

CREDIT OPINION

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Massachusetts Clean Water Trust - Master Trust Agreement and Pooled Program

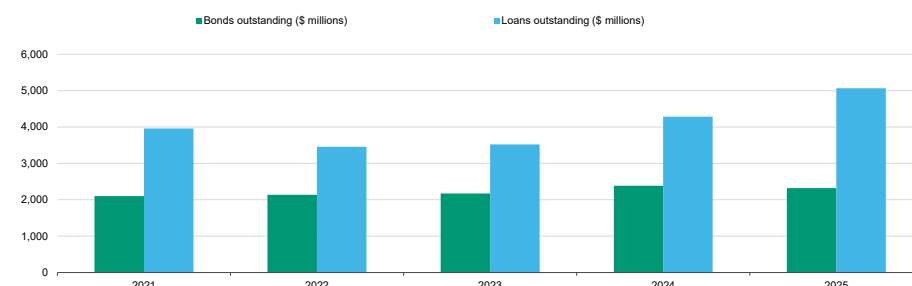
Update to credit analysis

Summary

The [Massachusetts Clean Water Trust - Master Trust Agreement](#) ("MTA") (Aaa/stable) State Revolving Fund Bonds and [Pooled Program](#) ("Prior Bonds") (Aaa/stable) (collectively, "the program") will maintain its strong credit quality due to the high level of over-collateralization and stable revenues from the large and diverse pool of 244 borrowers. Bondholder security is strengthened going forward from the continued favorable credit quality of the borrower pool as well as high program default tolerance of 56%, which indicates that 56% of the loans in the pool could default and the program could still make full and timely debt service payments. The program further benefits from strong legal structure and a well-established track record of program management and oversight.

Exhibit 1

High over-collateralization of loans over bonds contributes to credit strength of the program



Bonds outstanding and loans outstanding reflect all cross-collateralized indentures

2025 figures: bonds outstanding as of September 2025; loans outstanding include Series 27 loans and as of December 2025

Source: Massachusetts Clean Water Trust

Credit strengths

- » High default tolerance of 56.25% as of November 2025
- » Large and diverse pool of 244 borrowers as of December 2025
- » Over-collateralization provides for a 1.45x debt service coverage on all MTA bonds
- » Cross-collateralization features across the Clean Water Equity Fund and Drinking Water Equity Fund

Credit challenges

- » Moderate concentration in the largest borrower, [Massachusetts Water Resources Authority](#) (16%), mitigated by its high rating of Aa1/stable

Rating outlook

The stable outlook reflects Moody's expectation that the sound credit quality and diversity of the loan pool will be maintained as well as the high level of default tolerance.

Factors that could lead to an upgrade

» Not applicable

Factors that could lead to a downgrade

» Substantial decrease in combined default tolerance to below 25%, coupled with material deterioration in the overall credit quality of the pool participants

Key indicators

Exhibit 2

Key Indicator	2021	2022	2023	2024	2025
Bonds outstanding (\$ millions)	2,100	2,140	2,172	2,384	2,323
Default tolerance (%)	51%	51%	52%	57%	56%
Number of unique borrowers	255	258	250	243	244
Percentage of top 5 pool participants	37%	36%	33%	34%	32%
Percentage of pool participants below 1%	32%	32%	33%	31%	38%
Loans outstanding (\$ millions)	3,961	3,460	3,523	4,285	5,066

Bonds outstanding and loans outstanding reflect all cross-collateralized indentures

2025 figures: bonds outstanding as of September 2025; loans outstanding include Series 27 loans and as of December 2025

Source: Massachusetts Clean Water Trust

Profile

The Master Trust Agreement was originally created in 2014. The purpose of MTA is to provide financial assistance to local governments and other eligible borrowers in the Commonwealth under its State Revolving Fund program. The Master Trust Agreement and the Pool Program, which is closed, except for refundings, benefit from the available equity fund, which is available to cure any shortfalls across both programs.

Detailed credit considerations

Loan portfolio: large and diverse pool will continue to provide security for the bonds

Revenues from the sizable, diverse and well-performing loan pool, which are a primary source of security for debt service payments, will continue to provide strength for the program. The pool of loans pledged to the bonds consists of 244 unique borrowers as of December 2025. The weighted average pool rating is Aa3, and approximately 73% of borrowers (weighted by each participant's share of the pool) benefit from a General Obligation repayment pledge. These characteristics are highly favorable and serve to mitigate potential losses to the program.

Although the largest borrower, Massachusetts Water Resources Authority (MWRA), constitutes 16% of the pool, it is highly rated at Aa1/stable. The elevated exposure to this borrower is further mitigated by the diversity of entities that provide revenue to MWRA which serves 61 member communities in and around the metropolitan Boston area.

