

**NEW ISSUE - BOOK-ENTRY ONLY**

**Ratings: Standard & Poor's: AAA**  
**Moody's: Aa2**  
**(See "Ratings" herein)**

*In the opinion of Bond Counsel, under existing law, assuming continued compliance with certain provisions of the Internal Revenue Code of 1986, as amended, interest on the Bonds will not be included in the gross income of holders of the Bonds for federal income tax purposes. Interest on the Bonds will not constitute a preference item for the purposes of computation of the alternative minimum tax imposed on certain individuals and corporations, although interest on the Bonds will be taken into account in computing the alternative minimum tax applicable to certain corporations. In the opinion of Bond Counsel, interest on the Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. See "TAX EXEMPTION" herein.*



**\$323,275,000**  
**Massachusetts Bay Transportation Authority**  
**Senior Sales Tax Bonds**  
**2004 Series C**

**Dated: Date of Delivery**

**Due: July 1, as shown on the inside cover**

The Bonds will be issued by means of a book-entry only system evidencing ownership and transfer of the Bonds on the records of The Depository Trust Company ("DTC") and its participants. Details of payment of the Bonds are more fully described in this Official Statement. The Bonds will bear interest from the date of initial delivery thereof and interest will be payable on July 1, 2005 and semiannually thereafter on each January 1 and July 1, calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are not subject to optional redemption prior to maturity.

The Bonds will constitute special obligations of the Massachusetts Bay Transportation Authority (the "Authority") payable solely from and secured by a pledge of Pledged Revenues and funds and accounts established under the Sales Tax Bond Trust Agreement dated as of July 1, 2000 between the Authority and U.S. Bank National Association, Boston, Massachusetts, as successor trustee (the "Trustee"), as supplemented by the Tenth Supplemental Trust Agreement authorizing the issuance of the Bonds dated as of October 1, 2004 between the Authority and the Trustee. The Authority has no taxing power. Neither the Commonwealth of Massachusetts (the "Commonwealth") nor any political subdivision thereof shall be obligated to pay the Bonds and neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof (other than the Authority) is pledged to such payment, except as described herein.

The Bonds are offered when, as and if issued and received by the Underwriters, subject to the unqualified approval of legality by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel to the Authority, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by Palmer & Dodge LLP, Boston, Massachusetts. The Bonds are expected to be available for delivery on or about December 22, 2004 at or through DTC in New York, New York.

**UBS Financial Services Inc.**

**Bear, Stearns & Co. Inc.**

**Lehman Brothers**

**Morgan Stanley**

**Raymond James & Associates, Inc.**

**Siebert Brandford Shank & Co., LLC**

**Banc of America Securities LLC**

**Carolan & Co.**  
Division of Oppenheimer & Co. Inc.

**Citigroup**

**Corby Capital Markets, Inc.**

**Goldman, Sachs & Co.**

**JPMorgan**

**M.R. Beal & Company**

**Merrill Lynch & Co.**

**RBC Dain Rauscher Inc.**

Massachusetts Bay Transportation Authority  
Senior Sales Tax Bonds  
2004 Series C

**Dated: Date of Delivery**

**Due: July 1, as shown below**

<u>Maturity</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP*</u>
2013	\$ 1,455,000	3.50%	3.58%	575579FV4
2013	22,750,000	5.25	3.58	575579FW2
2014	6,430,000	4.50	3.71	575579FX0
2014	18,905,000	5.25	3.71	575579FY8
2015	1,235,000	3.75	3.82	575579FZ5
2015	48,190,000	5.50	3.82	575579GA9
2016	60,355,000	5.50	3.93	575579GB7
2017	49,520,000	5.50	4.01	575579GC5
2018	1,520,000	4.00	4.07	575579GD3
2018	32,280,000	5.50	4.07	575579GE1
2019	21,380,000	5.50	4.12	575579GF8
2020	12,480,000	5.50	4.17	575579GG6
2021	10,840,000	5.50	4.22	575579GH4
2022	9,360,000	5.50	4.27	575579GJ0
2023	8,685,000	5.50	4.33	575579GK7
2024	17,890,000	5.50	4.37	575579GL5

\* Copyright 2004, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondowners only at the time of issuance of the Bonds and the Authority does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY

**BOARD OF DIRECTORS**

DANIEL GRABAUSKAS, CHAIRMAN  
MARY E. BURKE  
ANTHONY M. CAMPO  
FRANK F. CHIN  
WILLIE J. DAVIS  
JANICE LOUX  
BARON H. MARTIN  
JOSEPH M. TROLLA  
RICHARD C. WALKER, III

**SENIOR MANAGEMENT**

MICHAEL H. MULHERN, GENERAL MANAGER

STEPHEN A. BERRANG .....Assistant General Manager for Strategic Planning  
JOSEPH C. CARTER ..... Chief of Police  
JONATHAN R. DAVIS .....Deputy General Manager and Chief Financial Officer  
DENNIS A. DiZOGGIO .....Assistant General Manager for Planning and Real Estate  
BRIAN DONOHOE .....Assistant General Manager for Labor Relations and Occupational Health Services  
ANNE Y. HERZENBERG .....Chief Operating Officer  
WILLIAM A. MITCHELL, JR. ....General Counsel  
ROSS J. RODINO ..... Assistant General Manager for Intergovernmental Affairs and Public Relations  
DAVID W. RYAN ..... Assistant General Manager for Design and Construction  
GERALDINE SCOLL ..... Assistant General Manager for Environmental Affairs  
PORTIA E. SCOTT .....Assistant General Manager for Human Resources and Chief of Staff  
WESLEY G. WALLACE, JR. .... Treasurer-Controller

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The information set forth herein has been obtained from the Authority and other sources which are believed to be reliable, but, as to information from other than the Authority, it is not to be construed as a representation by the Authority or the Underwriters. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof, except as expressly set forth herein. The various tables may not add due to rounding of figures.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

All quotations from and summaries and explanations of provisions of laws, resolutions, the Bonds and other documents herein do not purport to be complete; reference is made to said laws, resolutions, the Bonds and other documents for full and complete statements of their provisions. Copies of the above are available for inspection at the offices of the Authority and the Trustee.

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**OFFICIAL STATEMENT  
OF THE  
MASSACHUSETTS BAY TRANSPORTATION AUTHORITY  
PERTAINING TO ITS  
SENIOR SALES TAX BONDS  
2004 SERIES C**

**INTRODUCTION**

The purpose of this Official Statement, which includes the cover page and the Appendices hereto, is to furnish information in connection with the sale by the Massachusetts Bay Transportation Authority (the “Authority” or “MBTA”) of its \$323,275,000 Senior Sales Tax Bonds, 2004 Series C (the “Bonds”). Unless otherwise defined herein, certain capitalized terms used herein shall have the meanings set forth in APPENDIX A – “SUMMARY OF CERTAIN PROVISIONS OF THE SALES TAX BOND TRUST AGREEMENT – Definitions” or, in the case of capitalized terms related to the Assessment Bond Trust Agreement (hereinafter defined), the meanings set forth in APPENDIX B – “SUMMARY OF CERTAIN PROVISIONS OF THE ASSESSMENT BOND TRUST AGREEMENT.”

**The Bonds**

The Bonds are authorized to be issued pursuant to the Enabling Act (hereinafter defined), and are to be issued under the Sales Tax Bond Trust Agreement dated as of July 1, 2000 between the Authority and U.S. Bank National Association, Boston, Massachusetts, as successor trustee (the “Trustee”), as amended (the “Trust Agreement”) and as supplemented by the Tenth Supplemental Trust Agreement authorizing the issuance of the Bonds (the “Tenth Supplemental Trust Agreement”) dated as of October 1, 2004 between the Authority and the Trustee (together with the Trust Agreement, the “Sales Tax Bond Trust Agreement”).

The Bonds are being issued for the purpose of (i) financing capital projects of the Authority, (ii) refunding the Authority’s outstanding bonds identified in APPENDIX F (the “Refunded Bonds”), including making a termination payment under a hedge agreement related to certain of the Refunded Bonds, (iii) funding a portion of the Senior Debt Service Reserve Fund for the Bonds and (iv) paying the costs of issuing the Bonds. See “APPLICATION OF PROCEEDS” and “PLAN OF REFUNDING.” As used herein, the term “Senior Sales Tax Bonds” means the Bonds and all other Senior Sales Tax Bonds previously or hereafter issued under the Trust Agreement on parity with the Bonds. The Trust Agreement provides for the issuance of additional Senior Sales Tax Bonds and Subordinated Sales Tax Bonds (collectively, the “Sales Tax Bonds”), and the Authority expects to issue additional Sales Tax Bonds in the future. See “THE AUTHORITY – Capital Investment Program.”

The Bonds constitute special obligations of the Authority, secured as to the payment of principal and Redemption Price, if any, of and interest thereon by a pledge of certain revenues and other moneys received or derived under the Enabling Act thereof for the purposes and on the terms and conditions provided therein, including without limitation, the greater of the base revenue amount or the dedicated sales tax revenue amount, both as defined in the Enabling Act (“Dedicated Sales Tax”). See “DEDICATED SALES TAX.” The Bonds constitute the ninth series of Sales Tax Bonds to be issued under the Trust Agreement. See “SECURITY FOR THE SALES TAX BONDS” and APPENDIX A – “SUMMARY OF CERTAIN PROVISIONS OF THE SALES TAX BOND TRUST AGREEMENT.”

**The Authority has no taxing power. Neither the Commonwealth of Massachusetts (the “Commonwealth”) nor any political subdivision thereof (other than the Authority) shall be obligated to pay the Bonds and neither the faith and credit nor the taxing power of the**

**Commonwealth or any such political subdivision thereof is pledged to such payment, except as described herein.**

## **Background**

The Authority was originally created in 1964 pursuant to Chapter 161A of Massachusetts General Laws, as in effect prior to July 1, 2000 (the “Prior Act”), as a body politic and corporate and a political subdivision of the Commonwealth to finance and operate mass transportation facilities within (and to a certain extent, outside) its territory. The territorial area of the Authority consisted of 78 cities and towns in the greater Boston metropolitan area.

Under the Prior Act, the Commonwealth provided various forms of financial assistance to offset the Authority’s operating deficit. In order to finance its capital program, the Authority was authorized to issue indebtedness secured by its general obligation. If the Authority lacked funds to pay such indebtedness, the Commonwealth was obligated to pay such amount, to which obligation the Commonwealth’s full faith and credit was pledged (the “Commonwealth Guaranty”). In addition, the Commonwealth entered into a contract for financial assistance with the Authority pursuant to which the Commonwealth agreed to pay a portion of the debt service on such indebtedness (“Section 28 Assistance”). Furthermore, the Commonwealth paid to the Authority the total amount of expenses in excess of revenues (“Net Cost of Service”). Net Cost of Service was paid in arrears upon certification by the Authority to the Commonwealth. In order to meet current costs, the Authority received advances of the Net Cost of Service or issued operating notes. The Commonwealth recovered a portion of the Net Cost of Service paid to the Authority through amounts assessed on cities and towns in the Authority’s territory.

