

Rating Action: Moody's assigns Aaa/VMIG 1 to \$25,750,000 Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Palladium Simpson Stuart Apartments) Series 2021

08 Apr 2021

New York, April 08, 2021 -- Moody's Investors Service (Moody's) has assigned a Aaa/VMIG 1 rating to the proposed \$25,750,000 Texas Department of Housing and Community Affairs, Multifamily Housing Revenue Bonds (Palladium Simpson Stuart Apartments) Series 2021.

RATINGS RATIONALE

The Aaa long-term rating of this cash collateralized transaction is based on the strong legal structure and the high credit quality of the investments securing the bonds. We expect monies on deposit with the trustee will be invested in eligible investments that will generate revenues to fully cover bond debt service on each interest payment date.

The VMIG 1 short-term rating is based on cash flow projections that demonstrate that total trustee-held monies in the bond fund, project fund and collateral fund, including investment earnings thereon, will be sufficient for full and timely debt service payments through and including the initial mandatory tender date on December 1, 2023.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Not applicable (for both long-term and short-term rating)

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Downgrade of eligible investments or counterparties providing such investments (for long-term rating)
- Cash flow projections that demonstrate revenue insufficiency (for short-term rating)

PROFILE

The legal structure provides for a closed system where bond proceeds will not be disbursed to the borrower unless an equal or greater amount is deposited to the collateral fund from disbursements of loan proceeds consisting of eligible funds. The source of the negative arbitrage deposit is expected to be eligible funds.

A reasoned bankruptcy opinion, provided by Norris George & Ostrow PLLC, identifies mitigants to preference and automatic stay risks associated with a bankruptcy filing of Palladium Simpson Stuart, Ltd. (borrower) and lenders contributing eligible funds on the borrower's behalf. Cash flow projections were prepared by RBC Capital Markets, LLC.

The principal methodology used in these ratings was Pre-refunded and Escrow-backed Transactions Methodology published in August 2020 and available at https://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBM_1227034. Alternatively, please see the Rating Methodologies page on www.moody's.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's.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moody's.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1243406.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Jacqueline McFadyen
Asst Vice President - Analyst
Public Finance Group
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

David A. Parsons
Asst Vice President - Analyst
Public Finance Group
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

MOODY'S
INVESTORS SERVICE