



Moody's Investors Service

7 World Trade Center at 250 Greenwich Street
New York, NY 10007

November 12, 2007

Ms. Carolyn Marcotte
Town of Shrewsbury
100 Maple Avenue
Shrewsbury, MA 01545

Dear Ms. Marcotte:

We wish to inform you that on November 08, 2007, Moody's Rating Committee reviewed and assigned ratings of **MIG 1** to the Town of Shrewsbury's Bond Anticipation Notes, Series A and B.

In order for us to maintain the currency of our ratings, we request that you provide ongoing disclosure, including annual financial and statistical information.

Moody's will monitor this rating and reserves the right, at its sole discretion, to revise or withdraw this rating at any time in the future.

The rating, as well as any revisions or withdrawals thereof, will be publicly disseminated by Moody's through normal print and electronic media and in response to verbal requests to Moody's ratings desk.

Should you have any questions regarding the above, please do not hesitate to contact me or the analyst assigned to this transaction, Susan Kendall, at 617-897-1942.

Sincerely,

Edith F. Behr
Vice President/ Senior Credit Officer

cc:
Ms. Mary Carney
First Southwest Company
255 Park Avenue
Worcester, MA 01619



Moody's Investors Service

Global Credit Research

New Issue

12 NOV 2007

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New Issue: Shrewsbury (Town of) MA

MOODY'S ASSIGNS MIG 1 TO SHREWSBURY'S (MA) \$13.9 MILLION BANS

Aa3 RATING AFFIRMATION AFFECTS \$67 MILLION IN RATED LONG-TERM DEBT

Municipality
MA

Moody's Rating

ISSUE	RATING
Series A Bonds Anticipation Notes	MIG 1
Sale Amount \$7,800,000	
Expected Sale Date 11/13/07	
Rating Description Bond Anticipation Notes	
Series B Bonds Anticipation Notes	MIG 1
Sale Amount \$6,100,000	
Expected Sale Date 11/13/07	
Rating Description Bond Anticipation Notes	

Opinion

NEW YORK, Nov 12, 2007 -- Moody's Investors Service has assigned MIG 1 ratings to the Town of Shrewsbury's \$7.8 million Series A and \$6.1 million Series B Bond Anticipation Notes. At this time, Moody's has affirmed the Aa3 rating assigned to the town's \$67 million outstanding long-term general obligation debt. The Series A notes (dated November 21, 2007 and payable February 21, 2008) provide short-term financing, including \$800,000 in new money and \$6 million in renewals, for the town's fire station renovation project as well as the renewal of \$1 million in notes financing improvements at the municipal light plant. Maturing notes totaling \$6.1 million are renewed by Series B and finance acquisition of the Allen farm for a proposed industrial park. The portion of the Series A notes financing the fire station, \$6.8 million, and all of the Series B notes are secured by the town's general obligation unlimited tax pledge, as debt service has been voted exempt from the levy limits of Proposition 2 1/2. The \$1 million remainder of the Series A issue is secured by the town's limited tax pledge. Proceeds will provide new money financing for fire station renovations. The MIG1 rating reflects demonstrated market access and the town's above-average underlying credit profile. Affirmation of the Aa3 rating incorporates the town's improving financial health, including anticipated replenishment of reserves in fiscal 2007 following several years of significant declines, a rapidly growing and wealthy tax base reflective of the location of the community between Worcester (rated A3) and Boston (rated Aa1/stable outlook), and a manageable debt burden with manageable borrowing plans.

DEMONSTRATED MARKET ACCESS

Moody's believes that Shrewsbury will maintain sufficient access to capital markets based on the town's satisfactory history. The town received five and two bids on its most recent note sales, both dated September 14, 2007 and September 6, respectively and 12 bids on its prior note sale, dated November 22, 2006. All bids were received from major regional and national financial institutions. This history indicates the town's ability to refund the notes, if necessary, at their February and November 2008 maturities.