Pursuant to the Prior Act and in order to fund a portion of its capital program, the Authority periodically issued bonds under the General Bond Resolution of the Authority adopted February 15, 1967, as amended, and notes and entered into certain leases and other obligations, each of which was secured by a combination of the Commonwealth Guaranty, Section 28 Assistance and the Commonwealth’s payment of Net Cost of Service. Such bonds, notes, leases and other obligations outstanding as of July 1, 2000 are collectively referred to herein as the “Prior Obligations.” For information regarding the outstanding principal amount of Prior Obligations, see “THE AUTHORITY – Indebtedness.”

## **Forward Funding**

As part of its 2000 fiscal year annual appropriations act, Chapter 127 of the Acts of 1999 of the Commonwealth, as amended (“Chapter 127” or the “Forward Funding Legislation”), the Commonwealth repealed and restated the Prior Act, effective July 1, 2000. The Prior Act as restated by Section 151 of Chapter 127, together with Section 35T of Chapter 10 of Massachusetts General Laws, also enacted as part of Chapter 127, are collectively referred to herein as the “Enabling Act.”

Commencing July 1, 2000, the Authority no longer received Net Cost of Service, which had been unlimited, or Section 28 Assistance. Instead, under the Enabling Act, the Authority receives a dedicated revenue stream consisting of the amounts assessed on cities and towns of the Authority in accordance with the Enabling Act (“Assessments”) and the Dedicated Sales Tax (collectively, the “Dedicated Revenues”). The Dedicated Sales Tax is equal to the greater of the amount raised by a 1% statewide sales tax, which equals 20% of the existing statewide 5% sales tax, or, as of July 1, 2000, \$645,000,000, in either case to be funded from existing sales tax receipts, subject to upward adjustment under certain circumstances set forth in the Enabling Act. See “DEDICATED SALES TAX.” The Enabling Act and the new financing mechanism for the Authority established thereunder have been referred to as “Forward Funding” to reflect the fact that the Authority’s costs are no longer funded in arrears.

The Enabling Act expanded the territory of the Authority to 175 cities and towns, but aggregate annual Assessments payable by such cities and towns are reduced in five equal amounts from approximately \$144 million in Fiscal Year 2001 to approximately \$136 million in Fiscal Year 2006. After 2006, aggregate Assessments will be adjusted annually for inflation but will not be permitted to increase by more than 2.5% per year. For further information regarding Assessments, see “ASSESSMENT BOND TRUST AGREEMENT AND ASSESSMENTS.”

The Dedicated Revenues are credited upon receipt, without appropriation, to the Commonwealth’s State and Local Contribution Fund (the “Fund” or the “State and Local Contribution Fund”). Such amounts shall be disbursed upon the request of the General Manager to the Authority so long as the Authority shall certify that it has provided in its budget each year for the payment of the Prior Obligations due during such year. In connection with its Fiscal Year 2005 budget, the Authority has certified that it has provided for the payment of Prior Obligations during Fiscal Year 2005 in such annual budget. See “SECURITY FOR THE SALES TAX BONDS – Provision for the Payment of Prior Obligations” and “ASSESSMENT BOND TRUST AGREEMENT AND ASSESSMENTS.”

In order to clarify certain procedural provisions in the Enabling Act, the Authority entered into a Memorandum of Understanding dated as of July 1, 2000 with the Executive Office for Administration and Finance, the Office of the State Treasurer, the Office of the Comptroller and the Department of Revenue (the “MOU”). In accordance with the MOU, the Dedicated Sales Tax is deposited to the Fund upon the issuance by the Department of Revenue of the Monthly Report of Collections and Refunds (the so-called “blue book”). Under Massachusetts law, the blue book shall be issued not later than the last business day of each month with respect to the prior month, except with respect to June of each year. For each June, pursuant to the MOU, 90% of the estimated Dedicated Sales Tax shall be deposited on or about the 14<sup>th</sup> Business Day of July, with the remainder to be deposited in accordance with applicable law. Assessments are deposited to the Fund quarterly, on September 30, December 31, March 31 and June 30.

Under the Enabling Act, the Dedicated Revenues are impressed with a trust for the benefit of Authority bondholders. Furthermore, the Commonwealth covenants that while any Authority bonds or notes secured by the Dedicated Revenues are outstanding and remain unpaid, the Dedicated Revenues shall not be diverted, and, so long as the Dedicated Revenues are necessary for the purpose for which they have been pledged, the rate of the sales tax shall not be reduced below the amount of the Dedicated Sales Tax and annual aggregate Assessments shall not be reduced below \$136,026,868. See “DEDICATED SALES TAX” and “ASSESSMENT BOND TRUST AGREEMENT AND ASSESSMENTS.”

To the extent that the Dedicated Revenues are insufficient in any year to provide for the payment of the Prior Obligations in such year, the Commonwealth shall remain liable to pay such Prior Obligations to the same extent as under the Prior Act, provided, however, that any such payment by the Commonwealth shall be repayable within five years by the Authority, without interest, from the Dedicated Revenues.

Under the Enabling Act, the Authority is no longer authorized to issue indebtedness supported by the Commonwealth Guaranty. Furthermore, the Commonwealth no longer shall pay Net Cost of Service or Section 28 Assistance. Instead, in general, Authority indebtedness may be a general obligation of the Authority or may be secured by a pledge or conveyance of all or a portion of revenues, receipts or other assets or funds of the Authority, including without limitation, the Dedicated Sales Tax and Assessments. Pursuant to the Sales Tax Bond Trust Agreement, the Bonds are secured by a pledge of the Dedicated Sales Tax and, after meeting the obligations under an Assessment Bond Trust Agreement dated as of July 1, 2000, as amended and supplemented (the “Assessment Bond Trust Agreement”) between the Authority and U.S. Bank National Association, as successor trustee (the “Assessment Bond Trustee”), the

Assessments, along with other Authority revenues as described under “SECURITY FOR THE SALES TAX BONDS – Pledge Under the Sales Tax Bond Trust Agreement to the Assessment Bonds.”

Pursuant to special legislation, the Authority may issue bonds in accordance with the Enabling Act secured by appropriations from the Commonwealth, the proceeds of such bonds to be used solely to finance or refinance the extension of commuter rail service to Fall River and New Bedford.

Under the Enabling Act, the Authority is required to meet all of its operating and capital expenditures from Dedicated Revenues, federal assistance and revenues generated from operation of the Authority’s system, including without limitation fare revenues and non-fare revenues (e.g., parking and advertising revenues).

The Authority has identified cost containment and revenue enhancement initiatives, which it believes to be necessary to provide for the long-term operation and maintenance of the Authority’s transportation system without additional financial assistance from the Commonwealth. There can be no assurance that such initiatives will provide sufficient financial resources to sustain the operation and maintenance of the Authority’s transportation system, particularly in the short-term. However, under the Enabling Act, the pledge and receipt of Dedicated Sales Tax is not contingent upon the Authority’s provision of transportation services. Subject to the limitations with respect to the Assessments described under “ASSESSMENT BOND TRUST AGREEMENT AND ASSESSMENTS,” the Authority’s failure to provide transportation services at current levels would not affect the Commonwealth’s or the assessed cities’ and towns’ obligation or ability to provide the Dedicated Revenues. See “THE AUTHORITY – Operations.”

## **Official Statement**

There follows in this Official Statement a description of the Authority, together with summaries of the terms of the Bonds and certain provisions of the Enabling Act, the Forward Funding Legislation, the Sales Tax Bond Trust Agreement and the Assessment Bond Trust Agreement. All references herein to the Enabling Act, the Forward Funding Legislation, the Sales Tax Bond Trust Agreement and the Assessment Bond Trust Agreement are qualified in their entirety by reference to such law and documents, copies of which are available from the Authority or the Trustee, and all references to the Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Sales Tax Bond Trust Agreement.

Appendix A is a summary of certain provisions of the Sales Tax Bond Trust Agreement. Appendix B is a summary of certain provisions of the Assessment Bond Trust Agreement. Appendix C sets forth the proposed form of opinion of Bond Counsel. Appendix D sets forth the proposed Form of Continuing Disclosure Agreement to be executed by the Authority and the Trustee. Appendix E sets forth certain information regarding Assessments and Local Aid. Appendix F contains a list of bonds to be refunded with the proceeds of the Bonds.

This Official Statement does not contain the audited financial statements of the Authority or general financial and operating information about the Authority because the Bonds are secured by a first lien on Dedicated Sales Tax and other Pledged Revenues (hereinafter defined) under the Sales Tax Bond Trust Agreement and, as described herein, amounts available under the Assessment Bond Trust Agreement, and not by the general obligation of the Authority, and the Dedicated Sales Tax is not derived from or otherwise related to the Authority’s operations. See “THE AUTHORITY – Operations.” For further information about the Authority, reference is made to the Authority’s most recent annual report filed with each Nationally Recognized Municipal Securities Information Repository (“NRMSIR”) pursuant to the Authority’s continuing disclosure undertaking for certain Prior Obligations, which report includes audited financial statements, among other information.



## THE AUTHORITY

The Authority was created in 1964 by the Prior Act and is a body politic and corporate and a political subdivision of the Commonwealth. Under the Enabling Act, the territorial area of the Authority consists generally of 175 cities and towns directly or indirectly receiving Authority service. The 175 cities and towns are grouped into three categories, based upon the weighting of each member's allocable percentage of Assessments: (i) the 14 cities and towns; (ii) the 51 cities and towns; and (iii) the other served communities. The Authority finances and operates mass transportation facilities within its territory and to a limited extent outside its territory and is authorized to enter into agreements for providing mass transportation service by private companies, including railroads.

### Board of Directors

The Enabling Act provides that the affairs of the Authority shall be managed by a board of nine directors (the "Board of Directors" or "Board"). The Secretary of the Executive Office of Transportation of the Commonwealth (hereinafter called the "Secretary") serves *ex officio* as the Chairman of the Board. Eight directors are appointed by the Governor of the Commonwealth to serve two-year terms and are eligible for reappointment. The directors appointed by the Governor shall consist of one selected from a list provided by the Mayor of Boston, one selected from a list provided by the chief executive officers of each of the 14 cities and towns, excluding Boston, and one selected from a list provided by the metropolitan area planning council on behalf of the 51 cities and towns and other served communities. Of the appointees of the Governor, one shall be experienced in transportation, one shall be a member of a national or international labor organization, one shall be experienced in environmental protection, one shall be experienced in administration and finance and one shall be experienced in consumer protection. No more than five of the nine directors shall be members of the same political party. No fewer than seven of the directors shall be residents of the Authority's territory.

Under the Enabling Act, the Board has the power to appoint and employ a General Manager and other officers. The Enabling Act also provides that the Advisory Board, consisting of a representative of each of the cities and towns paying Assessments, shall have certain specified powers, including the power to approve the Authority's long term capital program and annual operating budget or to subject the operating budget to itemized reductions. The Enabling Act does not provide for the Authority to be a debtor under the federal bankruptcy code.

The Authority's directors are:

DANIEL GRABAUSKAS, *Chairman, Ipswich, Massachusetts, ex officio.*

Former Republican Party nominee for State Treasurer; former Registrar of Motor Vehicles; former Director, Massachusetts Office of Consumer Affairs and Business Regulation; former Chief of Staff, Department of Economic Development; former trainer and election observer for non-profit International Republican Institute; former Chief of Staff, Executive Office of Health and Human Services; former Deputy Secretary, Executive Office of Communities and Development.

MARY E. BURKE, *Director, Worcester, Massachusetts, term expires June 30, 2005.*

Educator and community volunteer; Research Associate, Worcester Regional Research Bureau; co-founder and Chair of Board of Directors, Abby Kelley Foster Regional Charter Schools; former professor at Assumption College.

