

Rating Action: Moody's assigns P-1 to Massachusetts Bay Transportation Authority CP Notes, Series A, Series B, Series C & Series D

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New York, June 17, 2021 -- Moody's Investors Service has assigned P-1 ratings to the Massachusetts Bay Transportation Authority's (MBTA or the Authority) \$125 million Commercial Paper Sales Tax Bond Anticipation Notes, Series A, \$125 million Series B, \$75 million Series C and \$75 million Series D (collectively the Notes).

The rating assignments are in conjunction with (i) issuance of the 45th Supplemental Trust Agreement for Series A, Series B, Series C and Series D; (ii) issuance of the Issuing and Paying Agent Agreement for Series A, Series B, Series C and Series D; (iii) issuance of a liquidity facility provided by Barclays Bank, plc (the Bank) for Series A and Series B; and (iv) issuance of a liquidity facility provided by the Bank for Series C and Series D.

RATINGS RATIONALE

The Notes are payable by a subordinate lien (rated Aa3 stable) on MBTA's 1% statewide sales tax. The P-1 ratings are based on (i) Moody's short-term Counterparty Risk (CR) Assessment of the Bank which is currently P-1(cr); and (ii) the likelihood of termination of the liquidity facilities without payment of the Notes. Events, which would cause the liquidity facilities to terminate without payment of the Notes, are directly related to the credit quality of the Authority.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Not applicable.

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Moody's downgrades the short-term CR Assessment of the Bank.
- Moody's downgrades the sales tax subordinate lien rating of the Authority.

LEGAL SECURITY

The Notes are payable first from proceeds of subordinate lien sales tax bonds or proceeds of additional Notes. If a rollover note fails to sell, liquidity support is provided by the Barclays liquidity facility.

The Bank may automatically terminate or suspend payment under the liquidity facilities upon any of the following events:

- " Principal and/or interest on the Bank Note or any parity obligations of the Authority is not paid when due;
- " Certain bankruptcy and insolvency events of the Authority;
- " A final, non-appealable judgment of more than \$10 million is entered against the Authority which payment is payable from the pledged property and such judgment remains unsatisfied for a period of 60 days;
- " Any provision of the Act, the Liquidity Agreement, the Trust Agreement, the Issuing and Paying Agent Agreement or the Notes which relates to either (i) the payment of principal and/or interest on the Notes or (ii) the lien or pledge on the pledged property, ceases to be valid and binding upon the Authority or such provisions are repudiated by the Authority;
- " Each rating agency then rating the Notes: (a) has assigned a long-term rating on any parity obligations below investment grade or (b) suspends or withdraws the rating on the Notes or any parity debt for credit related reasons;
- " A debt moratorium or comparable restriction on repayment has been declared or imposed on the Notes or

parity debt; or

" Dissolution or termination of the existence of the Authority.

The Issuing and Paying Agent (the IPA) will issue commercial paper Notes upon receipt of issuance instructions from either the Authority or the applicable commercial paper dealer on behalf of the Authority. The Notes can be issued as either taxable or tax-exempt and either interest bearing or at a discount. The maturity date of the Notes (i) may not be longer than 265 days (360 basis) for taxable Notes and not longer than 270 days (365 basis) for tax-exempt Notes and (ii) shall occur no later than the business day preceding the expiration date of the applicable liquidity facility. No notes may be issued if such issuance would cause the aggregate principal amount of Notes outstanding to exceed the amount provided for under the applicable liquidity facility. The IPA shall stop issuing Notes following its receipt of a no-issuance notice from the Bank.

The proceeds from the issuance of roll-over Notes will be used to pay the principal and interest on the Notes due at maturity. To the extent such proceeds are insufficient, the IPA will draw on the applicable liquidity facility in order to pay principal and interest. The liquidity facility for Series A and Series B is sized to cover the maximum principal amount of Series A and Series B Notes, \$250 million, plus 270 days of interest at the maximum rate of 9% (365 basis) and expires on June 24, 2024. The liquidity facility for Series C and Series D is sized to cover the maximum principal amount of Series C and Series D Notes, \$150 million, plus 270 days of interest at the maximum rate of 9% (365 basis) and expires on June 24, 2026.

The liquidity facilities may be substituted with prior written notice from Moody's stating that the rating on the Notes will not be reduced or withdrawn as a result of such substitution.

USE OF PROCEEDS

Proceeds of the notes will be used to fund capital projects of MBTA.

PROFILE

The MBTA is the oldest and fifth largest transit system in the country, providing transportation service through subway, trackless trolley, trolley, bus and commuter rail service throughout the eastern portion of Massachusetts and into the northern portion of Rhode Island (Aa2 stable). There are approximately 1.3 million passenger trips on average per business day and MBTA operates over 38 miles of rapid transit rail routes. Service is also provided by streetcars and light rail vehicles on 26 miles of additional rail routes.

METHODOLOGY

The principal methodology used in these ratings was Variable Rate Instruments Supported by Conditional Liquidity Facilities published in March 2017 and available at https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_1057134 . Alternatively, please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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