period of Credited Service and other special remuneration (including performance units).

“Basic Plan” means, as to any Participant or Vested Former Participant, the defined benefit pension plan of the Corporation or an Affiliate, which is intended to meet the requirements of Section 401(a) of the Code and pursuant to which retirement benefits are payable to such Participant or Vested Former Participant or to the Surviving Spouse or designated beneficiary of a deceased Participant or Vested Former Participant.

“Basic Plan Benefit” means the amount of benefits payable from the Basic Plan to a Participant or Vested Former Participant.

“Board” means the Board of Directors of Moody’s Corporation.

“Change in Control” means:

a. Any “Person,” as such term is used in Section 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) (other than the Corporation, any trustee or other fiduciary holding securities under an employee benefit plan of the Corporation, or any Corporation owned, directly or indirectly, by the shareholders of the Corporation in substantially the same proportions as their ownership of stock of the Corporation), is or becomes the “Beneficial Owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing twenty percent (20%) or more of the combined voting power of the Corporation’s then outstanding securities;

b. during any period of twenty-four (24) months (not including any period prior to the effective date of this provision), individuals who at the beginning of such period constitute the Board, and any new director (other than (i) a director designated by a person who has entered into an agreement with the Corporation to effect a transaction described in clause (a), (c) or (d) of this Section, (ii) a director designated by any Person (including the Corporation) who publicly announces an intention to take or to consider taking actions (including, but not limited to, an actual or threatened proxy contest) which if consummated would constitute a Change in Control, or (iii) a director designated by any Person who is the Beneficial Owner, directly or indirectly, of securities of the Corporation representing ten percent (10%) or more of the combined voting power of the Corporation’s securities) whose election by the Board or nomination for election by the Corporation’s shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved cease for any reason to constitute at least a majority thereof;

c. the shareholders of the Corporation approve a merger or consolidation of the Corporation with any other company, other than a merger or consolidation (i) which would result in the voting securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of the Corporation or such surviving entity outstanding immediately after such merger or consolidation and (ii) after which no Person holds twenty percent (20%) or more of the combined voting power of the then outstanding securities of the Corporation or such surviving entity; or

d. the shareholders of the Corporation approve a plan of complete liquidation of the Corporation or an agreement for the sale or disposition by the Corporation of all or substantially all of the Corporation's assets.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Committee" means the Compensation and Nominating Committee of the Board.

"Corporation" means Moody's Corporation, a Delaware corporation, and any successor or assigns thereto.

"Credited Service" means a Participant's, Former Participant's or Vested Former Participant's Credited Service as defined in the Moody's Corporation Retirement Account, except that Credited Service will include service while the Participant is receiving Disability Benefits and service from the date the Participant, Former Participant or Vested Former Participant was employed by the Corporation or an Affiliate, but will not include service while an employee is a Former Participant or Vested Former Participant. In the case of an acquired company, however, the Participant's, Former Participant's or Vested Former Participant's service with that company prior to the date of acquisition will not be counted unless such service is recognized for benefit accrual purposes under the relevant Basic Plan.

"Disability Benefit" means the benefits provided to Participants and Vested Former Participants pursuant to Section 5 of the Plan.

"Effective Date" means September 30, 2000.

"Election" means an election as to the form of benefit payment made pursuant to Section 4.05 of the Plan.

"Election Date" means the date that a properly completed election form with respect to an Election or a Special Election is received by the Corporation's Treasurer.

"Former Participant" means an employee who has not completed five (5) or more years of Credited Service at the time his employment with the Corporation or an Affiliate terminates or at the time he was removed, upon written notice by the Chief Executive Officer of the Corporation and with the approval of the Committee, from further participation in the Plan.

"Other Disability Income" means (a) the disability insurance benefit that the Participant is entitled to receive under the Federal Social Security Act while he is receiving the Basic Disability Plan Benefit and (b) the disability income payable to a Participant from the following sources:

i. any supplemental executive disability plan of any Affiliate; and

ii. any other contract, agreement or other arrangement with the Corporation or an Affiliate (excluding any Basic Disability Plan) to the extent it provides disability benefits.

"Other Retirement Income" means (a) (i) the Social Security retirement benefit that the Participant or Vested Former Participant is entitled to receive under the Federal Social Security Act as of the date of his Retirement or (ii) if the Participant or Vested Former Participant is not eligible to receive a Social Security retirement benefit commencing on such date, the Social Security retirement benefit he is entitled to receive at the earliest age he is eligible to receive such a benefit, discounted to the date his Benefit under the Plan actually commences, using the actuarial assumptions then in use under the relevant Basic Plan, assuming for purposes of (i) and (ii) above that for years prior to the Participant's employment with the Corporation and for years following the Participant's termination of employment with the Corporation up until the Participant attains age sixty-two (62), the Participant earned compensation so as to accrue the maximum Social Security benefits, and (b) the retirement income payable to a Participant or Vested Former Participant from the following sources:

i. any retirement benefits equalization plan of the Corporation or an Affiliate or any former Affiliate, the purpose of which is to provide the Participant or Vested Former Participant with the benefits he is precluded from receiving under any relevant Basic Plan as a result of limitations under the Code; and

ii. any supplemental executive retirement plan of any Affiliate; and

iii. any other contract, agreement or other arrangement with the Corporation or an Affiliate or any former Affiliate (excluding any Basic Plan and any defined contribution plan intended to meet the requirements of Section 401(a) of the Code) to the extent it provides retirement or pension benefits.

"Participant" means an employee of the Corporation or an Affiliate who becomes a participant in the Plan pursuant to Section 2.01 and has not been removed pursuant to Section 2.02.

"Plan" means this Supplemental Executive Benefit Plan of Moody's Corporation, as amended from time to time.

"Potential Change in Control" means:

(a) the Corporation enters into an agreement, the consummation of which would result in the occurrence of a Change in Control of the Corporation;

(b) any person (including the Corporation) publicly announces an intention to take or to consider taking actions which if consummated would constitute a Change in Control of the Corporation;

(c) any person, other than a trustee or their fiduciary holding securities under an employee benefit plan of the Corporation (or a Corporation owned, directly or indirectly, by the stockholders of the Corporation in substantially the same proportions as their ownership of stock of the Corporation), who is or becomes the beneficial owner, directly or indirectly, of securities of the Corporation representing nine and one half percent (9.5%) or more of the combined voting power of the Corporation's then outstanding securities, increases his beneficial ownership of such securities by five percent (5%) or more over the percentage so owned by such person; or

(d) the Board adopts a resolution to the effect that, for purposes of this Plan, a Potential Change in Control of the Corporation has occurred.

"Retirement" means the termination, other than at death, of a Participant's or Vested Former Participant's employment with the Corporation or an Affiliate (a) after reaching age fifty-five (55) and completing ten (10) years of Vesting Service, or (b) immediately following the cessation of the payment of Disability Benefits under the Plan to such Participant or Vested Former Participant while he is still disabled, as such term is defined under the Basic Disability Plan.

"Retirement Benefit" means the benefits provided to Participants and Vested Former Participants pursuant to Section 4 of the Plan.

"Special Election" means an election as to the form of benefit payment made pursuant to Section 4.06 of the Plan.

“Surviving Spouse” means the spouse of a deceased Participant or Vested Former Participant to whom such Participant or Vested Former Participant is legally married immediately preceding such Participant or Vested Former Participant’s death.

“Surviving Spouse’s Benefits” mean the benefits provided to a Participant’s or Vested Former Participant’s Surviving Spouse pursuant to Section 6 of the Plan.

“Vested Former Participant” means an employee who completed five (5) or more years of Credited Service at the time his employment with the Corporation or an Affiliate terminated or at the time he was removed, upon written notice by the Chief Executive Officer of the Corporation and with the approval of the Committee, from further participation in the Plan.

The masculine gender, where appearing in the Plan, will be deemed to include the feminine gender, and the singular may include the plural, unless the context clearly indicates to the contrary.

Section 2

Eligibility and Participation

2.01 All key management employees of the Corporation and its Affiliates who are responsible for the management, growth or protection of the business of the Corporation and its Affiliates, who are designated by the Chief Executive Officer of the Corporation in writing, are eligible, upon approval by the Committee, for participation in the Plan as of the effective date of such designation.

2.02 A Participant’s participation in the Plan shall terminate upon termination of his or her employment. Prior to termination of employment, a Participant may be removed, upon written notice by the Chief Executive Officer of the Corporation and with the approval of the Committee, from further participation in the Plan. As of the date of termination or removal, no further benefits shall accrue to such individual.

Section 3

Eligibility For Benefits

3.01 Each Participant or Vested Former Participant is eligible for an annual Retirement Benefit under this Plan upon Retirement, or upon termination of employment with the Corporation before Retirement after completing five (5) or more years of Credited Service.

3.02 Each Participant is eligible to commence receiving a Disability Benefit under this Plan upon the actual or deemed commencement of benefits under the relevant Basic Disability Plan. Notwithstanding the above, a Participant may not receive a Disability Benefit if he has not previously enrolled for the maximum disability insurance coverage available under the relevant Basic Disability Plan.

3.03 Notwithstanding any other provision of the Plan to the contrary, no benefits or no further benefits, as the case may be, shall be paid to a Participant, Vested Former Participant or Surviving Spouse if the Committee reasonably determines that such Participant or Vested Former Participant has:

(a) to the detriment of the Corporation or any Affiliate, directly or indirectly acquired, without the prior written consent of the Committee, an interest in any other company, firm, association, or organization (other than an investment interest of less than one percent (1%) in a publicly-owned company or organization), the business of which is in direct competition with any business of the Corporation or an Affiliate;

(b) to the detriment of the Corporation or any Affiliate, directly or indirectly competed with the Corporation or any Affiliate as an owner, employee, partner, director or contractor of a business, in a field of business activity in which the Participant or Vested Former Participant has been primarily engaged on behalf of the Corporation or any Affiliate or in which he has considerable knowledge as a result of his employment by the Corporation or any Affiliate, either for his own benefit or with any person other than the Corporation or any Affiliate, without the prior written consent of the Committee; or

(c) been discharged from employment with the Corporation or any Affiliate for "Cause." "Cause" shall include the occurrence of any of the following events or such other dishonest or disloyal act or omission as the Committee reasonably determines to be "Cause":

i. the Participant or Vested Former Participant has misappropriated any funds or property of the Corporation or any Affiliate or committed any other act of willful malfeasance or willful misconduct in connection with his or her employment;

ii. the Participant or Vested Former Participant has, without the prior knowledge or written consent of the Committee, obtained personal profit as a result of any transaction by a third party with the Corporation or any Affiliate;

iii. the Participant or Vested Former Participant has sold or otherwise imparted to any person, firm, or corporation the names of the customers of the Corporation or any Affiliate or any confidential records, data, formulae, specifications and other trade secrets or other information of value to the Corporation or any Affiliate derived by his or her association with the Corporation or any Affiliate;

iv. the Participant or Vested Former Participant fails, on a continuing basis, to perform such duties as are requested by any employee to whom the Participant or Vested Former Participant reports or the Board; or

v. the Participant or Vested Former Participant commits any felony or any misdemeanor involving moral turpitude.

In any case described in this Section 3.03, the Participant, Vested Former Participant or Surviving Spouse shall be given prior written notice that no benefits or no further benefits, as the case may be, will be paid to such Participant, Vested Former Participant or Surviving Spouse. Such written notice shall specify the particular act(s), or failures to act, on the basis of which the decision to terminate benefits has been made.