ANTHONY M. CAMPO, *Director, Milton, Massachusetts, term expires June 30, 2006.*

Practicing attorney, Boyle, Morrissey & Campo, member of Massachusetts and New York Bar Associations, member of American Arbitration Association, former Vice Chairman and Treasurer of the Milton Housing Authority.

FRANK F. CHIN, *Director, Boston, Massachusetts, term expires June 30, 2005.*

Chairman of Chinatown Community, Incorporated; Member of Empowerment Zone Board; former Purchasing Agent of the City of Boston; has served Chinatown/South Cove Neighborhood Council and Board of Directors of the South Cove YMCA and New England Aquarium.

WILLIE J. DAVIS, *Director, Newton, Massachusetts, term expires June 30, 2005.*

Practicing attorney; board member of the Committee for Public Counsel Services; former United States Magistrate Judge; former Assistant United States Attorney for the District of Massachusetts; and former Assistant Attorney General of the Commonwealth of Massachusetts.

JANICE LOUX, *Director, Boston, Massachusetts, term expires June 30, 2006.*

President of Greater Boston Hotel Employees Local 26 Union; Treasurer of the Local 26 Trust Funds; former Vice-President and Benefits Officer of Local 26.

BARON H. MARTIN, *Director, East Wareham, Massachusetts, term expires June 30, 2006.*

Mediator for the Appeals Court for the Commonwealth of Massachusetts; Arbitrator; former First Justice of the Wareham District Court; former First Justice of the Appellate Division of the District Court Southern Division; former Special Justice of the Roxbury District Court; former Adjunct Professor of Law at Southern New England Law School; and former First Assistant General Counsel of the Metropolitan Transit Authority, the predecessor to the Authority.

JOSEPH M. TROLLA, *Director, Marlborough, Massachusetts, term expires June 30, 2006.*

Vice President of Construction at Fafard Real Estate Development, Inc., of Ashland; formerly held positions at the Marlborough Planning Department and at Brook Realty Trust; and former Superintendent at Flatley Construction.

RICHARD C. WALKER, III, *Director, Newton Corner, Massachusetts, term expires June 30, 2005.*

Vice President and Community Affairs Officer of the Public and Community Affairs Department of the Federal Reserve Bank of Boston; served in executive positions at the Massachusetts Housing Partnership; the Lincoln Filene Center for Citizenship and Public Affairs at Tufts University and the Greater Roxbury Development Corporation.

## **Administration**

The Authority's principal officers are as follows:

MICHAEL H. MULHERN, *General Manager, contract expires February 1, 2007.*

Former Deputy General Manager, MBTA; former Chief Operating Officer, MBTA; Adjunct Professor at Suffolk University, Transportation and Public Policy, Graduate Program; former Director of Subway Operations, MBTA.

JONATHAN R. DAVIS, *Deputy General Manager and Chief Financial Officer.*

Former Budget Director, MBTA; former Vice-President and Controller, H.P. Hood, Inc.

WESLEY G. WALLACE, JR., *Treasurer-Controller.*

Former Deputy Treasurer-Controller, MBTA; former Consultant to Construction Department, MBTA; former Assistant General Manager, Regional Transit Authority, New Orleans.

WILLIAM A. MITCHELL, JR., *General Counsel.*

Former Member of Cosgrove, Eisenberg and Kiley, P.C.; former Chief of the Civil Bureau, Office of the Attorney General, Commonwealth of Massachusetts; former Chief of the Building Construction Unit, Office of the Attorney General, Commonwealth of Massachusetts; former Chairman, Contributory Retirement Appeal Board.

## **General**

The MBTA is the oldest and fifth largest transit system in the country, operating subway, trackless trolley, trolley, bus and commuter rail service throughout eastern Massachusetts. The Authority is responsible for an estimated 1.1 million passenger trips every business day and operates over 46 miles of rapid transit rail routes. Service is also provided by streetcars and light rail vehicles on 33 miles of additional rail routes. The Authority owns more than 1,000 buses which cover routes totaling 710 miles. The MBTA's commuter rail service operates over 440 units of passenger rail equipment providing service between Boston and 125 outlying rail stations. In addition, the MBTA provides a broad range of other passenger services including commuter boats, "The Ride" servicing the elderly and the disabled, and express buses.

As of September 1, 2004, the Authority employed approximately 5,700 full-time and approximately 600 part-time employees. Approximately 6,000 employees are represented by one of 29 labor organizations. The largest, Local 589, Amalgamated Transit Union, represents nearly 3,600 Authority employees.

## Operations

Under the Enabling Act, the Authority is required to meet all of its expenditures, both operating and capital, from a combination of Dedicated Revenues, federal assistance and revenues generated from operation of the Authority's transportation system. For information regarding capital expenditures and federal assistance therefor, see "Capital Investment Program" herein. The Authority's operating expenses (excluding debt service) for Fiscal Year 2003 and Fiscal Year 2004 (unaudited) were \$801 million and \$836 million, respectively, and are estimated to be \$873 million for Fiscal Year 2005. Debt service for each of the foregoing Fiscal Years was, or is expected to be \$343 million, \$339 million and \$352 million, respectively.

Dedicated Revenues for Fiscal Year 2005 are projected to total approximately \$842.5 million, including approximately \$704.8 million of Dedicated Sales Tax and approximately \$137.7 million of Assessments. The Dedicated Sales Tax figure is the base revenue amount certified by the Comptroller on March 1, 2004 to be credited to the State and Local Contribution Fund during Fiscal Year 2005, which is anticipated to exceed the dedicated sales tax revenue amount for such Fiscal Year. See "DEDICATED SALES TAX." Under a transition provision related to the Enabling Act, the annual Assessments will be reduced in five equal amounts from the approximately \$144 million in Fiscal Year 2001 to approximately \$136 million Fiscal Year 2006. After Fiscal Year 2006, aggregate Assessments will be adjusted annually for inflation, but will not be permitted to increase by more than 2.5% per year. For more information regarding Assessments, see "ASSESSMENT BOND TRUST AGREEMENT AND ASSESSMENTS."

The Authority generates significant revenues from operation of its transportation system, including both fare revenues and non-fare revenues such as those derived from parking and advertising. The Authority also generates other non-operating revenues. The aggregate of all fare revenues and non-fare revenues was approximately \$330 million for Fiscal Year 2003 and \$358 million for Fiscal Year 2004 (unaudited) and are projected to be \$392 million for Fiscal Year 2005.

Under the Enabling Act, the Authority is required to establish and implement policies to increase the portion of the Authority's expenses covered by system revenues. In Fiscal Years 2000, 2001, 2002 and 2003, respectively, the Authority paid 40%, 47%, 44% and 41% of its operating expenses excluding debt service from system-related revenues. In Fiscal Years 2004 and 2005, the Authority paid and anticipates paying 44% and 45%, respectively, of its operating expenses excluding debt service from system-related revenues. The Blue Ribbon Committee established by the Secretary in April, 2000 to make recommendations regarding the implementation of the Forward Funding Legislation proposed a goal of increasing revenues to recover at least 50% of operating expenses.

The Board authorized the General Manager to do all things necessary to update the Authority's Fare Policy Statement and to recommend a new fare structure for Board approval. After a series of public hearings and in accordance with the Enabling Act, in September, 2000 the Authority implemented a new fare structure. In particular, local bus fares rose from \$.60 to \$.75, and subway fares rose from \$.85 to \$1.00. Express bus fares rose by 25% and commuter rail fares increased by 17% to 25%, depending upon the zone (measured by distance traveled). Fares for senior citizens and persons with disabilities rose from \$.10 to \$.15 for local buses and \$.20 to \$.25 for subway, and the fare for "The Ride" increased from \$1.00 to \$1.25. The cost of monthly passes also increased. The cost of a monthly local bus pass rose from \$20 to \$25, the cost of a monthly subway pass rose from \$27 to \$35. In addition, the incremental cost increase for commuter rail passes rose from a range of \$20 to \$33 depending upon the zone. In addition, the Authority implemented a weekly pass program and free bus to bus transfers. The 2000 fare increase was the first one since 1991.

In March, 2003, the Board directed the General Manager to do all things necessary to update the Authority's Fare Policy Statement and to recommend a new fare structure for Board approval that includes a system-wide increase in fares. In addition, the Board adopted the Fiscal Year 2004 operating budget that assumed a 25% increase in systemwide fares effective January, 2004. In August, 2003, the Board approved a preliminary revised Fare Policy Statement, which policy was subject to revision based on input from a series of public hearings. The Authority completed the public hearing process, and, on November 6, 2003, the Board approved the modified final Fare Policy Statement and a revised fare structure. The overall increase in fares of approximately 24.4% was effective January 1, 2004 (February 1, 2004 for monthly passes). In connection with the approval of the new Fare Policy Statement, the Board also voted that it would not consider a future implementation date for the next fare increase before January 1, 2006 and that it would adopt a formal policy to maintain the Authority's bus fleet at an average age of eight years or less.

Under the Enabling Act, the obligation of cities and towns in the Authority's territory to pay Assessments is not contingent upon the Authority's provision of specified transportation services to those cities and towns, though the Massachusetts Supreme Judicial Court has held that the method by which Authority costs are assessed on particular communities must be reasonable and not arbitrary. For more information regarding the obligation of cities and towns to pay Assessments, see "ASSESSMENT BOND TRUST AGREEMENT AND ASSESSMENTS – Legal Obligation of Assessed Cities and Towns." The Authority has developed management plans, including a finance plan and cost containment and revenue enhancement initiatives, that it believes will enable it to provide for the long-term operation and maintenance of its transportation system. However, the Authority's ability to implement those plans could be adversely affected by a wide variety of factors, some of which are beyond the Authority's control, including the system's aging infrastructure and the concomitant need for significant investment in capital maintenance and renewal, relations with the labor unions that represent the Authority's workforce, the risk of unfunded legislative mandates or other legislative restrictions on the Authority, uncertainties as to future federal capital grants and other unexpected increases in operating costs. Furthermore, there can be no assurance that such plans, even if implemented, will provide sufficient financial resources to sustain the operation and maintenance of the Authority's transportation system, particularly in the short-term.

## **Indebtedness**

*Prior Obligations.* Prior to July 1, 2000, the Prior Obligations were payable from Section 28 Assistance and the Authority's reimbursement from the Commonwealth for Net Cost of Service or by a combination of the foregoing. Outstanding Prior Obligations include without limitation the Authority's General Transportation System Bonds, obligations of the Boston Metropolitan District ("BMD") for which the Authority is responsible and certain leases.

As of September 1, 2004, the Authority had outstanding approximately \$2.3 billion aggregate principal amount of General Transportation System Bonds issued under its General Bond Resolution adopted February 15, 1967, as amended. The General Transportation System Bonds include \$240,790,000 principal amount bearing interest at variable rates. Under the supplemental resolutions authorizing such variable-rate General Transportation System Bonds, the interest rate on such bonds may not exceed 9% per annum. As described in the table below, the Authority has hedged \$188 million of the variable rate obligations. Because under the Enabling Act the Authority is no longer authorized to issue bonds supported by the Commonwealth Guaranty or Section 28 Assistance, the Authority does not expect to issue any additional General Transportation System Bonds. A portion of the proceeds of the Bonds are being used to refund certain General Transportation System Bonds. See "PLAN OF REFUNDING" and APPENDIX F – "LIST OF REFUNDED BONDS."