IMPROVING RESERVE LEVELS STRENGTHEN FINANCIAL POSITION

Moody's believes that the town's financial position has begun to stabilize after several years of reserve declines. Shrewsbury's operating budget has faced pressure from unanticipated weather-related expenses,

rising pension and health insurance costs, and reductions in state aid other than education funding. As a result, the town has appropriated significant amounts of free cash to balance annual budgets, resulting in a very slim available reserve (combined unreserved general fund and stabilization fund) position, with the fiscal 2006 available reserve of \$5.6 million representing 6.9% of general fund revenues, significantly lower than the \$11 million (16.6% of revenues) recorded in fiscal 2003, a level that is inconsistent with Moody's medians for the current rating level. Favorably, preliminary fiscal 2007 projections indicate that positive operations have been restored, with available reserves replenished to \$6.2 million, a healthier 9.4% (pro-forma, assuming 5% revenue growth) of general fund revenues. Budget growth is moderate at 6% over the prior year for fiscal 2008, after the defeat of an operating override of Proposition 2 ½. Management is evaluating override proposals in the future, to maintain the current level of services and provide greater flexibility in addressing salary-related expenditure increases. Future rating actions will continue to incorporate the town's ability to maintain structural balance and to replenish reserves to levels consistent with similarly-rated communities.

SLOWER GROWTH ANTICIPATED AS SUPPLY OF DEVELOPABLE LAND IS LIMITED

Located in Worcester County on state Route 9 and near the Route 495 corridor, Shrewsbury has been a high-growth community over the past decade. Its population grew 31% from 1990 to 2000, and equalized valuation has increased a substantial 13.3% annually since 2001. Although the town's assessed valuation has roughly doubled to \$5.2 billion since 2001, growth in this primarily residential community is expected to be limited to redevelopment in the long term as the supply of developable land is limited to smaller parcels that lack access or infrastructure. However, redevelopment potential, particularly along commercial zones on Route 9, is expected to sustain modest but steady growth indefinitely. Assessed value is projected to decline slightly to \$5 billion in fiscal 2008, reflecting regional softening in the residential real estate market. Although new single-family housing development has slowed, multi-family residential development continues and is expected to contribute to new growth revenue of \$600,000-in keeping with new growth experienced annually from 2004 through 2006 -budgeted in fiscal 2008. Commercial value growth is approaching healthier levels, with low vacancy rates reported in all sectors. Future residential growth may be limited as the town is beginning to reach water and wastewater system capacity; the town has recently reserved 75% of its remaining wastewater treatment capacity for future commercial development. The town's socioeconomic indices have strengthened, now exceeding state medians and further reflected in the \$151,584 equalized value per capita, on par with other Massachusetts Aa3 credits.

AFFORDABLE DEBT POSITION WITH MODERATE FUTURE BORROWING PLANS

Moody's anticipates that the town's average 1.5% overall debt burden will remain manageable, given an average amortization of principal (70.9% within 10 years), and significant state school building aid (64%). After adjusting for commonwealth reimbursement, the town's debt burden drops to a more modest 0.9% of equalized valuation. Town officials began receiving state payments for construction of the high school in 2004 and for the middle school project in August 2005. With the substantial middle school and high school projects largely behind them, town officials expect more moderate debt issuance going forward. Proposed future projects include a library expansion with a total project cost of roughly \$14 million, renovation and expansion of the middle school with potential total cost between \$25 and \$35 million, ongoing water and sewer improvements and a new police station. State grants are anticipated to partially finance up to \$7 million of the library and a portion of the school project. Of Shrewsbury's \$15.2 million outstanding short-term debt, this \$6.1 million issue of Series B notes was originally issued in 2003 to acquire a 60-acre parcel of commercially-zoned land, the former Allen Farm. The state has extended the period of time in which the notes may remain outstanding to 10 years to allow the town to identify an appropriate developer; the town intends to repay the notes with proceeds from the resale of this land. However, these notes are ultimately secured by the town's general obligation pledge and could be refinanced with long-term debt in the event the sale is delayed beyond this time frame. System revenues are expected to fully fund water and wastewater debt service; recent rate increases in each system of up to 15% were planned to generate sufficient revenue in the medium term for ongoing capital projects.

KEY STATISTICS

2000 Population: 31,640

2007 Equalized Valuation: \$5 billion

2007 Equalized Value per capita: \$151,584

Average Annual Growth, Equalized Valuation (2001-2007): 13.3%

Overall debt burden: 1.5% of equalized valuation

Adjusted debt burden: 0.9% of equalized valuation

Amortization of principal (10 years): 70.9%

1999 Per Capita Income: \$31,570 (121.6% of MA, 146.2% of US)

1999 Median Family Income: \$77,675 (126.0% of MA, 155.2% of US)

Fiscal 2006 General Fund balance: \$9.6 million (pro forma 11.8% of General Fund revenues)

Fiscal 2006 Undesignated General Fund balance: \$3.9 million (4.7% of General Fund revenues)

Fiscal 2006 Available Reserve balance: \$5.7 million (6.9% of revenues)

Long-Term Debt Outstanding: \$67 million

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