3.04 (a) Notwithstanding any other provision of the Plan to the contrary, a Participant or Vested Former Participant who receives in a lump sum any portion of his Retirement Benefit pursuant to an Election or Special Election shall receive such lump sum portion of his Retirement Benefit subject to the condition that if such Participant or Vested Former Participant engages in any of the acts described in clause (i) or (ii) of Section 3.03(c), then such Participant or Vested Former Participant shall, within sixty (60) days after written notice by the Corporation, repay to the Corporation the amount described in Section 3.04(b).

(b) The amount described under this Section 3.04(b) shall equal the amount, as determined by the Committee, of the Participant's or Vested Former Participant's lump sum benefit paid under this Plan to which such Participant or Vested Former Participant would not have been entitled, if such lump sum benefit had instead been payable in the form of an annuity under this Plan and such annuity payments were subject to the provisions of Section 3.03.

Section 4

Amount and Form of Retirement Benefits

4.01 The Retirement Benefit provided by the Plan is designed to provide each Participant and Vested Former Participant with an annual pension from the Plan and certain other sources equal to his Retirement Benefit as hereinafter specified. Thus, the Retirement Benefits described hereunder as payable to Participants and Vested Former Participants will be offset by retirement benefits payable from sources outside the Plan as specified herein. All Retirement Benefits payable under the Plan shall be payable in accordance with the Employee Benefits Agreement between the Corporation (formerly, The Dun & Bradstreet Corporation) and The Dun & Bradstreet Corporation (formerly, The New D&B Corporation), dated as of September 30, 2000.

4.02 (a) In respect of a Participant or Vested Former Participant whose participation in the Plan commenced before October 22, 2001, the Retirement Benefit either upon Retirement or upon termination of employment with the Corporation before Retirement but with five (5) or more years of Credited Service, shall be an annual benefit equal to four percent (4%) of his Average Final Compensation for each of his first ten (10) years of Credited Service, plus two percent (2%) of his Average Final Compensation for each year of Credited Service in excess of ten (10) years of Credited Service, but not to exceed in the aggregate twenty (20) years of Credited Service, offset by his Other Retirement Income and his Basic Plan Benefit. A full month is credited for each completed and partial month of Credited Service.

i. Notwithstanding the foregoing provisions of this paragraph (a), if a Participant or Vested Former Participant subject to this Section 4.02 (a) commences Retirement before he reaches age sixty (60) without the Corporation’s consent, his Retirement Benefit shall be reduced by three percent (3%) for each year or fraction thereof that Retirement commenced prior to his reaching age sixty (60).

ii. Notwithstanding the foregoing provisions of this paragraph (a), if a Participant or Vested Former Participant subject to this Section 4.02 (a) terminates employment with the Corporation before Retirement without the Corporation’s consent, and the payment of his Retirement Benefit commences (or would commence if it were payable in the form of an annuity) before he reaches age sixty (60), his Retirement Benefit shall be reduced by ten percent (10%) for each year or fraction thereof that the payment of his Retirement Benefit commences (or would commence if it were payable in the form of any annuity) prior to his reaching age sixty (60).

(b) In respect of a Participant or Vested Former Participant whose participation in the Plan commenced on or after October 22, 2001, the Retirement Benefit either upon Retirement or upon termination of employment with the Corporation before Retirement but with five (5) or more years of Credited Service, shall be an annual benefit equal to two percent (2%) of his Average Final Compensation for each year of Credited Service, but not to exceed in the aggregate thirty (30) years of Credited Service, offset by his Other Retirement Income and his Basic Plan Benefit. A full month is credited for each completed and partial month of Credited Service.

Notwithstanding the foregoing provisions of this paragraph (b), if a Participant or Vested Former Participant subject to this Section 4.02(b) terminates employment with the Corporation before Retirement, his Retirement Benefit shall be reduced by sixty percent (60%).

4.03 Any portion of the Retirement Benefit provided under Section 4.02 payable in the form of an annuity pursuant to Section 4.04 shall be payable in monthly installments and will commence on the first day of the calendar month coinciding with or next following the day the Participant or Vested Former Participant either commences Retirement, or, in the case of termination of employment with the Corporation before Retirement, reaches age fifty-five (55) or the date of his termination, if later. Any portion of such Retirement Benefit payable in a lump sum pursuant to Section 4.04 shall be paid on the date that is sixty (60) days after the date when annuity payments under this Section 4.03 commence, or would commence if any portion of the Retirement Benefit were payable in the form of an annuity, or as soon as practicable thereafter, provided the Committee has approved any such lump sum payments.

4.04 (a) Except as provided under Section 4.04(b) or Section 4.04(c), a Retirement Benefit under this Plan shall be payable to a Participant or Vested Former Participant in the form of a straight life annuity and without regard to any optional form of benefits elected under the Basic Plan.

(b) If a Participant or a Vested Former Participant makes an Election while he is a Participant pursuant to Section 4.05 or a Special Election pursuant to Section 4.06 and such Election or Special Election becomes effective (i) prior to the date such Participant or such Vested Former Participant retires or terminates employment with the Corporation or an Affiliate and (ii) while he was still a Participant, a Retirement Benefit under this Plan shall be payable to such Participant or such Vested Former Participant in the form or combination of forms of payment elected pursuant to such Election or Special Election under Section 4.05 or Section 4.06, as the case may be, and without regard to any optional form of benefit elected under the Basic Plan. Any lump sum distribution of a Participant's or Vested Former Participant's Retirement Benefit under the Plan shall fully satisfy all present and future Plan liability with respect to such Participant or Vested Former Participant for such portion or all of such Retirement Benefit so distributed.

(c) Notwithstanding any Election or Special Election made under Section 4.05 or 4.06, if the lump sum value, determined in the same manner as provided under Section 4.05(a), of a Participant's or Vested Former Participant's Retirement Benefit is Ten Thousand Dollars ($10,000) or less at the time such Retirement Benefit is payable under this Plan, such benefit shall be payable as a lump sum.

(d) If the Retirement Benefit under this Plan is payable to a Participant or Vested Former Participant in a different form and/or at a different time than his Other Retirement Income or his Basic Plan Benefits, the offset provided in this Plan for such Participant's or Vested Former Participant's Other Retirement Income and Basic Plan Benefit shall be converted, using actuarial assumptions that are reasonable and appropriate and in accordance with applicable law at the time the benefit under this Plan is determined, to the extent required as follows, but solely for purposes of calculating the amount of such offset:

i. a percentage of the benefits to be offset equal to the percentage of such Participant's or Vested Former Participant's benefits payable in the form of an annuity under this Plan shall be actuarially converted to the extent required into the form of a straight life annuity, commencing at the time such benefits payable under this Plan commence or on the date such Participant or Vested Former Participant would first become eligible for the payment of such benefits under this Plan, if earlier; and

ii. the balance, if any, of the benefits to be offset shall be actuarially converted to a lump sum payment payable on the date which is sixty (60) days after the date described in Section 4.04(d)(i).

4.05(a) A Participant may elect, on a form supplied by the Committee, to receive all, none, or a specified portion, as provided in Section 4.05 (c), of his Retirement Benefit under the Plan in a lump sum and to receive any balance of such Retirement Benefit in the form of an annuity; *provided* , that any such Election shall be effective for purposes of this Plan only if the conditions of Section 4.05(b) are satisfied. A Participant may elect a payment form different than the payment form previously elected by him or her under this Section 4.05(a) by filing a revised election form; *provided* , that any such new Election shall be effective only if the conditions of Section 4.05(b) are satisfied with respect to such new Election. Any prior Election made by a Participant that has satisfied the conditions of Section

4.05(b) remains effective for purposes of the Plan until such Participant has made a new Election satisfying the conditions of Section 4.05(b). The amount of any portion of a Participant's or a Vested Former Participant's Retirement Benefit payable as a lump sum under this Section 4.05 will equal the present value of such portion of the Retirement Benefit, and such present value shall be determined (i) based on a discount rate equal to eighty-five percent (85%) of the average of the fifteen (15) year non-callable U.S. Treasury bond yields as of the close of business on the last business day of each of the three months immediately preceding the date the annuity value is determined and (ii) using the 1983 Group Annuity Mortality Table.

A Participant's Election under Section 4.05(a) becomes effective only if the following conditions are satisfied: (i) such Participant remains in the employment of the Corporation or an Affiliate, as the case may be, for the full twelve (12) calendar months immediately following the Election Date of such Election, except in case of death or disability of such Participant as provided in Section 4.05(d), and (ii) such Participant complies with the administrative procedures set forth by the Committee with respect to the making of the Election.

A Participant making an election under Section 4.05(a) may specify the portion of his Retirement Benefit under the Plan to be received in a lump sum as follows: zero percent (0%), twenty-five percent (25%), fifty percent (50%), seventy-five percent (75%) or one hundred percent (100%).

In the event a Participant who has made an Election pursuant to Section 4.05(a) dies or becomes totally and permanently disabled for purposes of the relevant Basic Disability Plan while employed by the Corporation or an Affiliate and such death or total and permanent disability occurs during the twelve (12) calendar month period, as described under Section 4.05(b)(i), immediately following the Election Date of such Election, the condition under Section 4.05(b)(i) shall be deemed satisfied with respect to such Participant.

4.06 Any Participant who, as of the Effective Time, had made a valid Special Election in accordance with the procedures set forth in Section 4.6(a) of the Supplemental Executive Benefit Plan of The Dun and Bradstreet Corporation, will be entitled to receive all, none, or his or her specified percentages or his or her Retirement Benefit under the Plan in a lump sum and to receive the balance of such Retirement Benefit in the form of an annuity. (A list of such Participants is annexed hereto as Schedule A.) The amount of any portion of a Participant's or a Vested Former Participant's Retirement Benefit payable as a lump sum under this Section 4.06 will equal the present value of such portion of the Retirement Benefit, and such present value shall be determined (a) based on a discount rate equal to the average of eighty-five percent (85%) of the fifteen (15) year non-callable U.S. Treasury bond yields as of the close of business on the last business day of each of the three (3) months immediately preceding the date the annuity value is determined, and (b) using the 1983 Group Annuity Mortality Table.

4.07 Subject to Section 3.01, Section 3.03, Section 3.04 and the foregoing limitations of this Section 4, the Retirement Benefit of each Participant and Vested Former Participant under the Plan shall at all times be one hundred percent (100%) vested and nonforfeitable.

4.08 Subject to Section 4.08(c), the Corporation shall indemnify each Participant, Vested Former Participant and Surviving Spouse who receives any portion of a Retirement Benefit or Surviving Spouse's Benefit under this Plan in the form of an annuity for any interest and penalties that may be assessed by the U.S. Internal Revenue Service (the "IRS") with respect to U.S. federal income tax on such benefits (payable under the Plan in the form of an annuity) upon final settlement or judgment with respect to any such assessment in favor of the IRS, provided the basis for the assessment is that the amendment of the Plan to provide for the Election or the Special Election causes the Participant, Vested Former Participant or Surviving Spouse, as the case may be, to be treated as being in constructive receipt of such benefits prior to the time when such benefits are actually payable under the Plan.

In case any assessment shall be made against a Participant, Vested Former Participant or Surviving Spouse as described in Section 4.08(a), such Participant, Vested Former Participant or Surviving Spouse, as the case may be (the "indemnified party"), shall promptly notify the Corporation's Treasurer in writing and the Corporation, upon request of such indemnified party, shall select and retain an accountant or legal counsel reasonably satisfactory to the indemnified party to represent the indemnified party in connection with such assessment and shall pay the fees and expenses of such an accountant or legal counsel related to such representation, and the Corporation shall have the right to determine how and when such assessment by the IRS should be settled, litigated or appealed. In connection with any such assessment, any indemnified party shall have the right to retain his own accountant or legal counsel, but the fees and expenses of such accountant or legal counsel shall be at the expense of such indemnified party unless the Corporation and the indemnified party shall have mutually agreed to the retention of such accountant or legal counsel.