As of September 1, 2004, there were outstanding \$23.3 million of BMD obligations. The BMD will not issue debt other than periodic refunding issues which will be necessary from time to time in order to level out the maturities of its debt and to correlate its debt maturities with the Authority's obligations to the BMD.

Prior to July 1, 2000, the Authority entered into five long-term leases providing for the lease of equipment to the Authority, which leases constitute Prior Obligations. Under the remaining terms of such leases the Authority is required to make annual rental payments of approximately \$12.8 million in the years 2004 to 2012. The Authority also has entered into several fully defeased leases under which there are no regularly scheduled payments by the Authority. In addition to its regularly scheduled lease payments, the Authority, under certain circumstances, may be required to pay additional amounts to the lessor. Furthermore, in the event the Authority draws upon any of its liquidity facilities for its variable rate indebtedness, the Authority would be required to repay the liquidity provider the principal amount of such draw with interest at a variable rate substantially in excess of the rates assumed in the table of Prior Obligation Debt Service Requirements below.

The following table sets forth the total annual regularly scheduled debt service requirements on outstanding Prior Obligations for each Fiscal Year following the issuance of the Bonds and the refunding of the Prior Obligations to be refunded from the proceeds of the Bonds:

**Prior Obligations Debt Service Requirements <sup>(1)</sup>**

<u>Fiscal Year</u>	<u>Principal<sup>(2)</sup></u>	<u>Interest<sup>(3)</sup></u>	<u>Total</u>	<u>Fiscal Year</u>	<u>Principal<sup>(2)</sup></u>	<u>Interest<sup>(3)</sup></u>	<u>Total</u>
2005	\$90,693,812	\$57,810,933	\$148,504,745	2018	\$50,055,000	\$43,877,325	\$93,932,325
2006	74,971,312	112,072,887	187,044,199	2019	53,220,000	41,036,301	94,256,301
2007	121,253,687	110,780,461	232,034,148	2020	64,475,000	38,065,063	102,540,063
2008	136,545,493	104,575,609	241,121,102	2021	68,025,000	34,526,412	102,551,412
2009	131,311,026	97,500,594	228,811,620	2022	60,885,000	30,787,063	91,672,063
2010	133,152,432	90,729,981	223,882,413	2023	89,045,000	27,651,563	116,696,563
2011	127,666,029	83,584,212	211,250,241	2024	92,580,000	23,103,787	115,683,787
2012	103,974,428	76,728,949	180,703,377	2025	83,420,000	18,297,963	101,717,963
2013	135,444,817	71,324,437	206,769,254	2026	73,665,000	13,935,550	87,600,550
2014	118,700,000	63,481,690	182,181,690	2027	63,935,000	9,974,550	73,909,550
2015	93,155,000	56,315,834	149,470,834	2028	41,200,000	6,383,400	47,583,400
2016	70,800,000	50,775,260	121,575,260	2029	28,795,000	3,902,500	32,697,500
2017	52,075,000	46,755,775	98,830,775	2030	30,685,000	2,013,600	32,698,600

Source: The MBTA

(1) Excludes debt service on the portion of the Authority's General Transportation System Bonds to be refunded from the proceeds of the Bonds.

(2) Includes both principal and interest portions of lease payments for leases that constitute Prior Obligations.

(3) Assumes a 7% interest rate per annum for (a) the General Transportation System Bonds, Variable Rate Demand Obligations, 1999 Series, outstanding in the principal amount of approximately \$53 million bearing interest at a rate reset weekly and (b) after expiration on September 1, 2005 of an interest rate swap agreement entered into with Bear Stearns Capital Markets Inc. ("Bear Stearns") with respect to the General Transportation System Bonds, Variable Rate Demand Obligations, 2000 Series (the "2000 Bonds"), outstanding in the principal amount of \$188 million bearing interest at a rate reset weekly. Until the September 1, 2005 expiration of the interest rate swap agreement, the 2000 Bonds are assumed to bear interest at the fixed swap rate, 4.9284%. Under the swap, the Authority receives a variable rate equal to BMA Index. On July 18, 2001, the Authority entered into a swaption with UBS AG to further hedge the 2000 Bonds, which swaption is exercisable upon the expiration of the existing swap. If exercised, the Authority will receive a variable rate equal to 67% of LIBOR and pay a fixed rate of 5%. The Authority's payments to Bear Stearns under the swap agreement in effect until September 1, 2005 are subordinate to the payment of debt service on Sales Tax Bonds.

While the Authority no longer may incur indebtedness supported by the Commonwealth Guaranty, to the extent that the Dedicated Revenues are insufficient in any year to provide for the payment of the Prior Obligations in such year, the Commonwealth shall remain liable to pay such Prior Obligations to the same extent as under the Prior Act. The Enabling Act provides, however, that any such payment by the Commonwealth shall be repayable within five years by the Authority, without interest, from Dedicated Revenues.

The Enabling Act further provides that in order to draw upon Dedicated Revenues credited to the State and Local Contribution Fund, including Dedicated Sales Tax, for any Fiscal Year, the Authority shall have certified that it has provided in its annual budget for each year for the payment of Prior Obligations during such year. In connection with its Fiscal Year 2005 budget, the Authority has certified that it has provided for the payment of Prior Obligations during Fiscal Year 2005 in such annual budget. See “SECURITY FOR THE SALES TAX BONDS – Pledge Under the Sales Tax Bond Trust Agreement” and “ASSESSMENT BOND TRUST AGREEMENT AND ASSESSMENTS.”

The payment of Prior Obligations each year is provided for under the Sales Tax Bond Trust Agreement to be paid from the Dedicated Sales Tax. Under the Enabling Act, the Dedicated Sales Tax may not be less than the base revenue amount (as defined in the Enabling Act), which was \$684.3 million in Fiscal Year 2004 and is \$704.8 million in Fiscal Year 2005 and is subject to upward adjustment in future years in accordance with the Enabling Act. See “DEDICATED SALES TAX.”

*Hedge Agreements.* In December, 2001, the Authority entered into two swaptions with Bear Stearns Financial Products Inc. in initial notional amounts of \$87,805,000 and \$79,645,000, respectively, equal to the approximate amount needed to current refund portions of the Authority’s General Transportation Bonds, 1993 Series A Refunding, maturing March 1, 2022 (the “1993 Bonds”) and General Transportation Bonds, 1999 Series A, maturing March 1, 2026 and March 1, 2030 (the “1999 Bonds”). The first swaption has been exercised, hedging a portion of the Authority’s Senior Sales Tax Bonds, 2003 Series B-1 and 2003 Series B-2 (collectively, the “2003 Series B Bonds”). The Authority received an exercise premium in the amount of \$2,019,519, which was applied, together with a portion of the proceeds of the 2003 Series B Bonds, to refund the 1993 Bonds. Pursuant to the swap agreement, the Authority receives a variable rate equal to the Bond Market Association Municipal Swap Index™ (“BMA Index”) and pays a fixed rate of 5.20%. The swaption for the 1999 Bonds is exercisable beginning in 2009; if exercised, the Authority will receive a variable rate equal to the BMA Index and pay a fixed rate of 5.61%. The swap agreement for the 1993 Bonds constitutes (and if the swaption for the 1999 Bonds is exercised, the swap agreement for the 1999 Bonds will constitute) a Qualified Hedge Agreement under the Sales Tax Bond Trust Agreement. Payments received and paid under Qualified Hedge Agreements, excluding fees and termination payments, are deposited to and paid from the Senior Debt Service Fund. See “SECURITY FOR THE SALES TAX BONDS” and APPENDIX A – “SUMMARY OF CERTAIN PROVISIONS OF THE SALES TAX BOND TRUST AGREEMENT – Hedging Transactions.”

In December, 2000, the Authority entered into a swaption with UBS AG in an initial notional amount of \$49,122,655, an amount equal to the Debt Service Reserve Fund requirements for the Authority’s then outstanding Assessment Bonds and Sales Tax Bonds. If exercised, the Authority will receive a fixed rate of 5.60% and pay a variable rate equal to the BMA Index. The swaption is exercisable commencing July 1, 2010, the date on which the investment contract for such Debt Service Reserve Funds is subject to termination without penalty. If the swaption is exercised, the Authority’s payments to the counterparty under the swap agreement, including fees and termination payments, will be subordinate to the payment of debt service on Sales Tax Bonds.

In February, 2004, the Authority entered into a swap with Morgan Stanley Capital Services, Inc. in the initial notional amount of \$25,005,000, which is equal to the par amount of the portion of the Authority’s Senior Sales Tax Bonds, 2003 Series C, maturing July 1, 2020 (the “CPI Bonds”) and bearing interest at a variable rate based on the Consumer Price Index (“CPI”). This swap provides that the

Authority will pay a fixed rate of 4.13% and receive a floating rate based on the CPI plus 79 basis points. The purpose of this swap transaction is to hedge the Authority's exposure to changes in the CPI, which determines the floating rate at which the CPI Bonds bear interest. The swap agreement for the CPI Bonds is not a Qualified Hedge Agreement under the Sales Tax Bond Trust Agreement, so payments under such swap agreement are made under the Sales Tax Bond Trust Agreement from the General Fund, and payments received by the Authority are deposited in the Pledged Revenue Fund.

In connection with the issuance of the Bonds, two other outstanding swaptions with UBS AG are being terminated. A portion of the proceeds of the Bonds will be applied to the payment of the termination payments required by such swaption agreements. See "PLAN OF REFUNDING."

*Sales Tax Bonds.* The Bonds constitute the ninth series of Sales Tax Bonds issued pursuant to the Sales Tax Bond Trust Agreement. See "DEBT SERVICE REQUIREMENTS ON SENIOR SALES TAX BONDS." The Authority expects to issue additional Sales Tax Bonds for the purposes set forth in the Sales Tax Bond Trust Agreement. Subject to compliance with the conditions to issuing Sales Tax Bonds thereunder, the Sales Tax Bond Trust Agreement does not limit the amount of Sales Tax Bonds to be issued. However, the Enabling Act limits the amount of outstanding bonds of the Authority. See "Limitation on Debt Under the Enabling Act." As of September 1, 2004, \$1,494,530,000 in aggregate principal amount of Sales Tax Bonds was outstanding. The Authority also maintains a commercial paper program under the Sales Tax Bond Trust Agreement in an aggregate principal amount not to exceed \$200 million. As of September 1, 2004, there were no notes outstanding. As described above, the Authority has entered into swaptions, which, if exercised, will result in the Authority entering into Qualified Hedge Agreements under the Sales Tax Bond Trust Agreement. A portion of the proceeds of the Bonds is being used to refund outstanding Sales Tax Bonds listed in APPENDIX F – "LIST OF REFUNDED BONDS." See "PLAN OF REFUNDING."

*Assessment Bonds.* The Authority has issued two series of Assessment Bonds, which, as of September 1, 2004, were outstanding in the aggregate principal amount of \$731,965,000. Under the Assessment Bond Trust Agreement, the Authority pledges to the payment of obligations thereunder pledged revenues, including Assessments. The outstanding Assessment Bonds amortize through July 1, 2034. See "ASSESSMENT BOND TRUST AGREEMENT AND ASSESSMENTS." A portion of the proceeds of the Bonds is being used to refund outstanding Assessment Bonds listed in APPENDIX F – "LIST OF REFUNDED BONDS." See "PLAN OF REFUNDING."

