

Rating Action: Moody's affirms VMIG 1 of Massachusetts Bay Transportation Authority General Transportation System Bonds Variable Rate Demand Obligations 2000 Series A-2

31 Aug 2018

New York, August 31, 2018 -- Moody's Investors Service has affirmed the VMIG 1 of Massachusetts Bay Transportation Authority (the Issuer) General Transportation System Bonds Variable Rate Demand Obligations 2000 Series A-2 (the Bonds) in conjunction with the upcoming delivery of a replacement Standby Bond Purchase Agreement (SBPA) to be provided by Barclays Bank, PLC (the Bank). The long-term rating on the Bonds will remain Aa1.

RATINGS RATIONALE

Upon the effective date of the substitute SBPA, scheduled for September 21, 2018, the VMIG 1 will be derived from the credit quality of the Bank as the liquidity provider and our assessment of the likelihood of an early termination of the liquidity facility without a mandatory purchase of the Bonds. Events that would cause termination of the liquidity commitment without a mandatory purchase funded by the SBPA are directly related to the credit quality of the Commonwealth of Massachusetts (the Commonwealth). Accordingly, the likelihood of any such event is reflected in the Aa1 long-term rating of the Bonds.

Our current short-term counterparty risk assessment (CR Assessment) of Barclays Bank, PLC is P-1(cr).

FACTORS THAT COULD LEAD TO AN UPGRADE

- Short-term: Not applicable

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Short-term: Moody's downgrades the CR Assessment of the Bank or the long-term rating of the Bonds.

The Bank's obligation under the SBPA may be automatically terminated or suspended upon:

- the Issuer is bankrupt or otherwise insolvent;
- an involuntary case or other proceeding is initiated against the Issuer and either the Issuer consents to such action or such case shall not be dismissed within 60 days;
- the Issuer fails to pay principal or interest when due on the Bonds, or on debt on parity with the Bonds;
- the Commonwealth fails to pay principal and interest when due on any general obligation debt;
- the Issuer claims that the General Resolution, the Series Resolution, the Bonds, the Act or the obligation to pay principal and interest under the SBPA is not valid or binding;
- any court or other governmental authority with jurisdiction in a final non-appealable decision finds or rules that the SBPA, the Bonds, the Act, the General Resolution or the Series Resolution is not valid or binding;
- the unenhanced rating of the Bonds is withdrawn or suspended for credit-related reasons or reduced below investment grade by each rating agency rating the Bonds;
- the Commonwealth claims that the Contract for Assistance or their pledge of full faith and credit securing the Bonds is not valid or binding on the Commonwealth;
- any court or other governmental authority with jurisdiction in a final non-appealable decision finds or rules that the Contract for Assistance or the general obligation and full faith and credit pledge of the Commonwealth securing the Bonds is not valid or binding;
- the Issuer initiates legal proceedings to seek an adjudication that the SBPA, the Bonds, the General

Resolution or the Series Resolution is not valid or binding;

- the Commonwealth initiates legal proceedings to seek an adjudication that the SBPA, the Bonds, the General Resolution or the Series Resolution is not valid or binding.

The Bonds will remain in the weekly rate mode and pay interest semiannually on each March 1 and September 1. The interest rate on the Bonds is convertible, in whole or part, to the daily, term or fixed rate modes. Upon any such conversion, the Bonds will be subject to mandatory tender. The SBPA only supports the Bonds while in the weekly rate mode.

The SBPA may be substituted. Upon any substitution the Bonds will be subject to mandatory tender on the fifth business day prior to the substitution date, unless the fiscal agent receives written notice from each rating agency then rating the Bonds that the rating will not be reduced or withdrawn. The liquidity facility will terminate on the substitution date.

The Bonds are subject to mandatory tender as follows: (i) upon any interest rate conversion; (ii) on the fifth business day immediately preceding the expiration date of the SBPA; (iii) on the fifth business day preceding the substitution date of the liquidity facility unless the rating is affirmed; (iv) on the fifth business day prior to voluntary termination of the SBPA by the Issuer; and (v) not more than 10 nor less than 5 days following the fiscal agent's receipt of notice of termination from the Bank due to an event of default under the SBPA and in no event later than five days prior to the termination of the SBPA.

Bonds in the weekly rate mode may be optionally tendered on any business day upon notice from bondholders to the paying agent and remarketing agent on a business day not less than seven days prior to the purchase date.

The SBPA covers the full principal amount of Bonds outstanding plus 186 days of interest at 10%, the maximum rate applicable to the Bonds. The SBPA provides sufficient coverage for the Bonds while in the weekly rate mode. The SBPA is available to pay purchase price to the extent remarketing proceeds received are insufficient.

Draws made on the SBPA received at or prior to 12:00 p.m., New York City time, will be honored by 2:30 p.m., New York City time, on the same business day. Draws made under the liquidity facility will be reinstated upon reimbursement of such drawing.

The commitment under the SBPA will terminate upon the earliest to occur of: (i) September 21, 2022, the stated expiration date; (ii) the date on which no eligible Bonds remain outstanding; (iii) the date on which the Issuer voluntarily terminates the SBPA; (iv) the date the Bank receives notice from the Issuer that the SBPA is terminated due to the delivery of an alternate credit facility; (v) the 30th day following the fiscal agent's receipt of notice of termination from the Bank due to an event of default under the SBPA; or (vi) an immediate termination event.

METHODOLOGY

The principal methodology used in this rating was Variable Rate Instruments Supported by Conditional Liquidity Facilities published in March 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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Michael Loughlin
Lead Analyst
Municipal Supported Products
Moody's Investors Service, Inc.
7 World Trade Center
250 Greenwich Street
New York 10007
US
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Chandra Ghosal
Additional Contact
Municipal Supported Products
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

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