The Corporation shall not be liable for any payments under this Section 4.08 with respect to any assessment described in Section 4.08(a) if a Participant, Vested Former Participant or Surviving Spouse against whom such assessment is made has not promptly notified or allowed the Corporation to participate with respect to such assessment in the manner described in Section 4.08(b) or, following demand by the Corporation, has not made the deposit to avoid additional interest or penalties as described in Section 4.08(d) or has agreed to, or otherwise settled with the IRS with respect to, such assessment without the Corporation's written consent; *provided, however*, if (i) such assessment is settled with such consent or if there is a final judgment for the IRS, (ii) the Corporation has been notified and allowed to participate in the manner as provided in Section 4.08(b), and (iii) such Participant, Vested Former Participant or Surviving Spouse has made any required deposit to avoid additional interest or penalty as described in Section 4.08(d), the Corporation agrees to indemnify the indemnified party to the extent set forth in this Section 4.08.

In the event a final settlement or judgment with respect to an assessment as described under Section 4.08 has been made against a Participant, Vested Former Participant or Surviving Spouse, such Participant, Vested Former Participant or Surviving Spouse may elect to receive a portion or all of his Retirement Benefit or Surviving Spouse's Benefit that is otherwise payable as an annuity under the Plan in the form of a lump sum in accordance with procedures as the Committee may set forth, and such lump sum distribution will be made as soon as practicable after any such election. At the time such assessment is made against such Participant, Vested Former Participant or Surviving Spouse (the "assessed party") and prior to any final settlement or judgment with respect to such assessment, if so directed by the Corporation, such assessed party shall, as a condition to receiving any indemnity under this Section 4.08, as soon as practicable after notification of such assessment make a deposit with the IRS to avoid any additional interest or penalties with respect to such assessment and, upon the request of such assessed party, the Corporation shall lend, or arrange for the lending to, such assessed party a portion of his remaining Retirement Benefit or Surviving Spouse's Benefit under the Plan, not to exceed the lump sum value of such benefit under the Plan, determined using the actuarial assumptions set forth in Section 4.05(a), solely for purposes of providing the assessed party with funds to make a deposit with the IRS to avoid any additional interest or penalties with respect to such assessment.

Section 5

Disability Benefits

5.01 The Disability Benefit provided by the Plan is designed to provide each Participant with a disability benefit from the Plan and certain other sources equal to his Disability Benefit as hereinafter specified. Thus, Disability Benefits described hereunder as payable to Participants will be offset by disability benefits payable from sources outside the Plan (other than benefits payable under the relevant Basic Disability Plan) as specified herein.

5.02 In the event that a Participant has become totally and permanently disabled for the purposes of the relevant Basic Disability Plan, an annual Disability Benefit shall be payable in monthly installments under this Plan during the same period as disability benefits are actually or deemed paid by the relevant Basic Disability Plan, in an amount equal to sixty percent (60%) of the Participant's Basic Earnings. Such Disability Benefit shall be offset by the Participant's Other Disability Income, if any. A Participant's Disability Benefits shall also be offset by the Participant's Basic Plan Benefit, if the Participant's Basic Disability Plan Benefit does not already include such an offset.

Section 6

Surviving Spouse's Benefits

6.01 Upon the death of a Participant or Vested Former Participant, while employed by the Corporation or an Affiliate, who has completed at least ten (10) years of Credited Service with the Corporation or an Affiliate and has attained age fifty-five (55), his Surviving Spouse will be entitled to a Surviving Spouse's Benefit under this Plan equal to fifty percent (50%) of the Retirement Benefit that would have been provided from the Plan had the Participant or Vested Former Participant retired from the Corporation or an Affiliate with the Corporation's consent, on the date of his death.

6.02 Upon the death of a Participant or Vested Former Participant, while employed by the Corporation or an Affiliate, who has completed at least five (5) years of Credited Service with the Corporation or an Affiliate and has not attained age fifty-five (55), his Surviving Spouse will be entitled to a Surviving Spouse's Benefit under this Plan equal to fifty percent (50%) of the Retirement Benefit that would have been provided from the Plan had the Participant or Vested Former Participant terminated employment with the Corporation or an Affiliate on the date of his death with the Corporation's consent, and elected to have the payment of his Basic Plan Benefit commence at age fifty-five (55) in the form of a straight life annuity.

6.03 Upon the death of a Vested Former Participant while no longer employed by the Corporation or an Affiliate, who has not attained age fifty-five (55), his Surviving Spouse will be entitled to a Surviving Spouse's Benefit under this Plan equal to fifty percent (50%) of the Retirement Benefit that would have been provided from the Plan to the Vested Former Participant at age fifty-five (55), taking into account whether the Corporation consented to the termination.

6.04 Upon the death of a Participant or Vested Former Participant, while employed by the Corporation or an Affiliate, who has completed at least five (5), but less than ten (10) years of Credited Service with the Corporation or an Affiliate and has attained age fifty-five (55), his Surviving Spouse will be entitled to a Surviving Spouse's Benefit under this Plan equal to fifty percent (50%) of the Retirement Benefit that would have been provided from the Plan had the Participant or Vested Former Participant terminated employment with the Corporation or an Affiliate on the date of his death with the Corporation's consent and his Basic Plan Benefit commenced immediately in the form of a straight life annuity.

6.05 Upon the death of a Vested Former Participant while he is receiving Retirement Benefits, his Surviving Spouse shall receive a Surviving Spouse's Benefit equal to fifty percent (50%) of the Retirement Benefit the Vested Former Participant was receiving at the time of his death.

6.06 Except as provided in Section 6.08, the Surviving Spouse's Benefit provided under Section 6.01, 6.04 and 6.05 will be payable monthly, will commence as of the first day of the month coincident with or next following the month in which the Participant or Vested Former Participant dies, and will continue until the first day of the month in which the Surviving Spouse dies.

6.07 Except as provided in Section 6.08, the Surviving Spouse’s Benefit provided under Section 6.02 and 6.03 will be payable monthly, will commence as of the first day of the month coincident with or next following the month in which the Participant or Vested Former Participant would have attained age fifty-five (55), and will continue until the first day of the month in which the Surviving Spouse dies.

6.08 If a Participant or a Vested Former Participant while he was a Participant has made an Election under Section 4.05 or a Special Election under Section 4.06 and such Election or Special Election is effective on the date of such Participant’s or Vested Former Participant’s death, the Surviving Spouse’s Benefit payable to a Surviving Spouse of such Participant or Vested Former Participant will be payable in the form or combination of forms of payment so elected by such Participant or Vested Former Participant pursuant to such Election or Special Election. The amount of any lump sum payment under this Section 6.08 shall be the present value of the applicable portion of the Surviving Spouse’s Benefit payable under the Plan, and such present value shall be determined using the actuarial assumptions set forth in Section 4.05(a). Any lump sum distribution of a Surviving Spouse’s Benefit under the Plan shall fully satisfy all present and future Plan liability with respect to such Surviving Spouse for such portion or all of such Surviving Spouse’s Benefit so distributed.

Notwithstanding any Election or Special Election made under Section 4.05 or 4.06, if the lump sum value, determined in the same manner as provided under Section 4.05(a), of a Surviving Spouse’s Benefit is Ten Thousand Dollars ($10,000) or less at the time such Surviving Spouse’s Benefit is payable under this Plan, such benefit shall be payable as a lump sum.

Any portion of a Surviving Spouse’s Benefit provided under Section 6.01, 6.04 and 6.05 which is payable as an annuity shall be paid in the manner and at such time as set forth in Section 6.06, and any such benefit which is payable as a lump sum shall be paid sixty (60) days after the date when annuity payments commence, or would commence if any portion of such Surviving Spouse’s Benefit were payable as an annuity as set forth in Section 6.06.

Any portion of a Surviving Spouse’s Benefit provided under Section 6.02 and 6.03 which is payable as an annuity shall be paid in the manner and at such time as set forth in Section 6.07, and any such benefit which is payable as a lump sum shall be paid sixty (60) days after the date when annuity payments commence, or would commence if any portion of such Surviving Spouse’s Benefit were payable as an annuity, as set forth in Section 6.07.

6.09 Notwithstanding the foregoing provisions of Section 6, the amount of a Surviving Spouse’s Benefit shall be reduced by one (1) percentage point for each year (including a half year or more as a full year) in excess of ten (10) that the age of the Participant or Vested Former Participant exceeds the age of the Surviving Spouse.

Section 7

Committee

7.01 The Board and the Committee severally (and not jointly) shall be responsible for the administration of the Plan. The Committee shall consist of not less than three (3) nor more than seven (7) members, as may be appointed by the Board from time to time. Any member of the Committee may resign at will by notice to the Board or may be removed at any time (with or without cause) by the Board.

7.02 The members of the Committee may, from time to time, allocate responsibilities among themselves, and may delegate to any management committee, employee, director or agent its responsibility to perform any act hereunder, including, without limitation, those matters involving the exercise of discretion, provided that such delegation shall be subject to revocation at any time at its discretion.

7.03 The Committee (and its delegees) shall have the exclusive authority to interpret the provisions of the Plan and construe all of its terms (including, without limitation, all disputed and uncertain terms), to adopt, amend, and rescind rules and regulations for the administration of the Plan, and generally to conduct and administer the Plan and to make all determinations in connection with the Plan as may be necessary or advisable. All such actions of the Committee shall be conclusive and binding upon all Participants, Former Participants, Vested Former Participants and Surviving Spouses. All deference permitted by law shall be given to such interpretations, determinations and actions.

7.04 Any action to be taken by the Committee shall be taken by a majority of its members, either at a meeting or by written instrument approved by such majority in the absence of a meeting. A written resolution or memorandum signed by one (1) Committee member and the secretary of the Committee shall be sufficient evidence to any person of any action taken pursuant to the Plan.

7.05 Any person, corporation or other entity may serve in more than one (1) fiduciary capacity under the Plan.

Section 8

Miscellaneous

8.01 The Board may, in its sole discretion, terminate, suspend or amend this Plan at any time or from time to time, in whole or in part. However, no termination, suspension or amendment of the Plan may adversely affect a Participant’s or Vested Former Participant’s vested benefit under the Plan, or a retired Participant’s or Vested Former Participant’s right or the right of a Surviving Spouse to receive or to continue to receive a benefit in accordance with the Plan as in effect on the date immediately preceding the date of such termination, suspension or amendment.

8.02 Nothing contained herein will confer upon any Participant, Former Participant or Vested Former Participant the right to be retained in the Service of the Corporation or any Affiliate, nor will it interfere with the right of the Corporation or any Affiliate to discharge or otherwise deal with Participants, Former Participants or Vested Former Participants with respect to matters of employment without regard to the existence of the Plan.

8.03 Notwithstanding anything herein to the contrary, at any time following the termination of Service of a Participant or Vested Former Participant, the Committee may authorize, under uniform rules applicable to all Participants, Vested Former Participants and Surviving Spouses under the Plan, a lump sum distribution of a Participant’s, Vested Former Participant’s and/or Surviving Spouse’s Retirement Benefit or Surviving Spouse’s Benefit under the Plan in an amount equal to the present value of such Retirement Benefit or Surviving Spouse’s Benefit, using the actuarial assumptions then in use for funding purposes under the Moody’s Corporation Retirement Account, in full satisfaction of all present and future Plan liability with respect to such Participant, Vested Former Participant and/or Surviving Spouse, if the amount of such present value is less than Two Hundred Fifty Thousand Dollars ($250,000). Such lump sum distribution may be made without the consent of the Participant, Vested Former Participant or Surviving Spouse.

