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New Issue: TSASC Inc. (Series 2017A And 2017B)

$828.07 million 2017 bonds

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Ratings Detail

Ratings Assigned		
Maturity	**Rating**	**Amount (mil. $)**
Series A		
2017	A (sf)	13.5
2018	A (sf)	17.6
2019	A (sf)	17.7
2020	A (sf)	23.4
2021	A (sf)	24.4
2022	A (sf)	20.4
2023	A (sf)	21.4
2024	A (sf)	22.6
2025	A (sf)	23.8
2026	A (sf)	25.1
2027	A- (sf)	26.6
2028	A- (sf)	26.8
2029	A- (sf)	27.3
2030	A- (sf)	28.5
2031	A- (sf)	28.0
2032	A- (sf)	27.7
2033	A- (sf)	26.8
2034	A- (sf)	26.8
2035	A- (sf)	26.2
2036	A- (sf)	26.2
2041	BBB+ (sf)	132.7
Series B		
2018	A- (sf)	1.0
2019	BBB+ (sf)	0.7
2020	BBB(sf)	6.0
2021	BBB (sf)	6.2
2022	BBB (sf)	6.3
2023	BBB (sf)	6.4
2024	BBB (sf)	6.5
2025	BBB (sf)	6.6
2045	BBB- (sf)	175.0

Profile	
Collateral	Tobacco settlement revenues resulting from the master settlement agreement, fully-funded liquidity reserve accounts, and interest income
Issuer	TSASC Inc.
Trustee	The Bank of New York Mellon

Rationale

The ratings assigned to TSASC Inc.'s (TSASC's) $828.070 million tobacco settlement bonds series 2017A and 2017B reflect our view of:

- The likelihood that timely interest and scheduled principal payments (including mandatory sinking fund installments on certain 2017A bonds) will be made at each bond's maturity.
- The credit quality of the two largest participating tobacco manufacturers: Altria Group Inc., parent of Philip Morris USA Inc. (Philip Morris), and Reynolds American Inc., parent of R.J. Reynolds Tobacco Co. (RJ Reynolds). On Jan. 17, 2017, British American Tobacco PLC (BAT; 'A-') announced that it reached an agreement to purchase the 57.8% of RJ Reynolds that it did not already own. BAT has a very limited presence in the U.S. (outside of its existing large share of RJ Reynolds); therefore, this purchase will not result in an increase in its U.S. market share. BAT is currently on CreditWatch with negative implications (see "Research Update: U.K.-Based British American Tobacco On CreditWatch Negative Following Merger Proposal," published Oct. 26, 2016); however, even with the possibility of a one-notch downgrade, it would remain investment grade (i.e., rated 'BBB-' or higher).
- The transaction's legal and payment structures.
- The senior liquidity reserve account of $48 million and the subordinate liquidity reserve account of $40.3 million, both fully funded at closing and only available to series 2017A and 2017B, respectively.

The ratings we assigned to the series 2017A bonds maturing on or before June 2026 are one notch higher than the ones we assigned to the bonds maturing after June 2026, and two notches higher than the rating on the bonds maturing after June 2036. This is because we believe there are qualitative differences between the different maturities. The results of our cash flow stresses for the bonds maturing after June 2026 are strong and can quantitatively support a higher rating level; however, a longer time horizon to legal maturity (more than 10 and 20 years, respectively) increases the uncertainty of our projections and the potential for event risk in the tobacco industry and in tobacco securitizations. We believe that the ratings on the bonds with longer maturity profiles should be more closely tied to the tobacco industry's business risk profile and the current ratings on the two largest tobacco manufacturers.

Transaction Strengths And Weaknesses

Strengths

In our opinion, the transaction's strengths include the following:

- The transaction's structure, which allows the series 2017A rated bonds to withstand both an approximately 7.36% year-over-year decline in cigarette consumption and, in a separate scenario, a tribal pack estimation of 301 million packs;
- The availability of the fully funded liquidity reserves accounts of each series sized to cover the largest single

payment due for each series; and

- The investment-grade credit quality of the two largest tobacco manufacturers, which are responsible for the majority of the master settlement agreement (MSA) payments.