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In addition, proactive management will continue to be a key credit strength for the program. Loan payments are due 15 days in advance of bond debt service payments, allowing a time buffer for management to handle any delinquent borrower payments. To date, no loans pledged to the Trust's bonds have ever defaulted. However, in the event that a borrower defaults on a loan payment, the Trust has the right to intercept local aid payments due from the Commonwealth to a city or town to make up the deficiency to the Trustee for bond payment.

Credit strength and default tolerance: over-collateralization and default tolerance will remain high

We expect the strong default tolerance to provide a substantial buffer against loan defaults. Borrower repayments, along with Commonwealth contract assistance payments, debt service reserves, equity funds, and deficiency funds, provide sufficient cash flow to withstand a sizable but unlikely default of approximately 56.25% of the loan repayments through the life of the outstanding bonds and still make timely debt service payments. The default tolerance includes loans and reserves held under both the MTA and Pooled Program trust indenture. Additionally, the program will remain highly over-collateralized with regards to the ratio of loans to bonds. Currently, total funds available for debt service allow for a 1.45x coverage throughout the life of the bonds.

Liquidity

The default tolerance and cash flow analysis provided demonstrates that the program has sufficient liquidity to withstand highly stressful levels of loan defaults and investment losses.

Legal framework: cross-collateralization is a credit positive

Bonds under the MTA are secured by loan repayments and agreements, and contract assistance payments made by the Commonwealth of Massachusetts to the Trust on behalf of the borrowers. The program also benefits from the availability of Equity Funds to cure potential defaults within the MTA. Cross-collateralization across the Clean Water Equity Fund and Drinking Water Equity Fund is a credit positive. All of the bonds issued under the Trust's Pool Program are secured by a parity lien in the Deficiency Fund in addition to benefitting from the availability of the Equity Fund.

The obligation of the Commonwealth under the contract assistance payments constitutes a general obligation of the [Commonwealth](#) (Aa1/stable), to which its full faith and credit is pledged. Upon receipt by the Trust, contract assistance monies are pledged to the repayment on the bonds.

The Equity Funds, which total \$1.4 billion (as of June 2025) secure all MTA bonds on a parity basis. A portion of the debt service reserve funds allocable to the outstanding Prior Pool Bonds are invested in bonds, notes and other evidence of indebtedness of certain United States government agencies or instrumentalities in the aggregate principal amount of \$53.9 million, as of the date of delivery of the Bonds.

The Trust's primary investment counterparties include the [Massachusetts Mutual Financial Group](#) (Aa3/stable) and the Massachusetts Municipal Depository Trust (unrated). The counterparty rating of the Massachusetts Mutual Financial Group has very limited credit impact due to the low outstanding balance of \$0.4 million.

Debt structure

All bonds are fixed-rate obligations.

ESG considerations

Environmental

Environmental factors are not a material risk for the Massachusetts Clean Water Trust State Revolving Fund bonds. While the Commonwealth of Massachusetts' environmental risk exposure is above average because the vast majority of its economic activity is concentrated along its coastline, we view the state revolving fund sector as low risk. State revolving funds, including Massachusetts Clean Water Trust, have significant default tolerance which mitigates the risk of defaults within the borrower pool, including risk related to storms, flooding and future sea level rise.

Social

Social factors are not a material risk for the Massachusetts Clean Water Trust State Revolving Fund bonds. While the Trust could have exposure to cyber security risk or to demographic trends that impact the ability of underlying borrowers to pay, we expect the substantial overcollateralization and default tolerance that support the bonds to mitigate these risks.

Governance

Governance is a moderate factor for the Massachusetts Clean Water Trust State Revolving Fund bonds. The Trust has a long history of strong management of the programs, as evidenced by the strong credit quality of the borrowers selected for the pool and the solid debt and legal structure of the programs. The staff of the program is highly tenured and provide very strong disclosure on program characteristics and performance.

Rating methodology and scorecard factors

Exhibit 3

Massachusetts Clean Water Trust and Pooled Program Scorecard

Rating Factors	Input	Weight	Score
Credit Strength and Default Tolerance (50%)			
Credit Quality and Default Tolerance Score	Aaa	50%	Aaa
Diversity of Portfolio (20%)			
Number of Borrowers	244	10%	Aaa
Percentage of Loan Principal to Borrowers that Represent Less than 1% of the Pool	38%	5%	Aaa
Percentage of Loan Principal to Top 5 Borrowers	32%	5%	Aa
Debt Structure (30%)			
Cash Flows	Aaa	20%	Aaa
Counterparties	Aa	10%	Aa
Notching Factors			Up/Down
Unusually Strong or Weak Management			0.0
Concentration of Pool Participants in a Volatile Sector			0.0
Total Notching Adjustments			0.0
Scorecard Indicated Outcome			Aaa
Assigned Rating			Aaa

Data is based on most recent fiscal year available. Debt may include pro forma data for new debt issued or proposed to be issued after the close of the fiscal year. Counterparties include the [Massachusetts Mutual Financial Group](#) (Aa3/stable) and the Massachusetts Municipal Depository Trust (unrated).

Source: Moody's Ratings

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