8.04 Notwithstanding anything in this Plan to the contrary, if a Participant has less than five (5) years of Credited Service at the time of a Change in Control, and as a result of the Change in Control, and before he completes five (5) years of Credited Service, (i) the Plan is terminated, (ii) the Participant is removed from further participation in the Plan, or (iii) the Participant is terminated as a result of action initiated directly or indirectly by the Corporation or any Affiliate, such Participant shall be entitled to a Benefit of twenty percent (20%) of his Average Final Compensation and the Corporation will remain obligated to pay all benefits under the Plan.

Notwithstanding anything in this Plan to the contrary, upon the occurrence of a Change in Control,

(i) no reduction shall be made in a Participant's or Vested Former Participant's Retirement Benefit, notwithstanding his termination of employment or Retirement prior to age sixty (60) without the Corporation's consent;

(ii) the provisions of Section 3.03(c)(i) and (ii) shall not apply to any Participant, Vested Former Participant or Surviving Spouse;

(iii) each Participant and Vested Former Participant already receiving a Retirement Benefit under the Plan shall receive a lump sum distribution of his unpaid Retirement Benefit and, if he is married, his Surviving Spouse's Benefit under the Plan within thirty (30) days of the Change of Control in an amount equal to the present value of such Retirement Benefit and Surviving Spouse's Benefit in full satisfaction of all present and future Plan liability with respect to such Participant, Vested Former Participant and Surviving Spouse, if any, and each Surviving Spouse already receiving a Surviving Spouse's Benefit under the Plan shall receive a lump sum distribution of his unpaid Surviving Spouse's Benefit at the same time in an amount equal to the present value of such Surviving Spouse's Benefit in full satisfaction of Plan liability to such Surviving Spouse;

(iv) each Vested Former Participant who is not already receiving a Retirement Benefit under the Plan shall receive a lump sum distribution of his unpaid Retirement Benefit and, if he is married, his Surviving Spouse's Benefit within thirty (30) days of the Change in Control in an amount equal to the present value of such Retirement Benefit and Surviving Spouse's Benefit, and each Surviving Spouse of either a Vested Former Participant or a Participant with five (5) or more years of Credited Service who is not already receiving a Surviving Spouse's Benefit under the Plan shall receive a lump sum distribution of his unpaid Surviving Spouse's Benefit at the same time in amount equal to the present value of such Surviving Spouse's Benefit;

(v) each Participant with less than five (5) years of Credited Service who is entitled to a benefit under Section 8.04(a) shall receive a lump sum distribution of the present value of such Retirement Benefit within thirty (30) days from the earlier of the date the Plan is terminated, the date he is removed from further participation in the Plan, or the date his employment with the Corporation is terminated, and of his Surviving Spouse's Benefit based upon the amount of such Retirement Benefit if he is married on the applicable date; and

(vi) each Participant who is not included in (v) above and who is not already receiving a Retirement Benefit under the Plan shall receive

(a) within thirty (30) days of the later to occur of the date of such Change in Control or the date he completes five (5) years of Credited Service, a lump sum distribution of the present value of his accrued Retirement Benefit under the Plan as of the applicable date and, if he is married on such date, the present value of his Surviving Spouse's Benefit, and

(b) within thirty (30) days from the earliest of the date of his Retirement or termination of employment with the Corporation, the date the Plan is terminated or the date he is removed from further participation in the Plan, a lump sum distribution of the present value of his additional Retirement Benefit accrued after the applicable event in (A) computed as of the applicable date herein set forth in (B) and, if he is married on such applicable date, the present value of his surviving Spouse's Benefit.

In determining the amount of the lump sum distributions to be paid under this Section 8.04, the following actuarial assumptions shall be used: (i) the interest rate used shall be the interest rate used by the Pension Benefit Guaranty Corporation for determining the value of immediate annuities as of January 1st of either the year of the occurrence of the Change in Control or the Participant's retirement or termination of employment, whichever is applicable, (ii) the 1983 Group Annuity Mortality Table shall be used; and (iii) it shall be assumed that all Participants retired or terminated employment with the Corporation on the date of the occurrence of the Change in Control and with the Corporation's consent for purposes of determining the amount of the lump sum distribution to be paid upon the occurrence of the Change in Control.

8.05 The Plan is unfunded, and all payments of benefits hereunder shall be paid solely on a current disbursement basis from the general funds of the Company, and no special or separate fund shall be established or other segregation of assets made to assure such payments; *provided, however* , that the Corporation reserves the right to purchase insurance contracts, which may or may not be in the name of a Participant or Vested Former Participant, or to establish one or more trusts to provide alternative sources of benefit payments under this Plan; *provided, further, however* , that upon the occurrence of a Potential Change in Control the appropriate officers of the Corporation are authorized to make such contributions to such trust or trusts as are necessary to fund the lump sum distributions to Participants required pursuant to Section 8.04 in the event of a Change in Control. In determining the amount of the necessary contribution to the trust or trusts in the event of a Potential Change in Control, the following actuarial assumptions shall be used:

(i) the interest rate used shall be the interest rate used by the Pension Benefit Guaranty Corporation for determining the value of immediate annuities as of January 1st of the year of the occurrence of the Potential Change in Control,

(ii) the 1983 Group Annuity Mortality Table shall be used; and

(iii) it shall be assumed that all Participants will retire or terminate employment with the Corporation as soon as practicable after the occurrence of the Potential Change in Control and with the Corporation's consent.

The existence of any such insurance contracts, trust or trusts as described in Section 8.05(a), shall not relieve the Corporation of any liability to make benefit payments under this Plan, but to the extent any benefit payments are made from any such insurance contract in the name of the Corporation or any Affiliate or from any such trust, such payment shall be in satisfaction of and shall reduce the Corporation's liabilities under this Plan. Further, in the event of the Corporation's bankruptcy or insolvency, all benefits accrued under this Plan shall immediately become due and payable in a lump sum and all Participants, Vested Former Participants and Surviving Spouses shall be entitled to share in the Corporation's assets in the same manner and to the same extent as general unsecured creditors of the Corporation.

Participants and Vested Former Participants shall have the status of general unsecured creditors of the Corporation and this Plan constitutes a mere promise by the Corporation to make benefit payments at the time or times required hereunder. No action taken pursuant to the provisions of the Plan shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Corporation and any Participant or other person. It is the intention of the Corporation that this Plan be unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended and any trust created by the Corporation in meeting its obligations under the Plan shall meet the requirements necessary to retain such unfunded status.

8.06 All benefits payable under the Plan shall be authorized in writing by the Committee (or by such person or committee to whom such responsibility may have been delegated by the Committee) and shall be communicated in writing to the Participant, Vested Former Participant, or Surviving Spouse. Any Participant, Vested Former Participant, or Surviving Spouse may apply to the Committee for payment of any benefit that may be due to him or her under the Plan. Such application shall set forth the nature of the claim and any information as the Committee may reasonably request. Upon receipt of any such application, the Committee shall determine whether or not the Participant, Vested Former Participant, or Surviving Spouse is entitled to the benefit hereunder.

If an application for benefits is denied, in whole or in part, the Committee shall give written notice to any Participant, Vested Former Participant, or Surviving Spouse of the denial. The notice shall be given within ninety (90) days after receipt of the Participant's, Vested Former Participant's, or Surviving Spouse's application unless special circumstances require an extension for processing the claim. In no event shall such extension exceed a period of ninety (90) days from the end of such initial review period. The notice will be delivered to the claimant or sent to the claimant's last known address and will include the specific reason or reasons for the denial, a specific reference or references to pertinent Plan provisions on which the denial is based, a description of any additional material or information necessary for the claimant to perfect the claim (which will indicate why such material or information is needed), and an explanation of the Plan's claims review procedure.

If the claimant wishes to appeal the denial of the application for benefits, the claimant or a duly authorized representative must file a written request with the Committee for a subsequent review. This request must be made by the claimant within sixty (60) days after receiving notice of the claim's denial. The claimant or representative may review pertinent documents relating to the claim and its denial, may submit issues and comments in writing to the Committee. Within sixty (60) days after receipt of such a request for review, the Committee shall reconsider the claim, and make a decision on the merits of the claim. If circumstances require an extension of time for processing the claim, the sixty (60) day period may be extended but in no event more than one hundred and twenty (120) days after the receipt of a request for review. The decision on review will be in writing and include specific reasons and references to the pertinent Plan provisions on which the decision is based.

8.07 If any dispute arises under the Plan between the Corporation and a Participant, Former Participant, Vested Former Participant or Surviving Spouse (collectively or individually referred to as "Participant" in this Section 8.07) as to the amount or timing of any benefit payable under the Plan or as to the persons entitled thereto, such dispute shall be resolved by binding arbitration proceedings initiated by either party to the dispute in accordance with the rules of the American Arbitration Association and the results of such proceedings shall be conclusive on both parties and shall not be subject to judicial review. If the disputed benefits involve the benefits of a Participant who is no longer employed by the Corporation or any Affiliate, the Corporation shall pay or continue to pay the benefits claimed by the Participant until the results of the arbitration proceedings are determined unless such claim is patently without merit; provided, however, that if the results of the arbitration proceedings are adverse to the Participant, then in such event the recipient of the benefits shall be obligated to repay the excess benefits to the Corporation. The Corporation expressly acknowledges that the amounts payable under the Plan are necessary to the livelihood of Participants and their family members and that any refusal or neglect to pay benefits under the preceding sentence prior to the resolution of any dispute shall be prima facie evidence of bad faith on its part and will be conclusive grounds for an arbitration award resulting in an immediate lump sum payment to the Participant, of the Participant's benefits under the Plan then due and payable to him or her, unless the arbitrator determines that the claim for the disputed benefits was without merit. The amount of such lump sum payment shall be equal to the then actuarial value of such benefits calculated by utilizing the actuarial assumptions then in use for funding purposes under the Moody's Corporation Retirement Account. In addition, in the event of any dispute covered by this Section 8.067 the Corporation agrees to pay the entire costs of any arbitration proceeding or legal proceeding brought hereunder, including the fees and expenses of counsel and pension experts engaged by a Participant and that such expenses shall be reimbursed promptly upon evidence that such expenses have been incurred without awaiting the outcome of the arbitration proceedings; provided, however, that such costs and expenses shall be repaid to the Corporation by the recipient of same if it is finally determined by the arbitrators that the position taken by such person was without merit.

8.08 To the maximum extent permitted by law, no benefit under the Plan shall be assignable or subject in any manner to alienation, sale, transfer, claims of creditors, pledge, attachment or encumbrances of any kind.

8.09 The Corporation may withhold from any benefit under the Plan an amount sufficient to satisfy its tax withholding obligations.

8.10 The Plan is established under and will be construed according to the laws of the State of New York.

NON-EMPLOYEE DIRECTORS' STOCK INCENTIVE PLAN

Exhibit 10.11

1998 MOODY'S CORPORATION NON-EMPLOYEE DIRECTORS' STOCK INCENTIVE PLAN

(as amended and restated as of April 23, 2001)

1. Purpose of the Plan

The purpose of the Plan is to aid the Company in attracting, retaining and compensating non-employee directors and to enable them to increase their ownership of Shares. The Plan will be beneficial to the Company and its stockholders since it will allow non-employee directors of the Board to have a greater personal financial stake in the Company through the ownership of Shares, in addition to underscoring their common interest with stockholders in increasing the value of the Shares on a long-term basis. As a result of the distribution of the shares of New D&B owned by the Company to the holder of record of Shares, the Company has amended and restated the Plan as of the Distribution Date.

2. Definitions

The following capitalized terms used in the Plan have the respective meanings set forth in this Section:

Act: The Securities Exchange Act of 1934, as amended, or any successor thereto.

Award: An Option, Share of Restricted Stock or Performance Share granted pursuant to the Plan.

Beneficial Owner: As such term is defined in Rule 13d-3 under the Act (or any successor rule thereto).

