

TRANSPORTATION REFORM ALREADY PAYING OFF; RATING AGENCIES UPGRADE TURNPIKE STATUS SAVING NEARLY \$190 MILLION

UBS Agrees to extension and continued discussions on final \$67 million liability

BOSTON - July 24, 2009 -- Governor Deval Patrick and legislative leaders announced today that the Commonwealth has saved \$190 million in transportation-related costs as a direct result of sweeping transportation reform signed into law less than one month ago. Due to five risky financial transactions - so-called "swaptions" - entered into by the Turnpike Authority in 2001, the Authority was at direct risk of having to pay the financial institution UBS \$257 million dollars immediately. The passage of transportation reform improved the Authority's bond rating to the point of negating the need to pay \$190 million of that amount. Today, it was also announced that UBS would extend the July 24th deadline for payment or other resolution of the final swaption - valued at approximately \$67 million - to allow for more time for the state to reach a similarly positive result.

"This is a relief," said Governor Patrick. "Thanks to passage of our landmark transportation reform and the skillful work of our team - particularly A+F Undersecretary Jay Gonzalez and Turnpike Executive Director Jeff Mullan - we have been able to save the Commonwealth hundreds of millions of dollars and start climbing out of the financial hole dug for us in 2001."

"When the Legislature and the Administration set out to reform our transportation system, we knew we had to take bold steps to dramatically change the way we deliver transportation services in the Commonwealth," Senate President Therese Murray said. "Those bold steps are proving their worth already by influencing a much-needed change in our bond status and producing immediate and significant savings for the state. This is a great beginning to a successful Transportation Reform."

"This action reflects the real reforms undertaken of our state transportation system. The savings of the \$190 million is the first tangible benefit of the work Governor Patrick, Senate President Murray, members of the House engaged in on transportation reform," House Speaker Robert A. DeLeo said. "I look forward to the continued benefits and savings of the new streamlined transportation structure."

"The actions of the rating agencies demonstrate that, through a lot of hard work on the part of many, the Authority is turning a corner. It is also an immediate tangible benefit of being part of the larger MassDOT," said Jeffrey Mullan, Turnpike Executive Director. "Eliminating much of the immediate risk puts the Authority on much sounder financial footing. We continue to work with ANF and UBS to eliminate the remaining risk. Doing so will assist us in lowering our interest payments and help us invest more in roads and bridges."

The Patrick-Murray Administration and the Turnpike Authority obtained significant rating upgrades from all three rating agencies this week on the Turnpike Authority's MHS subordinate bonds. On Wednesday, Moody's and Fitch increased their ratings on the bonds multiple rating levels from near junk bond status to A1 and A, respectively, and today Standard & Poor's, which did not rate the bonds previously, rated the bonds AA. As a result, UBS will not have the right to terminate four interest rate swap agreements with the Turnpike, and the Turnpike will not be required to pay UBS \$190 million. Standard & Poor's also rated the Turnpike Authority's MHS senior bonds A-, and Fitch confirmed its BBB+ rating of the senior bonds with an improved stable outlook.

The rating upgrades are a result of the sweeping transportation reform legislation recently signed by the Governor, including the Commonwealth's commitment to provide \$100 million each year to the Turnpike Authority. The Governor also worked closely with the Legislature over the last few weeks to enact additional legislation to bolster the credit of the Turnpike's bonds. The rating upgrades confirm that transportation reform has fundamentally changed and improved the way in which we finance and manage our transportation system. Not only has it already saved tollpayers from having to pay \$190 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.

The potential termination of a fifth swap agreement with UBS, presently valued at \$67 million, is not cured by the rating upgrades. The Administration is pursuing the issuance of a Commonwealth guarantee to UBS to avoid the termination of this swap agreement, which the Legislature authorized in legislation the Governor signed on Monday. The Administration, in consultation with the Treasurer's office, has been negotiating the terms of the guarantee with UBS. UBS agreed this week to extend the July 24th deadline by which the guarantee had to be issued in order to give the parties more time to reach agreement on mutually acceptable terms.