Weaknesses

The transaction's weaknesses, in our opinion, include the following:

- The continued, and potentially greater, decline in cigarette shipments as a result of higher excise taxes imposed by the federal and local government, price increases by manufacturers, or the passage of new regulations (including increasing the legal age to purchase, restricting locations where cigarettes can be smoked, and requiring changes to packaging to highlight health risks);
- The litigation risk (current and future lawsuits) against tobacco manufacturers and claims challenging the MSA or qualifying statutes;
- The increase in the popularity of alternative tobacco products, the sales of which would not result in payments under the MSA;
- The result of the pending tribal pack sales estimate from the independent investigator is higher than anticipated; and
- A rise in tribal pack sales due to changes in disposable income, excise taxes, more diligent enforcement of existing laws to curtail intrastate cigarette shipments, and consumer preference.

Mitigating factors

In our view, the factors that partly mitigate the transaction's weaknesses include the following:

- Our additional cash flow runs, which include scenarios designed to test the transaction's sensitivity to event risks. These scenarios include a market shift in nonparticipating manufacturers (NPMs), a one-time steep decline in cigarette consumption, and periodic steeper-than-historical average declines in cigarette shipments.
- The U.S. tobacco industry continues to face hurdles, such as Engle Progeny and class-action lawsuits that allege cigarette manufacturers used unfair and deceptive trading practices when claiming that so-called light cigarettes were lower in tar and nicotine, or were less hazardous than other cigarettes. S&P Global Ratings recently stated that cigarette manufacturers face manageable litigation risk, given their strong recurring cash flows and the generally declining caseloads (see "U.S. Tobacco Companies Face Persistent But Diminishing Litigation Risks," published Aug. 11, 2016). Lawsuits may always arise, but it becomes more difficult over time for remaining smokers to claim that they were not aware of health risks.
- There are currently numerous cigarette regulations under consideration by the Food and Drug Administration (FDA), and most likely more to come, so this will continue to be a risk to the industry and this transaction. However, S&P Global Ratings has stated that it expects the major U.S. tobacco companies to successfully navigate these risks thanks to their regulatory expertise, deep financial resources, and protections afforded by the U.S. Constitution (see "The U.S. Tobacco Industry is Still Standing Tall Despite Increased Regulatory Risks," published Aug. 11, 2016).
- Alternative tobacco products still constitute a small segment of the overall tobacco market, and the FDA must approve any new products. They currently have a large backload of new products seeking approval. In early 2016, the FDA began to regulate e-cigarettes, which market participants expect will have a major negative impact on this sector.
- The initial tribal estimate incorporates conservative assumptions from various third parties and was further stressed by a volatility multiple appropriate for each of the rating categories.
- Due to the loss of income to New York State--both in excise taxes and MSA payments--we believe the state will resist any further regulations encouraging tribal sales.

Industry Characteristics: Sector Outlook

S&P Global Ratings' general outlook on the tobacco industry reflects the following:

- The U.S. cigarette industry is mature, competitive, and highly concentrated, with the two major tobacco manufacturers controlling about 85% of the market.
- The industry is characterized by high profit margins and low capital expenditure requirements, resulting in significant free cash flow generation.
- The improved cigarette industry demand and profit fundamentals have continued into 2016 owing to a more rational pricing environment and meaningfully lower gas prices, which translated into higher disposable income for smokers. As a result, in 2015, cigarette shipments rose for the first time in the 17 years since the MSA was signed. While the first half of 2016 has shown a 12-month-rolling 1.6% decline in cigarette shipments, this is at the low end of the historical 3%-4% annual volume decline.
- Manufacturers enjoy significant pricing power. Profits in 2015 grew meaningfully because of this and because tobacco grower settlement payments expired.
- We expect high shareholder payments to continue.
- Heightened tobacco industry regulation by the FDA continues to be an industry risk. It's possible that the FDA may make it more difficult to bring new products to the market, place more restrictions on existing products, and generally raise the cost of doing business. We also believe a future reduction in menthol usage in cigarettes is probable, though manufacturers would likely use legal means to contest any such proposal.
- Litigation is an ongoing risk factor. Although trends over the past decade have been generally favorable, it is not a guarantee for the future.
- Demand for electronic cigarettes (e-cigs) has been weaker than the industry expected, partly reflecting a shift to vapor shops. The FDA began to regulate e-cigs in 2016, which we expect will have a negative effect on the industry.