Board: The Board of Directors of the Company.

Change in Control: The occurrence of any of the following events: any “Person,” as such term is used in Sections 13(d) and 14(d) of the Act, (other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company), is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company’s then outstanding securities.

ii) during any period of twenty-four months (not including any period prior to the Distribution Date), individuals who at the beginning of such period constitute the Board, and any new Director (other than a Director designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (i), (iii) or (iv) of this Section, a Director designated by any Person (including the Company) who publicly announces an intention to take or to consider taking actions (including, but not limited to, an actual or threatened proxy contest) which if consummated would constitute a Change in Control or a Director designated by any Person who is the Beneficial Owner, directly or indirectly, of securities of the Company representing 10% or more of the combined voting power of the Company’s securities) whose election by the Board or nomination for election by the Company’s shareholders was approved by a vote of at least two-thirds (2/3) of the Directors then still in office who either were Directors at the beginning of the period or whose election or nomination for election was previously so approved cease for any reason to constitute at least a majority thereof.

iii) the shareholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation and after which no Person holds 20% or more of the combined voting power of the then outstanding securities of the Company or such surviving entity; or

iv) the shareholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company’s assets.

Code: The Internal Revenue Code of 1986, as amended, or any successor thereto.

Committee: The Compensation and Benefits Committee of the Board, or any successor thereto or other committee designated by the Board to assume the obligations of the Committee hereunder.

Company: The New Dun & Bradstreet Corporation, a Delaware corporation, to be renamed “The Dun & Bradstreet Corporation” after June 30, 1998, to be renamed the Moody Corporation after the Distribution Date.

D&B: The Dun & Bradstreet Corporation, a Delaware corporation.

Disability: Inability to continue to serve as a non-employee director due to a medically determinable physical or mental impairment which constitutes a permanent and total disability, as determined by the Committee (excluding any member thereof whose own Disability is at issue in a given case) based upon such evidence as it deems necessary and appropriate; *provided, however* , that following the Distribution Date, the Disability of a New D&B Director shall be determined by the New D&B Committee. A Participant shall not be considered disabled unless he or she furnishes such medical or other evidence of the existence of the Disability as the Committee or the New D&B Committee, as the case may be, in its sole discretion, may require.

Distribution Date: The date on which the shares of New D&B that are owned by the Company are distributed to the holders of record of shares of the Company.

Effective Date: The date on which the Plan takes effect, as defined pursuant to Section 14 of the Plan.

Fair Market Value: On a given date, the arithmetic mean of the high and low prices of the Shares as reported on such date on the Composite Tape of the principal national securities exchange on which such Shares are listed or admitted to trading, or, if no Composite Tape exists for such national securities exchange on such date, then on the principal national securities exchange on which such Shares are listed or admitted to trading, or, if the Shares are not listed or admitted on a national securities exchange, the arithmetic mean of the per Share closing bid price and per Share closing asked price on such date as quoted on the National Association of Securities Dealers Automated Quotation System (or such market in which such prices are regularly quoted), or, if there is no market on which the Shares are regularly quoted, the Fair Market Value shall be the value established by the Committee in good faith. If no sale of Shares shall have been reported on such Composite Tape or such national securities exchange on such date or quoted on the National Association of Securities Dealers Automated Quotation System on such date, then the immediately preceding date on which sales of the Shares have been so reported or quoted shall be used.

New D&B: The New D&B Corporation, a Delaware corporation, to be renamed “The Dun & Bradstreet Corporation” following the Distribution Date.

New D&B Board: The Board of Directors of New D&B.

New D&B Change in Control: The occurrence of any of the following events:

(i) any “Person,” as such term is used in Sections 13(d) and 14(d), (other than New D&B, any trustee or other fiduciary holding securities under an employee benefit plan of New D&B, or any corporation owned, directly or indirectly, by the shareholders of New D&B in substantially the same proportions as their ownership of stock of New D&B), is or becomes the Beneficial Owner, directly or indirectly, of securities of New D&B representing 20% or more of the combined voting power of New D&B’s then outstanding securities.

(ii) during any period of twenty-four months (not including any period prior to the Distribution Date), individuals who at the beginning of such period constitute the New D&B Board, and any new Director (other than a Director designated by a person who has entered into an agreement with New D&B to effect a transaction described in clause (i), (iii) or (iv) of this Section, a Director designated by any Person (including New D&B) who publicly announces an intention to take or to consider taking actions (including, but not limited to, an actual or threatened proxy contest) which if consummated would constitute a New D&B Change in Control or a Director designated by any Person who is the Beneficial Owner, directly or indirectly, of securities of New D&B representing 10% or more of the combined voting power of New D&B’s securities) whose election by the New D&B Board or nomination for election by New D&B’s shareholders was approved by a vote of at least two-thirds (2/3) of the Directors then still in office who either were Directors at the beginning of the period or whose election or nomination for election was previously so approved cease for any reason to constitute at least a majority thereof.

(iii) the shareholders of New D&B approve a merger or consolidation of New D&B with any other corporation, other than a merger or consolidation which would result in the voting securities of New D&B outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of New D&B or such surviving entity outstanding immediately after such merger or consolidation and after which no Person holds 20% or more of the combined voting power of the then outstanding securities of New D&B or such surviving entity; or

(iv) the shareholders of New D&B approve a plan of complete liquidation of New D&B or an agreement for the sale or disposition by New D&B of all or substantially all of New D&B's assets.

New D&B Committee: The Compensation and Benefits Committee of the New D&B Board, or any successor thereto or other committee designated by the New D&B Board to assume the obligations of the New D&B Committee hereunder.

New D&B Director: A Participant who is a director of New D&B immediately following the Distribution Date.

Option: A stock option granted pursuant to Section 6 of the Plan.

Option Price: The purchase price per Share of an Option, as determined pursuant to Section 6(b) of the Plan.

Participant: Any director of the Company who is not an employee of the Company or any Subsidiary of the Company as of the date that an Award is granted.

Performance Period: The calendar year or such other period of time as shall be designated by the Committee from time to time.

Performance Share: A periodic bonus award, payable in unrestricted Shares, granted pursuant to Section 8(a) of the Plan.

Person: As such term is used for purposes of Section 13(d) or 14(d) of the Act (or any successor section thereto).

Plan: The 1998 Moody's Corporation Non-Employee Directors' Stock Incentive Plan, as amended and restated.

Restricted Stock: A Share of restricted stock granted pursuant to Section 7 of the Plan.

Retirement: Termination of service with the Company after such Participant has attained age 70, regardless of the length of such Participant's service; or, with the prior written consent of the Committee (excluding any member thereof whose own Retirement is at issue in a given case), termination of service at an earlier age after the Participant has completed six or more years of service with the Company; *provided, however* , that following the Distribution Date, the Retirement of a New D&B Director shall be based on his or her service as a non-employee director of the Board and the New D&B Board and/or the prior written consent of the New D&B Committee.

Shares: Shares of common stock, par value $0.01 per share, of the Company.

Subsidiary: A subsidiary corporation, as defined in Section 424(f) of the Code (or any successor section thereto).

Termination of Service: A Participant's termination of service with the Company; *provided, however* , that following the Distribution Date, a New D&B Director's termination of service shall be based on his or her termination of service with New D&B.

3. Shares Subject to the Plan

The total number of Shares which may be issued under the Plan is 400,000. The Shares may consist, in whole or in part, of unissued Shares or treasury Shares. The issuance of Awards shall reduce the total number of Shares available under the Plan. Shares which are subject to Awards which terminate or lapse may be granted again under the Plan.

4. Administration

The Plan shall be administered by the Committee, which may delegate its duties and powers in whole or in part to any subcommittee thereof consisting solely of at least two “non-employee directors” within the meaning of Rule 16b-3 under the Act (or any successor rule thereto); *provided, however* , that any action permitted to be taken by the Committee may be taken by the Board, in its discretion. The Committee is authorized to interpret the Plan, to establish, amend and rescind any rules and regulations relating to the Plan, and to make any other determinations that it deems necessary or desirable for the administration of the Plan. The Committee may correct any defect or omission or reconcile any inconsistency in the Plan in the manner and to the extent the Committee deems necessary or desirable. Any decision of the Committee in the interpretation and administration of the Plan, as described herein, shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all parties concerned (including, but not limited to, Participants and their beneficiaries or successors).

5. Eligibility

All Participants shall be eligible to participate under this Plan.

6. Terms and Conditions of Options

Options granted under the Plan shall be non-qualified stock options for federal income tax purposes, as evidenced by the related Option agreements, and shall be subject to the foregoing and the following terms and conditions and to such other terms and conditions, not inconsistent therewith, as the Committee shall determine:

Grants. A Participant may receive, on such dates as determined by the Committee in its sole discretion, grants consisting of such number of Options as determined by the Committee in its sole discretion.

Option Price. The Option Price per Share shall be determined by the Committee, but shall not be less than 100% of the Fair Market Value of the Shares on the date an Option is granted.

Exercisability. Options granted under the Plan shall be exercisable at such time and upon such terms and conditions as may be determined by the Committee, but in no event shall an Option be exercisable more than ten years after the date it is granted.

Exercise of Options. Except as otherwise provided in the Plan or in a related Option agreement, an Option may be exercised for all, or from time to time any part, of the Shares for which it is then exercisable. For purposes of Section 6 of the Plan, the exercise date of an Option shall be the later of the date a notice of exercise is received by the Company and, if applicable, the date payment is received by the Company pursuant to clauses (i), (ii) or (iii) in the following sentence. The purchase price for the Shares as to which an Option is exercised shall be paid to the Company in full at the time of exercise at the election of the Participant (i) in cash, (ii) in Shares having a Fair Market Value equal to the aggregate Option Price for the Shares being purchased and satisfying such other requirements as may be imposed by the Committee, (iii) partly in cash and partly in such Shares or (iv) through the delivery of irrevocable instructions to a broker to deliver promptly to the Company an amount equal to the aggregate Option Price for the Shares being purchased. No Participant shall have any rights to dividends or other rights of a stockholder with respect to Shares subject to an Option until the occurrence of the exercise date (determined as set forth above) and, if applicable, the satisfaction of any other conditions imposed by the Committee pursuant to the Plan.

Exercisability Upon Termination of Service by Death. Upon a Termination of Service by reason of death after the first anniversary of the date on which an Option is granted, the unexercised portion of such Option shall immediately vest in full and may thereafter be exercised during the shorter of the remaining term of the Option or five years after the date of death.

Exercisability Upon Termination of Service by Disability or Retirement. Upon a Termination of Service by reason of Disability or Retirement after the first anniversary of the date on which an Option is granted, the unexercised portion of such Option may thereafter be exercised during the shorter of the remaining term of the Option or five years after the date of such Termination of Service; *provided, however* , that if a Participant dies within a period of five years after such Termination of Service, the unexercised portion of the Option shall immediately vest in full and may thereafter be exercised, during the shorter of the remaining term of the Option or the period that is the longer of five years after the date of such Termination of Service or one year after the date of death.

Effect of Other Termination of Service. Upon a Termination of Service by reason of Disability or Retirement prior to the first anniversary of the date on which an Option is granted (as described above), then, a pro rata portion of such Option shall immediately vest in full and may be exercised thereafter, during the shorter of (A) the remaining term of such Option or (B) five years after the date of such Termination of Service, for a prorated number of Shares (rounded down to the nearest whole number of Shares), equal to (i) the number of Shares subject to such Option multiplied by (ii) a fraction the numerator of which is the number of days the Participant served on the Board and the New D&B Board subsequent to the date on which such Option was granted and the denominator of which is 365. The portion of such Option which is not so exercisable shall terminate as of the date of Disability or Retirement. Upon a Termination of Service for any other reason prior to the first anniversary of the date on which an Option is granted, such Option shall thereupon terminate. Upon a Termination of Service for any reason other than death, Disability or Retirement after the first anniversary of the date on which an Option is granted, the unexercised portion of such Option shall thereupon terminate.