*Federal Grant Anticipation Notes.* In July, 2004, the Authority issued Federal Grant Anticipation Notes in the aggregate principal amount of \$81,665,000 under a new trust agreement between the Authority and U. S. Bank National Association, as trustee. Such notes, which amortize through September 1, 2011, were issued to finance the costs of certain projects that qualify for federal grants from the Federal Transit Administration, and the notes are payable from such grants. Such notes are not payable from Dedicated Sales Tax revenues or Assessments. The trust agreement securing such notes permits the issuance of additional Federal Grant Anticipation Notes if certain debt service coverage requirements are met, but the Authority has no current plans to issue additional notes.

*Equipment Leases.* Since July 1, 2000, the Authority has entered into several equipment financing leases with terms not greater than five years. Annual payments under such leases are payable as operating expenses.

*Limitation on Debt Under the Enabling Act.* Under the Enabling Act, the Authority is authorized to issue bonds for capital purposes, other than refunding bonds, and for certain specified purposes to an outstanding amount, which, when added to outstanding General Transportation System Bonds (other than refunding bonds), does not exceed the aggregate principal amount of \$3,556,300,000. For the purposes of such limit, Federal Grant Anticipation Notes are considered bonds. In addition, pursuant to certain of the



Commonwealth's transportation bond bills, the Authority is authorized to issue bonds for particular capital projects in the aggregate principal amount of approximately \$1.7 billion. As of September 1, 2004, approximately \$2.8 billion was outstanding for the purposes of the debt limits. The Authority also is authorized to issue bonds for the purpose of refunding bonds. Such bonds and refunding bonds may be general obligations of the Authority or may be secured by a pledge or conveyance of any revenue, receipts or other assets or funds of the Authority, or any combination of the foregoing. The Authority is further authorized to issue temporary notes for operating purposes, which notes shall be a general obligation of the Authority or for capital purposes, as bond anticipation notes. There were no bond anticipation notes outstanding as of September 1, 2004.

Pursuant to special legislation the Authority may issue bonds in accordance with the Enabling Act secured by appropriations from the Commonwealth, the proceeds of such bonds to be used solely to finance or refinance the extension of commuter rail service to Fall River and New Bedford.

### **Capital Investment Program**

Since 1964, when the Authority assumed control of the properties of its predecessor, the Metropolitan Transit Authority, the Authority has engaged in a major program of capital improvements to modernize its equipment, improve its physical plant, and relocate and extend its rapid transit and commuter rail lines. The program has been financed primarily through the proceeds of Prior Obligations and federal aid. Since the implementation of Forward Funding, the capital program has been funded primarily through a combination of bonds issued under the Assessment Bond Trust Agreement and the Sales Tax Bond Trust Agreement as well as federal aid.

Total anticipated expenditures under the Authority's current five year Capital Investment Program (CIP) (FY2005-2009) equal approximately \$2.5 billion. Of such amount, approximately \$1.1 billion is expected to be funded from federal aid (including reimbursed debt service on Federal Grant Anticipation Notes), with the remainder funded from (i) Authority bonds or revenues, (ii) pay-as-you-go capital funds, including amounts on deposit in the Capital Maintenance Fund, (iii) state reimbursements and (iv) other financings. The current capital program funds a variety of programs, including those necessary to comply with legal commitments. Federal aid for transit programs has historically been provided pursuant to multi-year authorizations. The most recent multi-year authorization, the Transportation Equity Act for the 21<sup>st</sup> Century ("TEA-21"), provided funding through the 2003 federal fiscal year, which ended September 30, 2003. The U. S. House of Representatives and the U. S. Senate have each passed different reauthorization bills, and those bills are pending before a conference committee which has been appointed to reconcile the differences. In the meantime, Congress has passed several continuing resolutions to continue the federal aid programs for transportation, including transit aid, on an interim basis. The most recent extension expires May 31, 2005. The Authority's capital program assumes a level of federal funding for federal fiscal years 2005-2009 which is equal to the level of funding authorized under TEA-21 for federal fiscal year 2003. The Authority cannot predict when federal reauthorization legislation may be enacted or what funding levels or substantive provisions may be included in such legislation.

Under the Enabling Act, the Authority is required to develop a comprehensive, long-term (not greater than 20 years) Program for Mass Transit (the "Program") which must be approved by the Advisory Board. In addition, the Authority is required to implement the Program through rolling five-year capital investment programs adopted each year (each, a "CIP"). Each year, following public hearings with respect thereto, the Authority shall file the CIP with the Advisory Board and the Legislature for their review not later than January 15 and May 1, respectively, prior to the commencement of the Fiscal Year. The Program and each CIP shall be based on the impact of projects on the effectiveness of the Commonwealth's transportation system, service quality standards, environment, health and safety,

operating costs, prevention or avoidance of deferred maintenance (State of Good Repair or SGR), and debt service costs.

In addition, the Enabling Act requires that each CIP shall identify for each project therein, the purpose and intended benefits, the total budget and timeline, the budget impact for the next Fiscal Year, the impact on operating expenses and revenues, and the cost of scheduled maintenance and useful life and shall prioritize the projects based upon the factors set forth above, with the highest priority to scheduled maintenance to prevent the deferral of routine and scheduled maintenance, projects with greatest benefits with least cost, Central Artery/Tunnel Project (CA/T) transit commitments, and compliance with the Americans with Disabilities Act. Furthermore, scheduled maintenance shall be undertaken prior to system expansion, unless expansion is required by law or is cost-effective, environmentally beneficial or produces quantifiable savings.

On September 2, 2004, the Executive Office of Transportation (“EOT”) filed with the Massachusetts Department of Environmental Protection (“DEP”) its 2004 Project Update and Project Schedule (the “Update”) regarding the ongoing implementation of the Central Artery/Tunnel Project transit commitments noted above. These commitments are set forth in an Administrative Consent Order (the "ACO") entered into by DEP and the Executive Office of Transportation and Construction, the predecessor to EOT, in September, 2000, which ACO refers to such commitments as having been a condition of acceptance in 1991 by the Massachusetts Department of Environmental Protection of certain filings for the CA/T project in order to mitigate potential adverse air quality impacts of such project. The Authority is not a signatory to the ACO. On October 25, 2004, the Conservation Law Foundation (the “CLF”) submitted comments to the DEP regarding the Update and stated, among other matters, that various deadlines had not been met for a number of projects. The CLF noted that it is considering its own legal action to enforce these commitments. The Authority cannot predict whether it will become involved in any such legal action regarding these commitments, the outcome of any such legal action, or whether such litigation would adversely affect the Authority’s CIP or operations generally.

The amount of debt service the Authority must pay will directly affect the amount of the Dedicated Revenues, after the payment of debt service, which is available to the Authority to support its operations, maintenance and capital reinvestment needs. The level or cost of the Authority’s transportation services will not affect the availability of the Dedicated Sales Tax, Assessments or other Pledged Revenues to meet debt service requirements on Sales Tax Bonds.

#### **APPLICATION OF PROCEEDS AND OTHER AVAILABLE FUNDS**

The proceeds from the sale of the 2004 Series C Bonds, together with amounts available from the Authority and under the trust agreements securing certain of the Refunded Bonds, are expected to be applied as follows:

To finance capital projects	\$ 31,000,000
To refund the Refunded Bonds, including the payment of termination payments under swaption agreements related to certain Refunded Bonds	324,749,638
To fund the Senior Debt Service Reserve Fund	17,489,133
To pay the costs of issuance of the Bonds, including underwriters’ discount	<u>2,504,511</u>
Total Application of Funds	<u>\$ 375,743,282</u>

## **PLAN OF REFUNDING**

A portion of the proceeds of the Bonds will be used to refund the Refunded Bonds listed in Appendix F. Such proceeds will be deposited in accounts of the refunding trust fund held by U.S. Bank National Association, Boston, Massachusetts, as refunding trustee, in amounts which will be invested in obligations of the United States of America or one or more of its agencies or instrumentalities. According to the report described in "VERIFICATION OF MATHEMATICAL COMPUTATIONS," such investments will mature at such times and earn interest in such amounts that, together with any initial cash deposits, will produce sufficient moneys to provide for the payment of principal of and redemption premium, if any, and interest on the Refunded Bonds as set forth in Appendix F. The Refunded Bonds identified as Sales Tax Bonds and as Assessment Bonds in Appendix F will be legally defeased and considered no longer outstanding under their respective trust agreements. See APPENDIX A – "SUMMARY OF CERTAIN PROVISIONS OF THE SALES TAX BOND TRUST AGREEMENT – Defeasance" and APPENDIX B – "SUMMARY OF CERTAIN PROVISIONS OF THE ASSESSMENT BOND TRUST AGREEMENT – Defeasance." The refunding is contingent upon delivery of the Bonds.

As a part of the plan of refunding, the Authority is terminating two swaptions that it had entered into in January, 2003 with UBS AG in the initial aggregate notional amount of \$219,255,000, pursuant to which UBS AG had acquired options to require the Authority to refund a portion of its outstanding General Transportation System Bonds, 1995 Series B and 1996 Series A, which are being refunded by the Bonds. A portion of the proceeds of the Bonds are being applied to the payment of termination payments required by such swaption agreements.

## **THE BONDS**

### **General**

The Bonds will be issued in the aggregate principal amount of \$323,275,000. The Bonds will be dated the date of delivery, will mature on July 1 of each of the years and bear interest from their date at the per annum rate, all as set forth on the inside cover hereof. Interest on the Bonds will be payable on July 1 and January 1 of each year, commencing July 1, 2005.

The Bonds are being issued only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in Bonds purchased. So long as DTC or its nominee, Cede & Co., is Bondowner, payments of the principal of and interest on the Bonds will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants (hereinafter defined) is the responsibility of DTC and disbursement of such payments to Beneficial Owners (hereinafter defined) is the responsibility of the DTC Participants and the Indirect Participants (hereinafter defined). See "Book-Entry Only System."

### **Redemption Provisions**

The Bonds are not subject to redemption prior to maturity.

### **Book-Entry Only System**

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for

each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over two million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants includes both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of

*Direct and Indirect Participants acting on behalf of Beneficial Owners.* Beneficial Owners will not receive certificates representing their ownership interest in the Bonds except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detailed information from the Authority or Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption proceeds, distributions, and dividend payments to Cede & Co., (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

**The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the Authority believes to be reliable, but neither the Authority nor the Underwriters takes responsibility for the accuracy thereof.**

**No Responsibility of Authority and Trustee. Neither of the Authority nor the Trustee will have any responsibility or obligations to direct participants or the persons for whom they act as nominees with respect to the payments to or the providing of notice for direct participants, indirect participants, or beneficial owners.**

**So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondowners or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.**

Certificated Bonds. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. In addition, the Authority may determine that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners of the Bonds. If for either reason the Book-Entry Only System is discontinued, Bond certificates will be delivered as described in the Sales Tax Bond Trust Agreement and the Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the Bondowner. Thereafter, the Bonds may be exchanged for an equal aggregate principal amount of the Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the principal corporate trust office of the Trustee. The transfer of any Bond may be registered on the books maintained by the Trustee for such purpose only upon assignment in form satisfactory to the Trustee. For every exchange or registration of transfer of the Bonds, the Authority and the Trustee may make a charge sufficient to reimburse them for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge may be made to the Bondowner for any exchange or registration of transfer of the Bonds. The Trustee will not be required to transfer or exchange any Bond during the notice period preceding any redemption if such Bond (or any part thereof) is eligible to be selected or has been selected for redemption.