The MSA

The series 2017 bonds are collateralized by the payments that the participating manufacturers (PMs) make under the MSA. The MSA was signed in 1998 and settled various lawsuits filed by 46 U.S. states, the District of Columbia, and several U.S. territories against the four major cigarette manufacturing companies, known as original participating manufacturers (OPMs). The OPMs were Philip Morris, R.J. Reynolds Tobacco, Brown & Williamson Tobacco Co. (B&W), and Lorillard. However, R.J. Reynolds Tobacco subsequently acquired B&W (July 2004) and Lorillard (June 2015), leaving only two OPMs. Various smaller tobacco manufacturers--known as subsequent participating manufacturers (SPMs)--later joined the MSA. Under the MSA, the PMs must pay each state annually, in perpetuity.

The MSA provides that payments to the settling states will be based on a market share allocation among the PMs. The MSA assumes that if a company stops manufacturing cigarettes, that company's market share would be reallocated among the remaining manufacturers. As long as the remaining companies continued to participate in the MSA, there would likely only be a temporary loss of settlement revenues. These losses would likely be eventually recaptured if the remaining participating companies absorbed the lost company's market share. To that end, rather than taking a company-specific approach, the MSA provides for an industry approach that accounts for the industry's overall strength.

Adjustment to the MSA

The MSA payments are calculated by an independent auditor and are subject to a number of adjustments. Assumptions about these adjustments can materially affect the projected revenues. The main adjustments have historically been for inflation, annual shipment volume, and for NPM adjustments.

The MSA recognizes that the PMs' payment obligations could result in certain cost disadvantages to the PMs that could subsequently shift market share to the NPMs away from the PMs. To level the economic playing field, the MSA states that the PMs may reduce their annual MSA payment obligations by asserting their right to claim an NPM adjustment because of these cost disadvantages. Historically, this resulted in reductions that were disputed and gave rise to a large balance in the disputed payment account.

In December 2012, the three OPMs and some other PMs reached an agreement initially with 19 jurisdictions (excluding New York) to resolve longstanding disputes related to the NPM adjustment disputes from 2003-2012. The agreement includes a release to the signatory states of their portion of more than $4 billion from the MSA disputed payment account. In return, the PMs will make lower future MSA payments for the next several years. Although the term sheet somewhat clarifies NPM compliance requirements for the signatory states, future disputes could still arise relating to NPM adjustments.

New York State NPM Settlement

In October 2015, New York State negotiated its own agreement to address the MSA NPM adjustments. The two remaining OPMs and a majority of the SPMs executed the New York NPM Settlement in which more than $690 million was released to New York State from the MSA disputed payment account. This agreement also included that New York will no longer be subject to the NPM adjustments, except in limited, unlikely circumstances. The settlement resolved the NPM adjustment disputes relating to calendar years 2004 through 2014. Most of the settlement payments have occurred for these years, except for an annual $90 million OPM credit plus a proportionate SPM credit and prime rate interest that will be applied for 2016, 2017, and 2018 payments.

For 2015 and later, the New York NPM Settlement established two PM credits against future payments to the state. The first is the Non-Compliant SET-Paid NPM Sales Credit tax, which is applied if there is greater noncompliance with the NPM escrow deposit requirement. As reported by the New York Attorney General's office, the rate of noncompliance has been within the safe harbor created under the settlement, and New York State expects to continue to be protected under the safe harbor. The second is the Tribal NPM Packs credit (described below).