Nontransferability of Stock Options. Except as otherwise provided in this Section 6(h), a stock option shall not be transferable by the optionee otherwise than by will or by the laws of descent and distribution and during the lifetime of an optionee an option shall be exercisable only by the optionee. An option exercisable after the death of an optionee or a transferee pursuant to the following sentence may be exercised by the legatees, personal representatives or distributees of the optionee or such transferee. The Committee may, in its discretion, authorize all or a portion of the options previously granted or to be granted to an optionee to be on terms which permit irrevocable transfer for no consideration by such optionee to any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, of the optionee, trusts for the exclusive benefit of these persons, and any other entity owned solely by these persons ("Eligible Transferees"), provided that (x) the stock option agreement pursuant to which such options are granted must be approved by the Committee, and must expressly provide for transferability in a manner consistent with this Section and (y) subsequent transfers of transferred options shall be prohibited except those in accordance with the first sentence of this Section 6(h). The Committee may, in its discretion, amend the definition of Eligible Transferees to conform to the coverage rules of Form S-8 under the Securities Act of 1933 or any comparable Form from time to time in effect. Following transfer, any such options shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer. The events of Termination of Service of Sections 6 (e), 6(f) and 6(g) hereof shall continue to be applied with respect to the original optionee, following which the options shall be exercisable by the transferee only to the extent, and for the periods specified, in Sections 6(e), 6(f) and 6(g). The Committee may delegate to a committee consisting of employees of the Company the authority to authorize transfers, establish terms and conditions upon which transfers may be made and establish classes of options eligible to transfer options, as well as to make other determinations with respect to option transfers.

7. Terms and Conditions of Restricted Stock

Restricted Stock granted under the Plan shall be subject to the foregoing and the following terms and conditions and to such other terms and conditions, not inconsistent therewith, as the Committee shall determine:

Grants. A Participant may receive, on such dates as determined by the Committee in its sole discretion, grants consisting of such amounts of Restricted Stock as determined by the Committee in its sole discretion.

Restrictions. Restricted Stock granted under the Plan may not be sold, transferred, pledged, assigned or otherwise disposed of under any circumstances; *provided, however* , that the foregoing restrictions shall lapse at such time and upon such terms and conditions as may be specified by the Committee in the related Award agreement(s).

Vesting. Any grant of Restricted Stock under the Plan shall be subject to a minimum one-year vesting requirement.

Forfeiture of Grants. Except to the extent otherwise specified by the Committee in a related Award agreement(s), all Shares of Restricted Stock as to which restrictions have not previously lapsed pursuant to Section 7(b) of the Plan shall be forfeited upon a Participant's Termination of Service for any reason (including, without limitation, by reason of death, Disability or Retirement).

Other Provisions. During the period prior to the date on which the foregoing restrictions lapse, Shares of Restricted Stock shall be registered in the Participant's name and such Participant shall have voting rights and receive dividends with respect to such Restricted Stock.

8. Terms and Conditions of Performance Shares

Establishment of Annual Performance Target Levels and Number of Performance Shares. Prior to the commencement of a given Performance Period, the Committee shall establish performance goals for the Company for such performance period. The Committee shall also establish the number of Performance Shares that would be payable to Participants upon the attainment of various performance goals during such Performance Period.

Payment in Unrestricted Shares. As soon as practicable following a given Performance Period, Participants shall receive unrestricted Shares equal to the number of Performance Shares earned by such Participant during such Performance Period. A Participant who did not serve on the Board during an entire Performance Period shall receive a prorated number of Shares (rounded down to the nearest whole number of Shares) based upon (i) the number of days during the Performance Period during which such Participant served on the Board and (ii) the actual performance results.

Authorization for Committee to Permit Deferral. Notwithstanding Section 8(b) of the Plan, a Participant may, if and to the extent permitted by the Committee, elect to defer payment of any unrestricted Shares payable as a result of any Performance Shares earned by such Participant; *provided, however* , that any such election must be made (i) no later than June 30 of the year immediately preceding the year in which any such unrestricted Shares are to be paid and (ii) in accordance with such terms and conditions as are established by the Committee in its sole discretion.

Vesting. Any grant of Performance Shares under the Plan shall be subject to a minimum one-year vesting requirement.

9. Adjustments Upon Certain Events

Notwithstanding any other provisions in the Plan to the contrary, the following provisions shall apply to all Awards granted under the Plan:

Generally. In the event of any change in the outstanding Shares after the Effective Date by reason of any Share dividend or split, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of Shares or other corporate exchange, or any distribution to stockholders of Shares other than regular cash dividends, the Committee in its sole discretion and without liability to any person may make such substitution or adjustment, if any, as it deems to be equitable, as to (i) the number or kind of Shares or other securities issued or reserved for issuance pursuant to the Plan or pursuant to outstanding Awards, (ii) the Option Price and/or (iii) any other affected terms of such Awards.

Change in Control. Upon the occurrence of a Change in Control, (i) all restrictions on Shares of Restricted Stock shall lapse, (ii) each Participant shall receive the target number of Performance Shares for the Performance Period in which the Change in Control occurs (or, if no target number has been established for such Performance Period, the target number for the immediately preceding Performance Period shall be used) and (iii) all Stock Options shall vest and become exercisable.

New D&B Change in Control. Upon the occurrence of a New D&B Change in Control, with respect to Awards granted prior to the Distribution Date, (i) all restrictions on Shares of Restricted Stock held by New D&B Directors shall lapse, (ii) each New D&B Director shall receive the target number of Performance Shares for the Performance Period in which the New D&B Change in Control occurs (or, if no target number has been established for such Performance Period, the target number for the immediately preceding Performance Period shall be used) and (iii) all Stock Options held by New D&B Directors shall vest and become exercisable.

10. Successors and Assigns

The Plan shall be binding on all successors and assigns of the Company and a Participant, including without limitation, the estate of such Participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the Participant’s creditors.

11. Amendments or Termination

The Committee may amend, alter or discontinue the Plan, but no amendment, alteration or discontinuation shall be made which would impair the rights of any Participant under any Award theretofore granted without such Participant’s consent.

12. Nontransferability of Awards

Except as provided in Section 6(h) of the Plan, an Award shall not be transferable or assignable by the Participant otherwise than by will or by the laws of descent and distribution. During the lifetime of a Participant, an Award shall be exercisable only by such Participant. An Award exercisable after the death of a Participant may be exercised by the legatees, personal representatives or distributees of the Participant. Notwithstanding anything to the contrary herein, the Committee, in its sole discretion, shall have the authority to waive this Section 12 (or any part thereof) to the extent that this Section 12 (or any part thereof) is not required under the rules promulgated under any law, rule or regulation applicable to the Company.

13. Choice of Law

The Plan shall be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts made and to be performed in the State of Delaware.

14. Effectiveness of the Plan

The Plan shall be effective as of June 30, 1998.

KEY EMPLOYEES' STOCK INCENTIVE PLAN

Exhibit 10.15

2001 MOODY'S CORPORATION
KEY EMPLOYEES' STOCK INCENTIVE PLAN

1. Purpose of the Plan

The purpose of the Plan is to aid the Company and its Subsidiaries in securing and retaining key employees of outstanding ability and to motivate such employees to exert their best efforts on behalf of the Company and its Subsidiaries by providing incentives through the granting of Awards. The Company expects that it will benefit from the added interest which such key employees will have in the welfare of the Company as a result of their proprietary interest in the Company's success.

2. Definitions

The following capitalized terms used in the Plan have the respective meanings set forth in this Section:

Act: The Securities Exchange Act of 1934, as amended, or any successor thereto.

Award: An Option, Stock Appreciation Right or Other Stock-Based Award granted pursuant to the Plan.

Beneficial Owner: As such term is defined in Rule 13d-3 under the Act (or any successor rule thereto).

Board: The Board of Directors of the Company.

Change in Control: The occurrence of any of the following events:

(i) any "Person" as such term is used in Section 13(d) and 14(d) of the Act (other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company, or any company owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company), becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding securities;

(ii) during any period of twenty-four months (not including any period prior to the Effective Date), individuals who at the beginning of such period constitute the Board, and any new director (other than (A) a director nominated by a Person who has entered into an agreement with the Company to effect a transaction described in Sections 2(e)(i), (iii) or (iv) of the Plan, (B) a director nominated by any Person (including the Company) who publicly announces an intention to take or to consider taking actions (including, but not limited to, an actual or threatened proxy contest) which if consummated would constitute a Change in Control or (C) a director designated by any Person who is the Beneficial Owner, directly or indirectly, of securities of the Company representing 10% or more of the combined voting power of the Company's securities) whose election by the Board or nomination for election by the Company's stockholders was approved in advance by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof;

(iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than a merger or consolidation (A) which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation and (B) after which no Person would hold 20% or more of the combined voting power of the then outstanding securities of the Company or such surviving entity; or

(iv) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets.

Code: The Internal Revenue Code of 1986, as amended, or any successor thereto.

Committee: The Compensation and Benefits Committee of the Board, or any successor thereto or other committee designated by the Board to assume the obligations of the Committee hereunder.

Company: Moody's Corporation, a Delaware corporation.

Disability: Inability to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment which constitutes a permanent and total disability, as defined in Section 22(e)(3) of the Code (or any successor section thereto). The determination whether a Participant has suffered a Disability shall be made by the Committee based upon such evidence as it deems necessary and appropriate. A Participant shall not be considered disabled unless he or she furnishes such medical or other evidence of the existence of the Disability as the Committee, in its sole discretion, may require.

Effective Date: The date on which the Plan takes effect, as defined pursuant to Section 17 of the Plan.

Fair Market Value: On a given date, the arithmetic mean of the high and low prices of the Shares as reported on such date on the Composite Tape of the principal national securities exchange on which such Shares are listed or admitted to trading, or, if no Composite Tape exists for such national securities exchange on such date, then on the principal national securities exchange on which such Shares are listed or admitted to trading, or, if the Shares are not listed or admitted on a national securities exchange, the arithmetic mean of the per Share closing bid price and per Share closing asked price on such date as quoted on the National Association of Securities Dealers Automated Quotation System (or such market in which such prices are regularly quoted), or, if there is no market on which the Shares are regularly quoted, the Fair Market Value shall be the value established by the Committee in good faith. If no sale of Shares shall have been reported on such Composite Tape or such national securities exchange on such date or quoted on the National Association of Securities Dealers Automated Quotation System on such date, then the immediately preceding date on which sales of the Shares have been so reported or quoted shall be used.

ISO: An Option that is also an incentive stock option granted pursuant to Section 7(d) of the Plan.

LSAR: A limited stock appreciation right granted pursuant to Section 8(d) of the Plan.

Other Stock-Based Awards: Awards granted pursuant to Section 9 of the Plan.

Option: A stock option granted pursuant to Section 7 of the Plan.

Option Price: The purchase price per Share of an Option, as determined pursuant to Section 7(a) of the Plan.

Participant: An individual who is selected by the Committee to participate in the Plan pursuant to Section 5 of the Plan.

Performance-Based Awards: Other Stock-Based Awards granted pursuant to Section 9(b) of the Plan.

Person: As such term is used for purposes of Section 13(d) or 14(d) of the Act (or any successor section thereto).

Plan: The 2001 Moody's Corporation Key Employees' Stock Incentive Plan.

Post-Retirement Exercise Period: As such term is defined in Section 7(f) of the Plan.

Retirement: Termination of employment with the Company or a Subsidiary after such Participant has attained age 55 and five years of service with the Company; or, with the prior written consent of the Committee that such termination be treated as a Retirement hereunder, termination of employment under other circumstances.

