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Fitch to Upgrade Ratings on Port of Seattle Sub Lien Rev Refunding Bonds, Series 2008.

Fitch Ratings-New York-25 April 2023: On the effective date of May 3, 2023, Fitch Ratings will upgrade the long- and short-term ratings of the Port of Seattle Subordinate Lien Revenue Refunding Bonds, Series 2008 (the bonds) to 'AAA' from 'AA-' and 'F1+' from 'F1', respectively. The Rating Outlook for the long-term rating is Stable.

The rating action is in connection with the following: (i) the substitution of the MUFG LOC (MUFG, formerly The Bank of Tokyo Mitsubishi UJF, Ltd.; A-/F1/Stable) irrevocable direct-pay letter of credit (LOC) which currently provides credit support for the bonds with a substitute LOC to be provided by Bank of America, N.A. (AA/F1+/Stable); and (ii) the mandatory tender of the bonds, scheduled to occur on May 3, 2023.

KEY RATING DRIVERS:

The long-term rating will continue to be determined using Fitch's dual-party pay criteria and will be based jointly on the underlying rating assigned to those bonds by Fitch (currently rated AA-/Stable), and the rating assigned by Fitch to Bank of America, N.A. (AA/Stable), which will provide the substitute LOC as credit support for the bonds. The short-term 'F1+' rating will be based solely on the short-term rating assigned by Fitch to Bank of America, N.A. as the provider of the of the substitute LOC. For information about the underlying credit rating see the July 7, 2022 press release "Fitch Rates Port of Seattle Intermediate Lien Revs Bonds 'AA-'; Outlook Stable" available at www.fitchratings.com.

Fitch's dual-party pay criteria consider the likelihood of the failure of both a rated obligor and a bank LOC provider. The methodology results in a long-term rating that is up to two notches higher than the stronger of the two credits if the following conditions are met: (1) both entities have a rating of 'A' or higher; (2) the transaction is structured such that payments from both the municipal issuer and the bank are in the flow of funds and both entities would have to fail to perform before the bonds defaulted; and (3) the interest rate modes to be covered by Fitch's rating provide for either a mandatory purchase at the end of each interest rate period, or a purchase demand option. A one- or two-notch uplift will apply to the long-term rating depending on the frequency of the purchase demand option or the duration of the interest rate period which concludes with a mandatory tender.

The bonds provide holders with a tender option with no more than seven days' notice while the bonds are in the weekly rate mode. Fitch will apply a two-notch uplift, which results in a long-term rating of 'AAA' for the bonds. If either the underlying bond rating or the bank rating were downgraded to 'A-' or lower, the dual-party pay criteria could no longer be applied, and the long-term rating assigned to the bonds would then be adjusted to the higher of the bank rating and the underlying bond rating.

Pursuant to the substitute LOC, the bank is obligated to make regularly scheduled payments of

principal and interest on the bonds in addition to payments due upon maturity and redemption, as well as purchase price for tendered bonds. The substitute LOC will have a stated expiration date of May 1, 2026 unless extended or earlier terminated. The substitute LOC will provide full and sufficient coverage of principal plus an amount equal to 54 days of interest at a maximum rate of 12% based on a year of 365 days and purchase price for tendered bonds, while in the weekly rate mode. A mandatory tender of the bonds will occur on May 3, 2023, the substitution date. Morgan Stanley & Co. Incorporated will continue in its capacity as Remarketing Agent for the bonds.

RATING SENSITIVITIES:

Factors that could, individually or collectively, lead to positive rating action/upgrade:

–The Long-Term rating will be tied to the Long-Term rating assigned to the Port of Seattle Subordinate Lien Revenue Refunding Bonds, Series 2008 and the Long-Term rating that Fitch maintains on the bank providing the substitute LOC. The Long-Term rating will be at the highest Long-Term rating category and cannot be upgraded. Changes to one or both of these ratings may affect the Long-Term rating assigned to the bonds.

–The Short-Term rating will be at the highest Short-Term rating category and cannot be upgraded.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

— The Long-Term rating will be tied to the Long-Term rating assigned to the Port of Seattle Subordinate Lien Revenue Refunding Bonds, Series 2008 and the Long-Term rating that Fitch maintains on the bank providing the substitute LOC. Changes to one or both of these ratings may affect the Long-Term rating assigned to the bonds. If either the underlying bond rating or the bank rating were downgraded to 'A-' or lower, the dual-party pay criteria could no longer be applied, and the Long-Term rating assigned to the bonds would then be adjusted to the higher of the bank rating and the underlying bond rating.

–The Short-Term rating will be exclusively tied to the Short-Term rating that Fitch maintains on the bank providing the substitute LOC and will reflect all changes to that rating.

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