Tribal NPM Packs Credit

The Tribal NPM Packs credit is based on the number of packs of NPM cigarettes (including NPM packs manufactured on reservations) sold to non-Native American state consumers on or from Native American reservations in the state and on which state cigarette excise tax is not paid. Because these sales are not reported to the state, a third-party investigator will provide the estimate every two years. The first estimation will be applied to 2015 sales for the 2017 payment (the amount of that credit is not yet known at the time of this publication).

We based our analysis on an estimate of cigarette demand in New York State, the proximity of the population to a reservation retail outlet, and the general demand of tribal cigarettes. These results were compared with "empty pack" studies, as well as the increase in various state excise taxes, to estimate intrastate smuggling brought on by the huge disparities in state excise taxes. Our conclusion was that a reasonable base-case expectation of the tribal pack adjustment for 2015 is 67 million packs, and this was stressed by a volatility estimate for each rating category.

Collateral

New York State is entitled to 12.762% of the total amount of annual payments deposited in the national escrow account, as well as a portion of the strategic payment (none of which is passed on to New York City). Per the consent decree executed by the counties of New York and the state, New York City receives 26.670% of New York State's annual payments. These annual payments all flow to TSASC. Series 2017A and 2017B are are secured by the right, title, and interest to 37.400% of TSASC's assets.

The remaining 62.600% is not pledged and is not available to the bondholders, and the trustee has no rights to these funds under any circumstance.

Table 1

Actual Receipts of Pledged TSRs

	Pledged portion of base payment allocable to TSASC	Actual receipts ($)(i)
Fiscal year		
2007	101,836,719	77,953,795
2008	103,606,132	78,890,393
2009	103,606,132	86,996,961
2010	103,606,132	72,398,952
2011	103,606,132	68,640,155
2012	103,606,132	70,000,424
2013	103,606,132	69,956,949
2014	103,606,132	79,144,385
2015	103,606,132	67,728,992
2016(ii)	103,606,132	136,802,790

(i)Represents actual funds received in that year, calculated as New York City's 26.670% share of New York State's allocation times 37.4% (pledged to the 2017 series), with adjustments (disputed amounts, interest). (ii)Includes amount received as part of New York State's NPM settlement. TSR--Tobacco settlement revenue. NPM--Nonparticipating manufacturer.

Each series has a separate liquidity reserve account that will be available to pay interest and maturing principal (including mandatory sinking fund installments) on it when due. Liquidity reserve accounts will not be available to fund any turbo redemption. These reserve accounts are only available to pay debt service on the series for which it was created.

Transaction Structure

TSASC is issuing $1,103,070,000 of 2017 bonds, consisting of series 2017A ($613,370,000 hard-amortization senior bonds) and series 2017B ($489,700,000 a combination of hard-amortization subordinate bonds and subordinated turbo bonds). There are $275,000,000 of series 2017B bonds maturing in 2048 that S&P Global Ratings will not rate.

TSASC is a New York local development corporation and has a legal existence distinct from the city and the state, and does not constitute a state or city government department.

The proceeds of the 2017 bonds, along with other funds, will be used to refund all of the existing TSASC's outstanding senior bonds, fund the senior and subordinate liquidity reserve accounts, and pay costs related to the issuance.

Cash Flow Analysis

S&P Global Ratings applied a sensitivity analysis to the following cash flow stress tests:

- A cigarette volume decline test, which is intended to assess the transaction's ability to withstand steeper-than-historical average annual declines in U.S. cigarette consumption;
- A PM bankruptcy test, in which we assume the largest PM's Chapter 11 bankruptcy and the subsequent temporary payment stoppage at various points over the transaction's term; and
- A tribal NPM adjustment liquidity stress test, which is similar to the cigarette volume decline test, except that we also assume an increase in tribal cigarettes every five years beginning in 2017.