## **Transfer and Exchange**

In the event that the Book-Entry Only System is discontinued, the following provisions would apply: Bonds of a series may be exchanged for an equal aggregate principal amount of Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the principal corporate trust office of the Trustee. The transfer of any Bond may be registered on the books maintained by the Trustee for such purpose only upon the surrender thereof by the registered owner or by such owner's attorney duly authorized in writing to the Trustee with a duly executed assignment in form satisfactory to the Trustee. For every exchange or registration of transfer of Bonds the Authority and the Trustee may make a charge to the owner an amount sufficient to reimburse them for any tax, fee or other governmental charge required to be paid with respect to such exchange or registration of transfer, and, except for (i) with respect to the delivery of definitive Bonds in exchange for temporary bonds, (ii) in the case of a bond issued upon the first exchange or transfer of a Bond surrendered for such purpose within 60 days after the first authentication and delivery of the Bonds, or (iii) as otherwise provided in the Sales Tax Bond Trust Agreement, the Trustee may charge a sum sufficient to pay the cost of preparing each new Bond issued upon such exchange or transfer, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer.

Neither the Authority nor the Trustee shall be required (a) to register, transfer or exchange Bonds for a period of 15 days next preceding an interest payment on the Bonds or next preceding any selection of Bonds to be redeemed or thereafter until the mailing of any notice of redemption or (b) to register, transfer or exchange any Bonds called for redemption.

## DEBT SERVICE REQUIREMENTS ON SENIOR SALES TAX BONDS

The following table sets forth Debt Service on all of the outstanding Senior Sales Tax Bonds to be paid to Bondowners in each Fiscal Year in which the Senior Sales Tax Bonds will be outstanding.

### SENIOR SALES TAX BONDS

<u>Fiscal Year</u>	<u>Debt Service on Outstanding Senior Sales Tax Bonds<sup>(1)</sup></u>	<u>2004 Series C</u>		<u>Total Debt Service</u>	<u>Total Debt Service on Outstanding Senior Sales Tax Bonds</u>
		<u>Principal</u>	<u>Interest</u>		
2005	\$91,889,165	-	-	-	\$91,889,165
2006	95,694,125	-	\$17,976,629	\$17,976,629	113,670,755
2007	111,983,600	-	17,538,175	17,538,175	129,521,775
2008	81,221,444	-	17,538,175	17,538,175	98,759,619
2009	97,696,129	-	17,538,175	17,538,175	115,234,304
2010	108,894,953	-	17,538,175	17,538,175	126,433,128
2011	110,814,730	-	17,538,175	17,538,175	128,352,905
2012	131,664,460	-	17,538,175	17,538,175	149,202,635
2013	127,486,100	-	17,538,175	17,538,175	145,024,275
2014	104,786,150	\$24,205,000	16,915,525	41,120,525	145,906,675
2015	118,609,482	25,335,000	15,651,944	40,986,944	159,596,425
2016	110,635,753	49,425,000	13,662,631	63,087,631	173,723,385
2017	129,781,682	60,355,000	10,654,488	71,009,488	200,791,169
2018	129,104,863	49,520,000	7,632,925	57,152,925	186,257,788
2019	117,434,513	33,800,000	5,353,025	39,153,025	156,587,538
2020	124,397,419	21,380,000	3,846,975	25,226,975	149,624,394
2021	134,510,897	12,480,000	2,915,825	15,395,825	149,906,722
2022	150,589,275	10,840,000	2,274,525	13,114,525	163,703,800
2023	59,511,031	9,360,000	1,719,025	11,079,025	70,590,056
2024	53,635,000	8,685,000	1,222,788	9,907,788	63,542,788
2025	31,410,019	17,890,000	491,975	18,381,975	49,791,994
2026	31,624,759	-	-	-	31,624,759
2027	31,605,750	-	-	-	31,605,750
2028	31,367,544	-	-	-	31,367,544
2029	31,344,944	-	-	-	31,344,944
2030	31,323,275	-	-	-	31,323,275
2031	31,294,381	-	-	-	31,294,381
2032	25,310,500	-	-	-	25,310,500
2033	25,281,625	-	-	-	25,281,625

(1) Assumes that the \$87,805,000 principal amount of the 2003 Series B Bonds bears interest at the fixed rate under the swap agreement associated with those bonds, that the remaining 2003 Series B Bonds bear interest at the rate of 7% per annum and that the \$25,005,000 principal amount of the CPI Bonds of the 2003 Series C Bonds bears interest at the fixed rate of 4.13% per annum under the interest rate swap associated with those bonds. For a description of such swap agreements, see "THE AUTHORITY – Indebtedness – Hedge Agreements." Excludes debt service on the Refunded Bonds that are Senior Sales Tax Bonds.

## **SECURITY FOR THE SALES TAX BONDS**

The principal and premium, if any, and interest on the Sales Tax Bonds are payable from and secured by the pledge of the Authority, all as more fully described below and in APPENDIX – “SUMMARY OF CERTAIN PROVISIONS OF THE SALES TAX BOND TRUST AGREEMENT – The Pledge Effected by the Sales Tax Bond Trust Agreement.” All of the Sales Tax Bonds are also secured by a lien and charge on all funds and accounts created under the Sales Tax Bond Trust Agreement (other than the Bond Proceeds Funds while it is held by the Authority and the Rebate Fund), provided that only Senior Sales Tax Bonds are secured by the Senior Debt Service Fund and the Senior Debt Service Reserve Fund and only Subordinated Sales Tax Bonds are secured by the Subordinated Debt Service Fund and the Subordinated Debt Service Reserve Fund.

The Bonds will be the ninth series of Sales Tax Bonds to be issued under the Sales Tax Bond Trust Agreement. The Sales Tax Bond Trust Agreement provides that the Authority may incur particular obligations, including without limitation Senior Sales Tax Bonds, Subordinated Sales Tax Bonds and notes, and provides for the payment of Prior Obligations, funding the Senior Debt Service Reserve Fund and Subordinated Debt Service Reserve Fund and payment of debt service on Assessment Bonds to the extent there are insufficient funds available therefor under the Assessment Bond Trust Agreement.

The Sales Tax Bonds are not subject to acceleration in the event of any default under the Sales Tax Bond Trust Agreement.

The Authority intends to provide for the payment of the Prior Obligations under the Sales Tax Bond Trust Agreement. See “THE AUTHORITY – Indebtedness.” In addition, the Authority maintains a commercial paper program under the Sales Tax Bond Trust Agreement in the aggregate principal amount not to exceed \$200 million. Such commercial paper notes are secured by the Sales Tax Bond Trust Agreement and repaid by the proceeds of other notes, Senior Sales Tax Bonds or the Dedicated Sales Tax. As of September 1, 2004, no such notes were outstanding.

### **Pledge Under the Sales Tax Bond Trust Agreement**

Obligations under the Sales Tax Bond Trust Agreement are special obligations of the Authority payable solely from the items pledged therefor pursuant to the terms of the Sales Tax Bond Trust Agreement. Such pledge includes the following:

- all Sales Tax Pledged Revenues;
- Dedicated Payments allocated to Senior Sales Tax Bonds and interest earnings thereon, if any;
- amounts received from the Trustee under the Assessment Bond Trust Agreement in accordance with the Sales Tax Bond Trust Agreement;
- the Deficiency Fund and the Capital Maintenance Fund including the investments, if any, thereof; and
- all Funds and Accounts established under the Sales Tax Bond Trust Agreement (other than the Bond Proceeds Fund, while it is held and administered by the Authority, and the Rebate Fund, provided that only Senior Sales Tax Bonds are secured by the Senior Debt Service Fund and the Senior Debt Service Reserve Fund and only Subordinated Sales Tax Bonds are secured by the Subordinated Debt Service Fund and the Subordinated Debt Service Reserve Fund), including the investment income thereon, if any.



Subject to the foregoing, the above are pledged for the payment, first, of the Senior Sales Tax Bonds, second, of the Subordinated Sales Tax Bonds, third, of the Assessment Bonds, and, fourth, of the Prior Obligations, as the respective interests of the holders thereof may appear, in accordance with the respective terms of such Bonds and the Sales Tax Bond Trust Agreement; provided, however, that in the event the Authority is unable to make the below-described certification, payment of the Prior Obligations shall be made prior to the deposit to the Senior Debt Service Fund established under the Sales Tax Bond Trust Agreement. See “Provision for Payment of Prior Obligations.”

In accordance with the Sales Tax Bond Trust Agreement, the Dedicated Sales Tax credited to the State and Local Contribution Fund shall be deposited as soon as practicable to the Pledged Revenue Fund, provided, however, that the Authority has certified to the Commonwealth that it has provided for the payment of its Prior Obligations in its annual budget. In connection with its Fiscal Year 2004 budget, the Authority has certified that it has provided for the payment of Prior Obligations during Fiscal Year 2004 in such annual budget.

Under the Sales Tax Bond Trust Agreement, “Pledged Revenues” (referred to herein as the “Sales Tax Pledged Revenues”) means the Dedicated Sales Tax, payments received by the Authority from a Provider of a Hedge Agreement that is not a Qualified Hedge and Sales Tax Alternate Revenues, if any. Notwithstanding the preceding sentence, however, Sales Tax Pledged Revenues shall not include (i) Sales Tax Dedicated Payments or (ii) amounts received under a Qualified Hedge Agreement which are deposited in the Senior Debt Service Fund and Subordinated Debt Service Fund and have been relied upon in calculating Net Debt Service in accordance with the Sales Tax Bond Trust Agreement. “Dedicated Sales Tax” means the base revenue amount or the dedicated sales tax revenue amount, both as defined in the Enabling Act. See “DEDICATED SALES TAX.”

Under the Sales Tax Bond Trust Agreement, “Dedicated Payments” (referred to herein as the “Sales Tax Dedicated Payments”) means any revenues of the Authority which are not Pledged Revenues as defined in the Sales Tax Bond Trust Agreement as initially entered into, which the Authority subsequently pledges as additional security for its payment obligations on Sales Tax Bonds pursuant to a resolution of the Authority and which are specifically designated as Sales Tax Dedicated Payments by the Authority in accordance with the limitations of the Sales Tax Bond Trust Agreement and, accordingly, are to be deposited in the Senior Debt Service Fund and the Subordinated Debt Service Fund upon receipt. See APPENDIX A – “SUMMARY OF CERTAIN PROVISIONS OF THE SALES TAX BOND TRUST AGREEMENT.”

