

PATRICK-MURRAY ADMINISTRATION SECURES TURNPIKE FINANCING AGREEMENT THAT SAVES TOLLPAYERS MILLIONS

Transportation reform results in deal with UBS to avoid \$71 million payment

BOSTON - Wednesday, October 21, 2009 - After months of negotiations, Governor Deval Patrick today announced that the Administration has reached agreement with financial institution UBS that will save the Commonwealth an estimated \$71 million.

Due to five risky financial transactions - so-called "swaptions" - entered into by the Turnpike Authority in 2001, the Authority was at direct risk this year of having to pay UBS \$261 million. Governor Patrick, Senate President Therese Murray and House Speaker Robert DeLeo passed historic transportation reform that improved the Authority's bond rating, negating the need to pay \$190 million of that amount in July. While four of the five swaps were cured immediately, a fifth was at risk of being terminated by UBS, potentially costing the Commonwealth \$71 million.

Under the terms of the deal negotiated by the Administration and signed with UBS, however, the July rating upgrade of the Turnpike Authority's MHS senior bonds to A- will be sufficient to prevent termination of the fifth swap.

"Transportation reform has already produced significant savings for the people of Massachusetts, and today's agreement is a further indication of the positive results we can expect to see from our landmark reform," said Governor Patrick. "I thank the entire team for efforts to reach an agreement that is fair and favorable for the tollpayers and the Commonwealth."

"This is great news for the Commonwealth as we continue to see the positive results of Transportation Reform even in its earliest stages," said Senate President Therese Murray. "With an improved bond rating and \$261 million in savings already with this latest announcement, we look forward to even more short-term and long-term savings for tollpayers and taxpayers as our new transportation system takes shape."

"This is just one example of how the transportation reform package will amount to real savings for people across our Commonwealth," said House Speaker Robert DeLeo. "Amid a season of reform, all three branches are to be commended for eliminating the antiquated and inefficient transportation structure in Massachusetts. Transportation reform is vital to our state's bottom line, and I look forward to further savings as we move forward."

The rating upgrades were a result of the sweeping transportation reform that called for consolidation of the state's fragmented transportation assets into a coordinated new entity called the Massachusetts Department of Transportation. Additionally, the Governor, working with the legislature, signed into law a bill that authorized the Commonwealth to extend its backing to the Pike swaps in the event it became

necessary to avoid termination of the swaps. While the rating upgrades and the negotiated result secured by the Patrick-Murray Administration avoided the need for the Commonwealth to extend its credit to UBS, the Commonwealth's demonstrated willingness to step in was a critical factor in securing the rating upgrades that ultimately solved the problem in a favorable way for the Turnpike Authority and the Commonwealth.

"The rating upgrades on the Turnpike's bonds and the positive outcome of our negotiations with UBS are the direct result of transportation reform and the collaborative effort of many, including the Governor, the legislature, the Executive Office of Transportation, and the Turnpike Authority," said Administration and Finance Secretary Jay Gonzalez. "I also want to thank Deputy Treasurer Colin McNaught for his advice and support throughout the negotiations with UBS. Thanks to this collaborative effort, we have secured an agreement that saves the Commonwealth and tollpayers hundreds of millions of dollars."

The rating upgrades and latest agreement with UBS confirm that transportation reform has fundamentally changed and improved the way in which the state finances and manages its transportation system. Not only has it already saved tollpayers from having to pay \$261 million to UBS, transportation reform will also save tollpayers and taxpayers millions of dollars in operating costs and financing costs in the years to come.

"Today's announcement is another example of the progress we have been able to make as a result of transportation reform," said incoming Transportation Secretary and MassDot CEO Jeff Mullan. "I want to thank Governor Patrick, my colleagues at the Turnpike Authority, EOT and the Executive Office for Administration and Finance, as well as the legislature for working with us to provide a more stable financial footing for the new Massachusetts DOT."