We expect a security rated in the 'A' category (prior to the application of maturity-based rating adjustments) to pass all three ratings tests with timely interest and ultimate principal payments. If a security cannot pass the largest PM bankruptcy test, but can pass the other two, then we can consider a 'BBB' category rating for the security, but only if it can demonstrate that it pays timely interest and ultimate principal assuming the bankruptcy of the largest, non-investment-grade PM (i.e., one rated 'BB+' or lower).

This analysis implies that, going forward, if one of the larger PMs are downgraded to below investment grade, we would re-run our cash flow tests to determine whether or not the bond could withstand the bankruptcy of the largest non-investment-grade PM.

We used the following cash flow assumptions for the stress tests for the bonds that will be considered for 'A' level ratings:

- The decline in cigarette shipments will be 5.00% in the transaction's first year, 5.25% in year two, and 4.75% thereafter.
- The shift in market share will be as follows: OPMs, to 81% from 83%; SPMs, to 9% from 10%; and NPMs, to 10% from 7%. We apply these stresses to market share shifts in equal increments over 10 years. After 10 years, we assume market share will remain stable. The higher the market share assumption for the NPMs, the more stressful it is for the transaction, because the NPMs pay outside of the MSA.
- The tribal estimate is 97 million packs, declining at 1.25% in the transaction's first year, 1.50% in the second, and 1%

thereafter.

- The inclusion of the $90 million-plus credit that is mandated by the New York State NPM Settlement agreement.
- The interest income on the funds in the liquidity reserve account and the funds held at the MSA for the next payment date was run at 0.1%.

For a more detailed description of these stress tests and our current assumptions and rationale, see "U.S. Tobacco Settlement Securitization: Ratings Methodology And Assumptions," published March 24, 2016.

Table 2

Standard Stress Test Results

Name	Volume Decline Stress	PM Bankruptcy	Tribal Stress
2017A	2017	2017	2017
2017A	2018	2018	2018
2017A	2019	2019	2019
2017A	2020	2020	2020
2017A	2021	2021	2021
2017A	2022	2022	2022
2017A	2023	2023	2023
2017A	2024	2024	2024
2017A	2025	2025	2025
2017A	2026	2026	2026
2017A	2027	2027	2027
2017A	2028	2028	2028
2017A	2029	2029	2029
2017A	2030	2030	2030
2017A	2031	2031	2031
2017A	2032	2032	2032
2017A	2033	2033	2033
2017A	2034	2034	2034
2017A	2035	2035	2035
2017A	2036	2036	2036
2017A	2037	2037	2037
2017A	2038	2038	2038
2017A	2039	2039	2039
2017A	2040	2040	2040
2017A	2041	2041	2041
2017B	2018	2018	2018
2017B	2019	2019	2019
2017B	2020		2020
2017B	2021		2021
2017B	2022		2022
2017B	2023		2023
2017B	2024		2024
2017B	2025		2025

Table 2

Standard Stress Test Results (cont.)

Name	Volume Decline Stress	PM Bankruptcy	Tribal Stress
2017B	2045		2045

PM--Participating manufacturer.

Cash Flow Analysis Results

Based on our calculations, the results of our "standard" stress tests in table 2 indicate that the series A and B bonds were able to withstand the tests, with a sizable cushion to absorb additional potential disruptions or increases in the tribal credits.

The series A bonds passed all three of the 'A' level rating runs and then were notched down based on tenor (as explained in the Rationale section above).

The series B bond that matures in 2018 passed all three of the 'A' level rating runs, as well as the sensitivity analysis runs (discussed below). However, we notched the rating down by one notch because the series B bonds are structurally subordinate to the 'A' rated senior bonds in this transaction.

The series B bond that matures in 2019 passed all three of the 'BBB+' level rating runs. We also ran the 'A-' runs, but the bond did not pass the volume decline 'A-' level run. As a 'BBB+' rated bond, it was not required to be run through any parts of the sensitivity analysis.