**The Sales Tax Bonds are not a debt of the Commonwealth or any political subdivision thereof, and neither the Commonwealth nor any political subdivision thereof (other than the Authority) shall be liable thereon, except as described herein. The Authority has no taxing power.**

#### **Flow of Funds**

The Sales Tax Bond Trust Agreement establishes the following Funds and Accounts, to be held and administered by the Trustee:

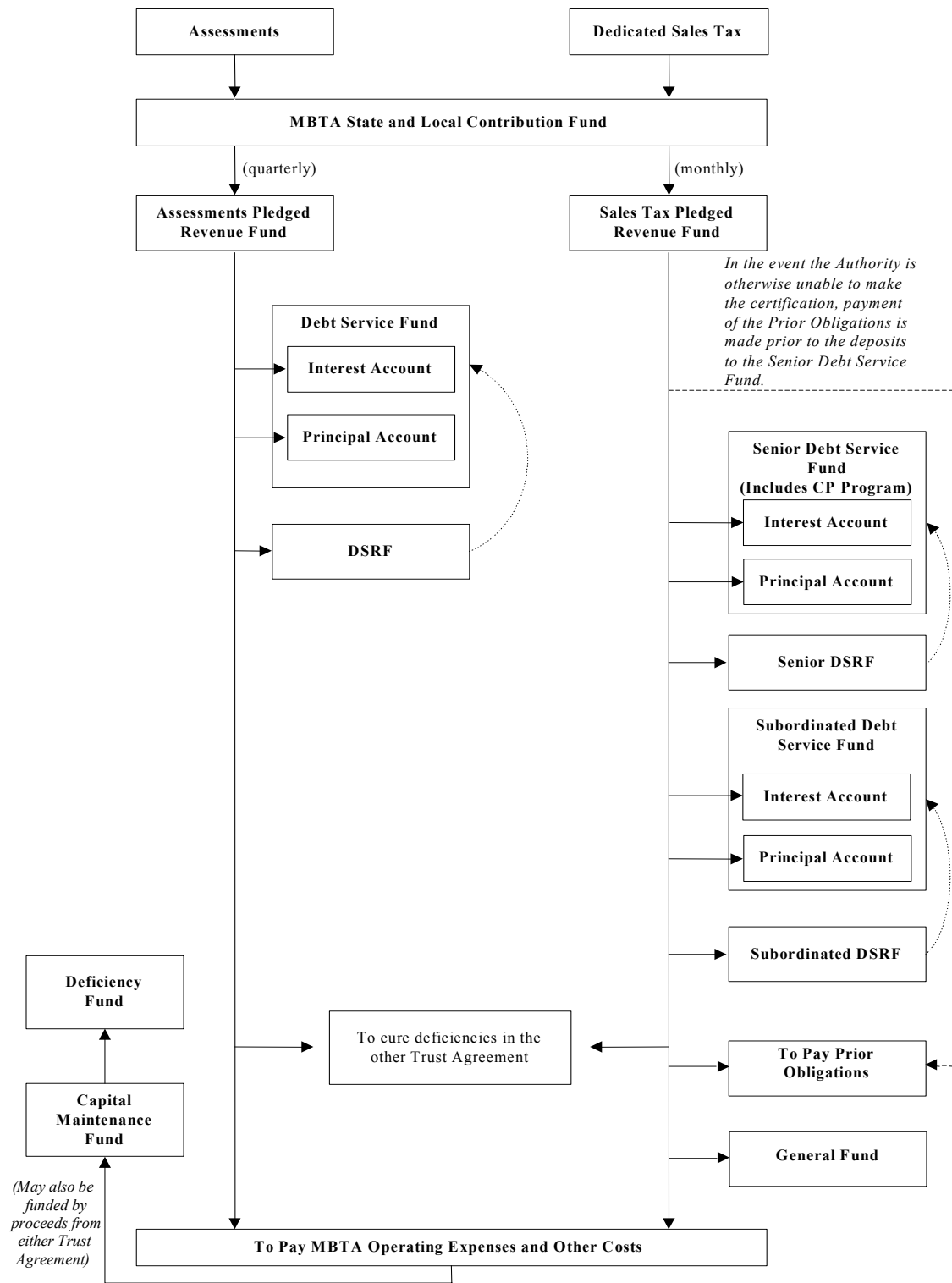
- (1) the Pledged Revenue Fund;
- (2) the Senior Debt Service Fund;
- (3) the Senior Debt Service Reserve Fund;
- (4) the Subordinated Debt Service Fund;
- (5) the Subordinated Debt Service Reserve Fund; and
- (6) the General Fund.

The Sales Tax Bond Trust Agreement establishes the following Funds and Accounts, to be held and administered by the Authority:

- (1) the Sales Tax Bond Proceeds Fund, which shall include a Capital Account and such other Accounts as the Authority may create by Supplemental Trust Agreement; and
- (2) the Rebate Fund.

The Authority by Supplemental Trust Agreement authorizing a series of Sales Tax Bonds may designate that one or more Accounts in the Sales Tax Bond Proceeds Fund created by such Supplemental Trust Agreement be held and administered by the Trustee and pledged to the Owners of the Sales Tax Bonds.

Set forth below is an illustration of the flow of funds under the Assessment Bond Trust Agreement and under the Sales Tax Bond Trust Agreement which are more fully described in APPENDIX A – “SUMMARY OF CERTAIN PROVISIONS OF THE SALES TAX BOND TRUST AGREEMENT – Establishment of Funds and Accounts” through “Subordinated Debt Service Reserve Fund” and in APPENDIX B – “SUMMARY OF CERTAIN PROVISIONS OF THE ASSESSMENT BOND TRUST AGREEMENT – Establishment of Funds and Accounts” through “Debt Service Reserve Funds,” respectively.



## **Provision for the Payment of Prior Obligations**

In the event that in any given Fiscal Year, the Authority is otherwise unable to certify that it has provided for payment of the Prior Obligations during the next Fiscal Year without changing the priority of payment of the Prior Obligations coming due during such Fiscal Year, as set forth above, the Authority shall deposit sufficient amounts of Dedicated Sales Tax to pay the Prior Obligations coming due during such Fiscal Year prior to making the required deposit to the Senior Debt Service Fund during the following Fiscal Year, provided, however, that if during such Fiscal Year the Authority shall adopt a supplemental budget which would permit the Authority to be able to make such certification without changing the original priority, the required deposit for the Prior Obligations shall not be required to be paid prior to the deposit required to the Senior Debt Service Fund for the remainder of such Fiscal Year.

## **Pledge of Amounts Payable Under the Assessment Bond Trust Agreement**

Under the Assessment Bond Trust Agreement, the Authority pledges to the payment of Assessment Bonds pledged revenues, including the Assessments. There are two series of Assessment Bonds outstanding, in the aggregate principal amount of \$731,965,000 as of September 1, 2004. Certain Assessment Bonds are being refunded by the issuance of the Bonds, as described in APPENDIX F – “LIST OF REFUNDED BONDS.”

For Fiscal Year 2001, Assessments equaled \$144,578,734. Beginning in Fiscal Year 2002 and each Fiscal Year thereafter through Fiscal Year 2006, Assessments are reduced in five equal installments until the Assessments in Fiscal Year 2006 total \$136,026,868. Each year thereafter, Assessments will be adjusted for inflation, provided that such amount shall not increase by more than 2.5% annually. Under the Sales Tax Bond Trust Agreement, to the extent the amounts in the Senior Debt Service Fund or the Subordinated Debt Service Fund are insufficient to pay Net Debt Service on Sales Tax Bonds, including the Bonds, the Trustee shall deliver a certificate to the Authority and the trustee under the Assessment Bond Trust Agreement setting forth the amount of the shortfall and shall receive such amount from the Pledged Revenue Fund under the Assessment Bond Trust Agreement, to the extent available after deposits are made to pay debt service on, to fund the debt service reserve fund for and to pay rebate with respect to any Assessment Bonds issued under the Assessment Bond Trust Agreement. For further information relating to the Assessment Bond Trust Agreement and Assessments, see “ASSESSMENT TRUST AGREEMENT AND ASSESSMENTS” and APPENDIX B – “SUMMARY OF CERTAIN PROVISIONS OF THE ASSESSMENT TRUST AGREEMENT.”

## **Pledge Under Sales Tax Bond Trust Agreement to Assessment Bonds**

As described under “Flow of Funds,” in the event the Trustee shall have received a certificate of the trustee under the Assessment Bond Trust Agreement that amounts on deposit in any debt service fund thereunder are insufficient to pay debt service on any Assessment Bonds issued thereunder, the Trustee shall transfer to such trustee from the Pledged Revenue Fund the amount of the shortfall, to the extent available after making the required deposits to the Senior Debt Service Fund, the Senior Debt Service Reserve Fund, the Subordinated Debt Service Fund, the Subordinated Debt Service Reserve Fund and the Rebate Fund.

## **Senior Debt Service Reserve Fund**

To the extent that amounts in the Senior Debt Service Fund, together with amounts transferred from the Assessment Bond Trust Agreement as described under “Pledge of Amounts Payable Under the Assessment Bond Trust Agreement,” are insufficient to pay Net Debt Service, when due, on Senior Sales Tax Bonds, deficiencies shall be made up from amounts in the Senior Debt Service Reserve Fund. The Sales Tax Bond Trust Agreement requires the Authority to maintain cash and investment obligations or surety bonds, insurance policies, letters of credit or similar instruments in the Senior Debt Service Reserve Fund equal to the amount set forth in a certificate of an Authorized Officer of the Authority filed with the Trustee

by July 1 of each year, which certificate may be modified from time to time by such Authorized Officer (the “Senior Debt Service Reserve Fund Requirement”); provided that such amount shall not be less than the Minimum Senior Debt Service Reserve Requirement. The Minimum Senior Debt Service Reserve Requirement shall equal the least of the sum of the following amounts for the Bonds and any series of Senior Sales Tax Bonds: one-half of the least of (i) 10% of the original net proceeds from the sale of such series, (ii) 125% of average annual Debt Service for such series, and (iii) the maximum amount of Debt Service due on such series in any future Fiscal Year, or, in any event, such lesser amount as may be required to comply with the Code. See APPENDIX A – “SUMMARY OF CERTAIN PROVISIONS OF THE SALES TAX BOND TRUST AGREEMENT – Definitions” and “Senior Debt Service Reserve Fund.” To the extent that the amount on deposit in the Senior Debt Service Reserve Fund is less than the Senior Debt Service Reserve Fund Requirement, the Authority is required to restore the amount on deposit in such Senior Debt Service Reserve Fund. Upon issuance of the Bonds, the Senior Debt Service Reserve Fund will be fully funded.

### **Deficiency Fund and Capital Maintenance Fund**

Under a separate resolution, the Authority has created a Deficiency Fund and a Capital Maintenance Fund, each of which are pledged to the holders of Sales Tax Bonds under the Sales Tax Bond Trust Agreement and to the holders of Assessment Bonds under the Assessment Bond Trust Agreement. The resolution requires that the Authority shall hold on deposit in such funds the amounts determined from time to time by the Chief Financial Officer of the Authority in his sole discretion. As of October 27, 2004, the Deficiency Fund Requirement and the Capital Maintenance Fund Requirement equaled \$20,059,451 and \$56,617,906, respectively. The Deficiency Fund is held by the Authority and may be used to pay debt service on Authority bonds, notes and other obligations and other expenses of the Authority. The Capital Maintenance Fund is held by the Authority and may be used to pay a portion of the ongoing schedule of maintaining the equipment and mass transportation facilities of the Authority.

### **Additional Indebtedness**

One or more additional series of Sales Tax Bonds may be authenticated and delivered upon original issue for any of the following purposes or any combination thereof: (i) to pay or provide for the payment of other Authority bonds, notes or other obligations; (ii) to refund Outstanding Sales Tax Bonds, (iii) to pay costs of the Authority in accordance with the Enabling Act; (iv) to make a deposit to the Bond Proceeds Fund, the Deficiency Fund or the Capital Maintenance Fund, including any Accounts therein; (v) in the case of Senior Sales Tax Bonds, to make a deposit to the Senior Debt Service Fund or the Senior Debt Service Reserve Fund, including any Accounts therein; (vi) in the case of Subordinated Sales Tax Bonds, to make a deposit to the Subordinated Debt Service Fund or the Subordinated Debt Service Reserve Fund, including any Accounts therein; and (vii) to pay or provide for the payment of the costs incurred in connection with the issuance of Sales Tax Bonds.