Shares: Shares of common stock, par value $0.01 per Share, of the Company.

Special Exercise Period: As such term is defined in Section 7(f) of the Plan.

Stock Appreciation Right: A stock appreciation right granted pursuant to Section 8 of the Plan.

Subsidiary: A subsidiary corporation, as defined in Section 424(f) of the Code (or any successor section thereto).

Termination of Employment: A Participant's termination of employment with the Company or a Subsidiary, as the case may be.

3. Shares Subject to the Plan

The total number of Shares which may be issued under the Plan is 5,800,000, whether pursuant to ISOs or otherwise. The maximum number of Shares for which Awards may be granted during a calendar year to any Participant shall be 400,000. The Shares may consist, in whole or in part, of unissued Shares or treasury Shares. The issuance of Shares or the payment of cash upon the exercise of an Award shall reduce the total number of Shares available under the Plan, as applicable. Shares which are subject to Awards which terminate or lapse may be granted again under the Plan.

4. Administration

The Plan shall be administered by the Committee, which may delegate its duties and powers in whole or in part to any subcommittee thereof consisting solely of at least two individuals who are each "non-employee directors" within the meaning of Rule 16b-3 under the Act (or any successor rule thereto) and "outside directors" within the meaning of Section 162(m) of the Code (or any successor section thereto); provided, however, that any action permitted to be taken by the Committee may be taken by the Board, in its discretion. The Committee is authorized to interpret the Plan, to establish, amend and rescind any rules and regulations relating to the Plan, and to make any other determinations that it deems necessary or desirable for the administration of the Plan. The Committee may correct any defect or omission or reconcile any inconsistency in the Plan in the manner and to the extent the Committee deems necessary or desirable. Any decision of the Committee in the interpretation and administration of the Plan, as described herein, shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all parties concerned (including, but not limited to, Participants and their beneficiaries or successors). Determinations made by the Committee under the Plan need not be uniform and may be made selectively among Participants, whether or not such Participants are similarly situated. The Committee shall require payment of any amount it may determine to be necessary to withhold for federal, state, local or other taxes as a result of the exercise of an Award. Unless the Committee specifies otherwise, the Participant may elect to pay a portion or all of such withholding taxes by (a) delivery in Shares or (b) having Shares withheld by the Company from any Shares that would have otherwise been received by the Participant. The number of Shares so delivered or withheld shall have an aggregate Fair Market Value on the date of the exercise of an Award sufficient to satisfy the applicable withholding taxes. If the chief executive officer of the Company is a member of the Board, the Board by specific resolution may constitute such chief executive officer as a committee of one which shall have the authority to grant Awards of up to an aggregate of 100,000 Shares in each calendar year to Participants who are not subject to the rules promulgated under Section 16 of the Act (or any successor section thereto); provided, however, that such chief executive officer shall notify the Committee of any such grants made pursuant to this Section 4.

5. Eligibility

Key employees (but not members of the Committee or any person who serves only as a director) of the Company and its Subsidiaries, who are from time to time responsible for the management, growth and protection of the business of the Company and its Subsidiaries, and consultants to the Company and its Subsidiaries, are eligible to be granted Awards under the Plan. Participants shall be selected from time to time by the Committee, in its sole discretion, from among those eligible, and the Committee shall determine, in its sole discretion, the number of Shares to be covered by the Awards granted to each Participant.

6. Limitations

No Award may be granted under the Plan after the tenth anniversary of the Effective Date, but Awards theretofore granted may extend beyond that date.

7. Terms and Conditions of Options

Options granted under the Plan shall be, as determined by the Committee, non-qualified, incentive or other stock options for federal income tax purposes, as evidenced by the related Award agreements, and shall be subject to the foregoing and the following terms and conditions and to such other terms and conditions, not inconsistent therewith, as the Committee shall determine:

Option Price. The Option Price per Share shall be determined by the Committee, but shall not be less than 100% of the Fair Market Value of the Shares on the date an Option is granted.

Exercisability. Options granted under the Plan shall be exercisable at such time and upon such terms and conditions as may be determined by the Committee, but in no event shall an Option be exercisable more than ten years after the date it is granted.

Exercise of Options. Except as otherwise provided in the Plan or in an Award agreement, an Option may be exercised for all, or from time to time any part, of the Shares for which it is then exercisable. For purposes of Section 7 of the Plan, the exercise date of an Option shall be the later of the date a notice of exercise is received by the Company and, if applicable, the date payment is received by the Company pursuant to clauses (i), (ii) or (iii) in the following sentence. The purchase price for the Shares as to which an Option is exercised shall be paid to the Company in full at the time of exercise at the election of the Participant (i) in cash, (ii) in Shares having a Fair Market Value equal to the aggregate Option Price for the Shares being purchased and satisfying such other requirements as may be imposed by the Committee; provided, that such shares of Common Stock have been held by the Participant for no less than six months, (iii) partly in cash and partly in such Shares, or (iv) through the delivery of irrevocable instructions to a broker to deliver promptly to the Company an amount equal to the aggregate Option Price for the Shares being purchased. No Participant shall have any rights to dividends or other rights of a stockholder with respect to Shares subject to an Option until the occurrence of the exercise date (determined as set forth above) and, if applicable, the satisfaction of any other conditions imposed by the Committee pursuant to the Plan.

ISOs. The Committee may grant Options under the Plan that are intended to be ISOs. Such ISOs shall comply with the requirements of Section 422 of the Code (or any successor section thereto). Unless otherwise permitted under Section 422 of the Code (or any successor section thereto), no ISO may be granted to any Participant who at the time of such grant, owns more than ten percent of the total combined voting power of all classes of stock of the Company or of any Subsidiary, unless (i) the Option Price for such ISO is at least 110% of the Fair Market Value of a Share on the date the ISO is granted and (ii) the date on which such ISO terminates is a date not later than the day preceding the fifth anniversary of the date on which the ISO is granted. Any Participant who disposes of Shares acquired upon the exercise of an ISO either (i) within two years after the date of grant of such ISO or (ii) within one year after the transfer of such Shares to the Participant, shall notify the Company of such disposition and of the amount realized upon such disposition. Notwithstanding Section 5 hereof, ISOs may be granted solely to employees of the Company and its Subsidiaries.

Exercisability Upon Termination of Employment by Death or Disability. Upon a Termination of Employment by reason of death or Disability after the first anniversary of the date of grant of an Option, (i) the unexercised portion of such Option shall immediately vest in full and (ii) such portion may thereafter be exercised during the shorter of (A) the remaining stated term of the Option or (B) five years after the date of death or Disability.

Exercisability Upon Termination of Employment by Retirement. Upon a Termination of Employment by reason of Retirement after the first anniversary of the date of grant of an Option, an unexercised Option may thereafter be exercised during the shorter of (i) the remaining stated term of the Option or (ii) five years after the date of such Termination of Employment (the "Post-Retirement Exercise Period"), but only to the extent to which such Option was exercisable at the time of such Termination of Employment or becomes exercisable during the Post-Retirement Exercise Period as if such Participant were still employed by the Company or a Subsidiary; *provided, however* , that if a Participant dies within a period of five years after such Termination of Employment, an unexercised Option may thereafter be exercised, during the shorter of (i) the remaining stated term of the Option or (ii) the period that is the longer of (A) five years after the date of such Termination of Employment or (B) one year after the date of death (the "Special Exercise Period"), but only to the extent to which such Option was exercisable at the time of such Termination of Employment or becomes exercisable during the Special Exercise Period.

Effect of Other Termination of Employment. Upon a Termination of Employment for any reason (other than death, Disability or Retirement after the first anniversary of the date of grant of an Option as described above), an unexercised Option may thereafter be exercised during the period ending 30 days after the date of such Termination of Employment, but only to the extent to which such Option was exercisable at the time of such Termination of Employment. Notwithstanding the foregoing, the Committee may, in its sole discretion, accelerate the vesting of unvested Options held by a Participant if such Participant's Termination of Employment is without "cause" (as such term is defined by the Committee in its sole discretion) by the Company.

Nontransferability of Stock Options. Except as otherwise provided in this Section 7(h), a stock option shall not be transferable by the Participant otherwise than by will or by the laws of descent and distribution, and during the lifetime of a Participant an option shall be exercisable only by the Participant. An option exercisable after the death of a Participant or a transferee pursuant to the following sentence may be exercised by the legatees, personal representatives or distributees of the Participant or such transferee. The Committee may, in its discretion, authorize all or a portion of the options previously granted or to be granted to a Participant, other than ISOs, to be on terms which permit irrevocable transfer for no consideration by such Participant to any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, of the Participant, any trust in which these persons have more than 50% of the beneficial interest, any foundation in which these persons (or the Participant) control the management of assets, and any other entity in which these persons (or the Participant) own more than 50% of the voting interests (“Eligible Transferees”), provided that (i) the stock option agreement pursuant to which such options are granted must be approved by the Committee, and must expressly provide for transferability in a manner consistent with this Section and (ii) subsequent transfers of transferred options shall be prohibited except those in accordance with the first sentence of this Section 7(h). The Committee may, in its discretion, amend the definition of Eligible Transferees to conform to the coverage rules of Form S-8 under the Securities Act of 1933 or any comparable Form from time to time in effect. Following transfer, any such options shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer. The events of Termination of Employment of Sections 7(e), 7(f) and 7(g) hereof shall continue to be applied with respect to the original Participant, following which the options shall be exercisable by the transferee only to the extent, and for the periods specified, in Sections 7(e), 7(f) and 7(g). The Committee may delegate to a committee consisting of employees of the Company the authority to authorize transfers, establish terms and conditions upon which transfers may be made and establish classes of options eligible to transfer options, as well as to make other determinations with respect to option transfers.

(i) Elective Deferral. (i) Notwithstanding anything herein to the contrary, the Committee, in its sole discretion, may provide that a Participant may elect to defer delivery of the proceeds of exercise of an unexercised Option, provided that such election is in accordance with rules which may be established by the Committee, is irrevocable and is made (A) at least two years (or such shorter period as may be determined by the Committee) prior to the date that such Option otherwise would expire and (B) at least one year (or such shorter period as may be determined by the Committee) prior to the date such Option is exercised. Upon such exercise, the amount deferred shall be credited, at the date of exercise, to a deferred compensation account pursuant to a deferred compensation agreement between the Participant and the Company, and shall be payable at such time or times and in such manner as shall be provided in such agreement, provided that the date as of which payment shall be made or payments shall commence shall be not less than two years (or such shorter period as may be determined by the Committee) subsequent to the date of exercise, but not later than the first day of the third month following the Participant’s Termination of Employment.

(ii) Each Participant shall have the status of a general unsecured creditor of the Company with respect to his or her deferred compensation account, and such account constitutes a mere promise by the Company to make payments with respect thereto.

(iii) A Participant’s right to benefit payments under the Plan with respect to his or her deferred compensation account may not be anticipated, alienated, sold, transferred, assigned, pledged, encumbered, attached or garnished by creditors of the Participant or the Participant’s beneficiary and any attempt to do so shall be void.

8. Terms and Conditions of Stock Appreciation Rights

Grants. The Committee also may grant (i) a Stock Appreciation Right independent of an Option or (ii) a Stock Appreciation Right in connection with an Option, or a portion thereof. A Stock Appreciation Right granted pursuant to clause (ii) of the preceding sentence (A) may be granted at the time the related Option is granted or at any time prior to the exercise or cancellation of the related Option, (B) shall cover the same Shares covered by an Option (or such lesser number of Shares as the Committee may determine) and (C) shall be subject to the same terms and conditions as such Option except for such additional limitations as are contemplated by this Section 8 (or such additional limitations as may be included in an Award agreement).