The series B bonds that mature in 2020 to 2025 passed the volume decline and the tribal adjustment 'BBB+' rating runs, but did not pass the single-largest PM bankruptcy test at the 'BBB+' level. However, because these bonds can pay timely interest and principal assuming the bankruptcy of Liggett, which has a 3.2% market share and is the largest non-investment-grade PM, they can be considered for an investment-grade rating. Furthermore, in a separate run, these series B bonds maturing 2020 to 2025 all passed the 'BBB+' level test that assumes the bankruptcy of Imperial Brands PLC, the third-largest investment-grade PM, which is rated 'BBB' and has an 8.6% market share, although this was not deemed necessary to achieve the rating.

The series B bond that matures in 2045 passed the volume decline and the tribal adjustment 'BBB' rating level runs, but did not pass the single-largest PM bankruptcy test at the 'BBB' level. However, because this bond can pay timely interest and principal assuming the bankruptcy of the largest non-investment-grade PM (Liggett), it can be considered for an investment-grade rating. Furthermore, in a separate run, the series B bond maturing in 2045 passed the 'BBB' level test that assumes the bankruptcy of Imperial Brands PLC, the third-largest investment-grade PM, which is rated 'BBB' and has an 8.6% market share, although this was not deemed necessary to achieve the rating. This series B rating was notched down by one notch (as opposed to two notches for the 'A' category ratings over 20 years), to the lowest investment-grade rating.

Sensitivity Analysis

We designed the following additional stress tests to assess the transaction's sensitivity to event risks because of a tobacco manufacturer's potential bankruptcy, regulatory changes, or other events that might result in a one-time or periodic reduction or potential disruption in the MSA payments. We did not include these stresses to analyze bonds with ratings of 'BBB (sf)' or below.

In addition to our assessment of the "standard" stress tests described above, the ratings reflect our assessment of the transaction's ability to withstand the following stresses:

- A greater market share shift to the NPMs from the PMs than assumed in our standard stress test;
- A one-time steep decline in cigarette consumption (due to what we consider to be an unlikely outright ban of menthol cigarettes, for instance); and
- Periodic price jumps or other events that we believe will likely lead to steeper long-term average declines in cigarette consumption.

We believe that these event risks have a different likelihood and cash flow effect than the three rating stresses above, and we do not necessarily expect the transaction to pass all of them. However, we believe it is beneficial to highlight the scenarios in which the transaction exhibits higher sensitivity.

We used the cash flow projections from the cigarette volume decline test (with the volume decline of 5.25% in the transaction's first year, 5.00% in year two, and 4.75% thereafter) as a starting point for the additional stresses. In addition, we considered the impact of interest earned in reserve accounts and the amounts held by the MSA before they are remitted. We considered the possibility that the interest reinvestment income would be 0.10%, as well as the possibility that no interest would be earned, and the bonds passed under both scenarios using the PM bankruptcy stress (the most stressful scenario on the liquidity).

The market share shift to the NPMs from the PMs' stress

We believe we could see greater market share shifts to the NPMs from the PMs over a longer time horizon because the PMs might focus more on profitability than maintaining market share or on sales of alternative tobacco products. Also, other events in the industry could affect the market share breakdown among domestic tobacco manufacturers. Therefore, we projected additional market share shifts as follows: OPMs, to 79% from 83%; SPMs, to 6% from 10%; and NPMs, to 15% from 7%. We stressed the market share shifts in equal increments over 10 years and then assumed the market share breakdown will remain stable at those levels in year 11 and thereafter.

Based on our calculations, this sensitivity test indicated that all tranches tested would be able to withstand this additional stress.

The one-time steep decline in cigarette consumption stress

To assess the effects of a one-time sharp fall in MSA payments as a result of, for example, what we consider an unlikely outright ban of menthol cigarettes, we assumed there would be a very steep decline of about 30% for one year. This is about three times more than the most severe decline that the industry has historically experienced--a 9.3% actual volume decline in 2009. We decided to use 30% because it is approximately the menthol market's size by shipments. However, we did not design this test specifically for that case, but rather to assess the transaction's ability to withstand very steep declines in general.