Terms. The exercise price per Share of a Stock Appreciation Right shall be an amount determined by the Committee but in no event shall such amount be less than the greater of (i) the Fair Market Value of a Share on the date the Stock Appreciation Right is granted or, in the case of a Stock Appreciation Right granted in conjunction with an Option, or a portion thereof, the Option Price of the related Option and (ii) an amount permitted by applicable laws, rules, by-laws or policies of regulatory authorities or stock exchanges. Each Stock Appreciation Right granted independent of an Option shall entitle a Participant upon exercise to an amount equal to (i) the excess of (A) the Fair Market Value on the exercise date of one Share over (B) the exercise price per Share, times (ii) the number of Shares covered by the Stock Appreciation Right. Each Stock Appreciation Right granted in conjunction with an Option, or a portion thereof, shall entitle a Participant to surrender to the Company the unexercised Option, or any portion thereof, and to receive from the Company in exchange therefor an amount equal to (i) the excess of (A) the Fair Market Value on the exercise date of one Share over (B) the Option Price per Share, times (ii) the number of Shares covered by the Option, or portion thereof, which is surrendered. The date a notice of exercise is received by the Company shall be the exercise date. Payment shall be made in Shares or in cash, or partly in Shares and partly in cash, valued at such Fair Market Value, all as shall be determined by the Committee. Stock Appreciation Rights may be exercised from time to time upon actual receipt by the Company of written notice of exercise stating the number of Shares with respect to which the Stock Appreciation Right is being exercised. No fractional Shares will be issued in payment for Stock Appreciation Rights, but instead cash will be paid for a fraction or, if the Committee should so determine, the number of Shares will be rounded downward to the next whole Share.

Limitations. The Committee may impose, in its discretion, such conditions upon the exercisability or transferability of Stock Appreciation Rights as it may deem fit.

Limited Stock Appreciation Rights. The Committee may grant LSARs that are exercisable upon the occurrence of specified contingent events. Such LSARs may provide for a different method of determining appreciation, may specify that payment will be made only in cash and may provide that any related Awards are not exercisable while such LSARs are exercisable. Unless the context otherwise requires, whenever the term “Stock Appreciation Right” is used in the Plan, such term shall include LSARs.

9. Other Stock-Based Awards

Generally. The Committee, in its sole discretion, may grant Awards of Shares, Awards of restricted Shares and Awards that are valued in whole or in part by reference to, or are otherwise based on the Fair Market Value of, Shares (“Other Stock-Based Awards”). Such Other Stock-Based Awards shall be in such form, and dependent on such conditions, as the Committee shall determine, including, without limitation, the right to receive one or more Shares (or the equivalent cash value of such Shares) upon the completion of a specified period of service, the occurrence of an event and/or the attainment of performance objectives. Other Stock-Based Awards may be granted alone or in addition to any other Awards granted under the Plan. Subject to the provisions of the Plan, the Committee shall determine to whom and when Other Stock-Based Awards will be made; the number of Shares to be awarded under (or otherwise related to) such Other Stock-Based Awards; whether such Other Stock-Based Awards shall be settled in cash, Shares or a combination of cash and Shares; and all other terms and conditions of such Awards (including, without limitation, the vesting provisions thereof).

Performance-Based Awards. Notwithstanding anything to the contrary herein, certain Other Stock-Based Awards granted under this Section 9 may be granted in a manner that will enable the Company to deduct any amount paid by the Company under Section 162(m) of the Code (or any successor section thereto) (“Performance-Based Awards”). A Participant’s Performance-Based Award shall be determined based on the attainment of written performance goals approved by the Committee for a performance period established by the Committee (i) while the outcome for that performance period is substantially uncertain and (ii) no more than 90 days after the commencement of the performance period to which the performance goal relates or, if less, the number of days which is equal to 25% of the relevant performance period. The performance goals, which must be objective, shall be based upon one or more of the following criteria: (i) earnings before or after taxes (including earnings before interest, taxes, depreciation and amortization); (ii) net income; (iii) operating income; (iv) earnings per Share; (v) book value per Share; (vi) return on stockholders' equity; (vii) return on investment before or after the cost of capital; (viii) profitability of an identifiable business unit or product; (ix) maintenance or improvement of profit margins; (x) stock price; (xi) market share; (xii) revenues or sales; (xiii) costs; (xiv) cash flow; (xv) working capital; (xvi) changes in net assets (whether or not multiplied by a constant percentage intended to represent the cost of capital); and (xvii) return on assets. The foregoing criteria may relate to the Company, one or more of its Subsidiaries or one or more of its divisions, units, minority investments, partnerships, joint ventures, product lines or products or any combination of the foregoing, and may be applied on an absolute basis and/or be relative to one or more peer group companies or indices, or any combination thereof, all as the Committee shall determine. In addition, to the degree consistent with Section 162(m) of the Code (or any successor section thereto), the performance goals may be calculated without regard to extraordinary items or accounting changes. The maximum amount of a Performance-Based Award to any Participant with respect to a fiscal year of the Company shall be $5,000,000. The Committee shall determine whether, with respect to a performance period, the applicable performance goals have been met with respect to a given Participant and, if they have, to so certify and ascertain the amount of the applicable Performance-Based Award. No Performance-Based Awards will be paid for such performance period until such certification is made by the Committee. The amount of the Performance-Based Award actually paid to a given Participant may be less than the amount determined by the applicable performance goal formula, at the discretion of the Committee. The amount of the Performance-Based Award determined by the Committee for a performance period shall be paid to the Participant at such time as determined by the Committee in its sole discretion after the end of such performance period; provided, however, that a Participant may, if and to the extent permitted by the Committee and consistent with the provisions of Section 162(m) of the Code, elect prior to the commencement of the relevant services to defer payment of a Performance-Based Award.

10. Adjustments Upon Certain Events

Notwithstanding any other provisions in the Plan to the contrary, the following provisions shall apply to all Awards granted under the Plan:

Generally. In the event of any change in the outstanding Shares after the Effective Date by reason of any Share dividend or split, reorganization, recapitalization, merger, consolidation, spin-off, combination or exchange of Shares or other corporate exchange, or any distribution to stockholders of Shares other than regular cash dividends, the Committee shall make such substitution or adjustment, if any, as it, in its sole discretion and without liability to any person, deems to be equitable, as to (i) the number or kind of Shares or other securities issued or reserved for issuance pursuant to the Plan or pursuant to outstanding Awards, (ii) the Option Price and/or (iii) any other affected terms of such Awards.

Change in Control. In the event of a Change in Control, Awards granted under the Plan shall accelerate as follows: (i) each Option and Stock Appreciation Right shall become immediately vested and exercisable; provided, however, that if such Awards are not exercised prior to the date of the consummation of the Change in Control, the Committee, in its sole discretion and without liability to any person, may provide for (A) the payment of a cash amount in exchange for the cancellation of such Award and/or (B) the issuance of substitute Awards that will substantially preserve the value, rights and benefits of any affected Awards (previously granted hereunder) as of the date of the consummation of the Change in Control; (ii) restrictions on Awards of restricted shares shall lapse; and (iii) Other Stock-Based Awards shall become payable as if targets for the current period were satisfied at 100%.

11. No Right to Employment

The granting of an Award under the Plan shall impose no obligation on the Company or any Subsidiary to continue the employment of a Participant and shall not lessen or affect the Company's or Subsidiary's right to terminate the employment of such Participant.

12. Successors and Assigns

The Plan shall be binding on all successors and assigns of the Company and a Participant, including, without limitation, the estate of such Participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the Participant's creditors.

13. Nontransferability of Awards

Except as provided in Section 7(h) of the Plan, an Award shall not be transferable or assignable by the Participant otherwise than by will or by the laws of descent and distribution. During the lifetime of a Participant, an Award shall be exercisable only by such Participant. An Award exercisable after the death of a Participant may be exercised by the legatees, personal representatives or distributees of the Participant. Notwithstanding anything to the contrary herein, the Committee, in its sole discretion, shall have the authority to waive this Section 13 or any part thereof (except with respect to ISOs) to the extent that this Section 13 or any part thereof is not required under the rules promulgated under any law, rule or regulation applicable to the Company.

14. Amendments or Termination

The Board or the Committee may amend, alter or discontinue the Plan, but no amendment, alteration or discontinuation shall be made which, (a) without the approval of the stockholders of the Company, would (except as is provided in Section 10 of the Plan), increase the total number of Shares reserved for the purposes of the Plan or change the maximum number of Shares for which Awards may be granted to any Participant or (b) without the consent of a Participant, would impair any of the rights or obligations under any Award theretofore granted to such Participant under the Plan; provided, however, that the Board or the Committee may amend the Plan in such manner as it deems necessary to permit the granting of Awards meeting the requirements of the Code or other applicable laws. Notwithstanding anything to the contrary herein, neither the Committee nor the Board may amend, alter or discontinue the provisions relating to Section 10(b) of the Plan after the occurrence of a Change in Control.

15. International Participants

With respect to Participants who reside or work outside the United States of America and who are not (and who are not expected to be) "covered employees" within the meaning of Section 162(m) of the Code (or any successor section thereto), the Committee may, in its sole discretion, amend the terms of the Plan or Awards with respect to such Participants in order to conform such terms with the requirements of local law.

16. Choice of Law

The Plan shall be governed by and construed in accordance with the laws of the State of Delaware applicable to contracts made and to be performed in the State of Delaware.

17. Effectiveness of the Plan

The Plan shall be effective as of April 23, 2001, upon its approval by the stockholders at the 2001 Annual Meeting.

SUBSIDIARIES OF THE REGISTRANT

EXHIBIT 21

LIST OF ACTIVE SUBSIDIARIES AS OF JANUARY 31, 2002

Company Name	% Ownership	Jurisdiction of Creation
Moody’s Investors Service Pty. Limited	100%	Australia
Moody’s America Latina Ltda.	100%	Brazil
Moody’s Canada Inc.	100%	Canada
Moody’s Interbank Credit Service Limited	100%	Cyprus
Moody’s Investors Service, Inc.	100%	Delaware
Moody’s Holdings, Inc.	100%	Delaware
Moody’s Overseas Holdings, Inc.	100%	Delaware
Moody’s Risk Management Services, Inc.	100%	Delaware
Moody’s Investors Service Ltd.	100%	England
Moody’s Holdings UK Limited	100%	England
Moody’s Risk Management Services Ltd.	100%	England
Moody’s France SA	100%	France
Moody’s Deutschland GmbH	100%	Germany
Moody’s Asia Pacific Limited	100%	Hong Kong
Moody’s Investment Company India Pvt. Ltd.	100%	India
Moody’s Mauritius Holdings Limited	100%	India
Moody’s Risk Management Services, Ltd.	100%	Ireland
Moody’s Italia S.r.l	100%	Italy
Moody’s Japan Kabushiki Kaisha	100%	Japan
Moody’s de Mexico S.A. de C.V.	100%	Mexico
Moody’s Holdings B.V	100%	Netherlands
Moody’s Investors Service Espana, S.A.	100%	Spain
Moody’s Singapore Pte. Ltd.	100%	Singapore
Moody’s Latin America Holding Corporation	51.73%	British Virgin Islands
Korea Investors Service, Inc.	50.001%	Korea

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CONSENT OF EXPERTS

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-57267, 333-57915, 333-60737, 333-64653, 333-68555, 333-81121 and 333-47848) of Moody's Corporation (formerly known as The Dun & Bradstreet Corporation) of our report dated February 4, 2002 relating to the consolidated financial statements, which appears in this Form 10-K.

/s/ PRICEWATERHOUSECOOPERS LLP

PricewaterhouseCoopers LLP
New York, New York
March 22, 2002