We applied the stress of 5.25% for year two and then assumed a more normalized decline of about 4.75% for all subsequent years. The 30% decline was moved out every five years to see the effects, although the most onerous test is to assume the one-time steep decline in year one. Based on our calculations, this sensitivity test indicated that all tranches tested would be able to withstand this additional stress.

The periodic steeper-than-average declines in cigarette consumption stress

Based on historical information, declines in cigarette shipments are periodically steeper than average because of various events, such as cigarette price increases as a result of, for example, rising excise taxes. More specifically, we assumed that there would be three years of a more normalized decline of about 4.75%, followed by two years of a steeper dip (10%), and we repeated this pattern throughout the transaction's life. We applied the first steeper decline in year four. Our calculations indicated that all tranches tested would be able to withstand this additional stress.

Payment Priority

Our ratings reflect our opinion that the transaction will pay timely interest and scheduled principal at each bond's stated maturity. On each June 1 and Dec. 1 payment date, the funds will be distributed in the order of priority in the transaction documents. Because the MSA payments are made annually (on or about April 15), but the transaction's liabilities have a semiannual pay structure, the interest for the December payment is reserved when the MSA payments are received. Payments will be made beginning June 1, 2017.

Events Of Default

Under the TSASC transaction documents, each of the following constitutes an event of default:

- A senior payment default (including mandatory sinking fund payments);
- A subordinate payment default (does not include failure to make turbo redemption payments);
- Failure of the issuer to observe or perform any other provision of the indenture, which is not remedied within 60 days after written notice; and
- A limitation or alteration of the rights of TSASC by New York City.

A subordinated payment default shall not cause senior bonds to be deemed to be in default.

Legal

In rating this transaction, S&P Global Ratings will review the legal matters that it believes are relevant to its analysis, as outlined in its criteria.

Surveillance

According to our surveillance criteria, we will periodically review this transaction to assess whether the ratings continue to reflect our view of the transaction's performance, and we will take any rating action that, based on our criteria, we consider to be appropriate. In addition, we will be monitoring the ratings on the OPMs and their respective market share for the series B bonds being that they did not pass the single-largest PM test.

Related Criteria And Research

Related Criteria

- General Criteria: Methodology And Assumptions For Stressed Reinvestment Rates For Fixed-Rate U.S. Debt Obligations, Dec. 22, 2016
- Criteria - Structured Finance - ABS: U.S. Tobacco Settlement Securitization: Ratings Methodology And Assumptions, March 24, 2016
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- General Criteria: Understanding Standard & Poor's Rating Definitions, June 03, 2009

Related Research

- Global Structured Finance Scenario And Sensitivity Analysis 2016, Dec. 16, 2016
- Research Update: U.K.-Based British American Tobacco On CreditWatch Negative Following Merger Proposal, Oct. 26, 2016
- The U.S. Tobacco Industry is Still Standing Tall Despite Increased Regulatory Risks, Aug. 11, 2016
- U.S. Tobacco Companies Face Persistent But Diminishing Litigation Risks, Aug. 11, 2016
- Global Structured Finance Scenario And Sensitivity Analysis: Understanding The Effects Of Macroeconomic Factors On Credit Quality, July 2, 2014

In addition to the criteria specific to this type of security (listed above), the following criteria articles, which are generally applicable to all ratings, may have affected this rating action: "Post-Default Ratings Methodology: When Does Standard & Poor's Raise A Rating From 'D' Or 'SD'?," March 23, 2015; "Global Framework For Assessing Operational Risk In Structured Finance Transactions," Oct. 9, 2014; "Methodology: Timeliness of Payments: Grace Periods, Guarantees, And Use of 'D' And 'SD' Ratings," Oct. 24, 2013; "Counterparty Risk Framework Methodology And Assumptions," June 25, 2013; "Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings," Oct. 1, 2012; "Methodology: Credit Stability Criteria," May 3, 2010; and "Use of CreditWatch And Outlooks," Sept. 14, 2009.