The Sales Tax Bonds of such series shall be authenticated only upon receipt of the Trustee (in addition to the other documents required under the Sales Tax Bond Trust Agreement for the issuance of Sales Tax Bonds) of a certificate of an Authorized Officer (i) setting forth (a) the Senior Net Debt Service for all series of Sales Tax Bonds Outstanding immediately after such authentication and delivery for the then current and each future Fiscal Year during which such series of Sales Tax Bonds will be Outstanding, (b) the Combined Net Debt Service for all series of Sales Tax Bonds Outstanding immediately after such authentication and delivery for the then current and each future Fiscal Year during which such series of Sales Tax Bonds will be Outstanding, and (c) the aggregate estimated payments due and payable on Prior Obligations for the then current and each such future Fiscal Year; (ii) stating that the amount on deposit in the Senior Debt Service Reserve Fund and the Subordinated Debt Service Reserve Fund (after taking into account any surety bond, insurance policy, letter of credit or other similar obligation on deposit therein) immediately after the authentication and delivery of the Sales Tax Bonds of such series (and in the event that any Outstanding Sales Tax Bonds are then being redeemed, after such

redemption) will be at least equal to the Senior Debt Service Reserve Requirement and the Subordinated Debt Service Reserve Fund Requirement, respectively; (iii) demonstrating, for the then current and each future Fiscal Year, that the sum of the Assessment Floor Amount plus the Residual Sales Tax divided by Net Debt Service (as defined in the Assessment Bond Trust Agreement) on outstanding Assessment Bonds is equal to or greater than 1.50; and (iv) demonstrating that: (a) the Base Revenue Floor Amount for each Fiscal Year during which such series of Sales Tax Bonds will be Outstanding is equal to or greater than, the sum of (i) the amount set forth in clause (i)(b) and (ii) the amount set forth in clause (i)(c) for each such Fiscal Year; or (b) the Historic Dedicated Sales Tax Revenue Amount less, for the then current and each future Fiscal Year during which such series of Sales Tax Bonds will be Outstanding, the amount set forth in clause (i)(c), divided by, for each such Fiscal Year, the amount set forth in clause (i)(a) and clause (i)(b), respectively, is equal to or greater than 2.00 and 1.50. See APPENDIX A – “SUMMARY OF CERTAIN PROVISIONS OF THE SALES TAX BOND TRUST AGREEMENT – Provisions for Issuance of Sales Tax Bonds.”

Under the Sales Tax Bond Trust Agreement, “Base Revenue Floor Amount” means (as of the date of computation) the base revenue amount (as defined in Section 35T), as most recently certified by the Comptroller of the Commonwealth in accordance with Section 35T. Under the Sales Tax Bond Trust Agreement, “Historic Dedicated Sales Tax Revenue Amount” means (as of any date of computation) the dedicated sales tax revenue amount, as defined in Section 35T, for any consecutive 12 of the last 24 months, as determined by the Authority. “Assessment Floor Amount” means the amount below which the amount assessed on cities and towns pursuant to the Enabling Act shall not be reduced in accordance with Section 35T, and “Residual Sales Tax” means for any year the greater of the Base Revenue Floor Amount and the Historic Dedicated Sales Tax Revenue Amount less the sum of (i) the estimated debt service on Prior Obligations, (ii) Senior Net Debt Service, (iii) Subordinated Net Debt Service, and (iv) debt service on indebtedness (other than Indebtedness) issued under the Sales Tax Bond Trust Agreement and secured by a pledge of or security interest in and payable from the Dedicated Sales Tax.

The Authority reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness or to enter into a hedge agreement pursuant to other and separate resolutions or agreements of the Authority, so long as such bonds, notes or other obligations are not, or such other indebtedness or provider of the hedge agreement is not, except as provided in the Sales Tax Bond Trust Agreement, entitled to a charge or a lien or right with respect to the Pledged Revenues or the Funds and Accounts created by or pursuant to the Sales Tax Bond Trust Agreement.

The Sales Tax Bond Trust Agreement also provides for the issuance by the Authority of General Fund Indebtedness, which means any debt issued by the Authority which is secured or payable from the Pledged Revenues and other amounts on deposit from time to time in the General Fund, provided that the priority of such pledge shall not be prior to or equal to the pledge made by the Sales Tax Bond Trust Agreement for the benefit of Sales Tax Bonds.

### **Statutory Covenant**

The Enabling Act contains a statutory covenant that provides, in pertinent part, as follows:

In order to increase the marketability of any bonds or notes of the Authority which may be secured by or payable from amounts held in the Commonwealth’s MBTA State and Local Contribution Fund, the sums to be credited to the Fund ... are hereby impressed with a trust for the benefit of the Authority and the holders from time to time of any such bonds or notes, and, in consideration of the acceptance of payment for any such bonds or notes, the Commonwealth covenants with the purchasers and all subsequent holders and transferees of any such bonds or notes that while any such bond or note shall remain outstanding, and so long as the principal of or interest on

any such bond or note shall remain unpaid, the sums to be credited to the Fund ... shall not be diverted from the purposes identified [in the Enabling Act] and, so long as such sums are necessary, as determined by the Authority in accordance with any applicable trust agreement, bond resolution, or credit enhancement agreement, for the purposes for which they have been pledged, the rates of the excises imposed by said chapters 64H and 64I shall not be reduced below the dedicated sales tax revenue amount or the base revenue amount and the amount to be assessed on cities and towns pursuant to [the Enabling Act] shall not be reduced below \$136,026,868 per Fiscal Year.

In the opinion of Bond Counsel, this covenant is a valid contract between the Commonwealth and the holders of Sales Tax Bonds and Assessment Bonds which is binding on future legislatures. Furthermore, enactment of a law which would reduce the Pledged Revenues below that which is necessary to satisfy the obligations of the Authority to the Holders of the Sales Tax Bonds and Assessment Bonds issued prior to enactment of such law, including the Holders of the Bonds, would result in an unconstitutional impairment of contract rights or taking of property rights unless such Holders are provided reasonable and adequate compensation.

The covenant with respect to the Dedicated Sales Tax relates only to the rate of the sales tax and the Base Revenue Floor Amount, and not to the types of property and services that are taxed.

### **DEDICATED SALES TAX**

Under the Enabling Act, the Dedicated Sales Tax consists of the greater of the base revenue amount or the dedicated sales tax revenue amount. The dedicated sales tax revenue amount is equal to the amount raised by a 1% statewide sales tax, which equals 20% of the existing statewide 5% sales tax (excluding meals tax). The base revenue amount was equal to \$645,000,000 for Fiscal Year 2001, \$664,350,000 for Fiscal Year 2002, \$684,280,500 for Fiscal Years 2003 and 2004 and \$704,808,915 for Fiscal Year 2005, and increases by the percentage change in inflation, as measured by the Boston Consumer Price Index (the "Boston CPI") for the prior year, except as follows:

- If the percent change in inflation, as measured by the Boston CPI for the prior year, is greater than or equal to 3%, the base revenue amount is increased by 3%.
- If the percent change in inflation, as measured by the Boston CPI for the prior year, is less than 3% but greater than the percent increase in the dedicated sales tax revenue amount, the base revenue amount is increased by the same percentage increase as the amount of the dedicated sales tax revenue percentage increase; provided, however, that such increase shall in no event exceed 3%.
- If the percent change in inflation, as measured by the Boston CPI for the prior year, is less than 3% and there was no increase in the dedicated sales tax revenue amount, the base revenue amount is held constant.

Pursuant to the Enabling Act, the dedicated sales tax revenue amount is credited to the State and Local Contribution Fund. For the purpose of determining the dedicated sales tax revenue amount to be credited to the State and Local Contribution Fund, the Comptroller shall on March 1 of each year certify the base revenue amount for the following Fiscal Year. On March 15 of each year, the Comptroller shall, after consultation with and based on projections of the department of revenue, certify whether the dedicated sales tax revenue amount is projected to exceed the base revenue amount for the upcoming Fiscal Year. If the Comptroller certifies that the projected dedicated sales tax revenue amount will be less than the base revenue amount, then the Comptroller shall for the following Fiscal Year credit to the Fund amounts

sufficient to meet the base revenue amount. If the Comptroller certifies that the projected dedicated sales tax revenue amount will exceed the base revenue amount, then the Comptroller shall for the following Fiscal Year credit to the Fund the dedicated sales tax revenue amount. On November 15 of each year, the Comptroller shall certify whether the dedicated sales tax revenue amount as of that date is projected to exceed the base revenue amount for the current Fiscal Year. If the Comptroller certifies that the dedicated sales tax revenue amount is projected to be less than the base revenue amount, then the Comptroller shall credit to the Fund amounts sufficient to meet the base revenue amount for that Fiscal Year. If the Comptroller certifies that the dedicated sales tax revenue amount is greater than the base revenue amount, then the Comptroller shall credit to the Fund the dedicated sales tax revenue amount. On April 1 of each year the Comptroller shall repeat the certification process required on November 15 and shall credit the appropriate amount to the Fund. In accordance with the MOU, the Dedicated Sales Tax is deposited not later than the last business day of each month, on account of the prior month.

The Comptroller certified on March 1, 2004 that the base revenue amount for Fiscal Year 2005 is approximately \$704.8 million.

The existing 5% sales tax applies generally to retail sales of tangible personal property, meals, and telecommunications services, subject to certain statutory exemptions, including food that is not served as part of a meal and most clothing. A complementary use tax is imposed on storage, use or consumption of the same property or services, subject generally to the same exemptions, to the extent such property or services have not already been subject to sales tax in Massachusetts or another state. The Dedicated Sales Tax excludes any portion of the sales tax imposed on the sales of meals.

The following table sets forth, for Fiscal Year 1977 through Fiscal Year 2004, the Commonwealth's total sales tax receipts, less sales tax on meals and less sales tax receipts from the Convention Center Financing District in Boston, as described below. The sales tax figures in the table are sales tax receipts after reimbursements and abatements. The "regular" sales tax was first imposed in April 1966 at a rate of 3%. In July 1976, this rate was increased to 5%. Sales tax on motor vehicles was first imposed in July 1976 at a rate of 5%. In 1991, a new law added services to the regular sales tax base, but prior to receipt of any sales tax on services, the law was partially repealed. Only telecommunications services remain in the regular sales tax base. In January 1998, the payment schedule for businesses with tax liabilities greater than \$25,000 per year was changed to simplify the time period on which such payments are based. While the timing change did not affect the amount of tax owed by the affected businesses, the new payment schedule caused a one-time delay in receipt of tax revenues realized in Fiscal Year 1998. Commencing July 1, 1997, total sales tax receipts exclude all receipts from the excise imposed upon sales at retail by vendors located in the Convention Center Financing District in Boston and vendors located in hotels in Cambridge and in Boston, outside of the Convention Center Financing District, in each case only for vendors that opened after July 1, 1997. The total amount of such excluded receipts for Fiscal Years 1999, 2000, 2001, 2002, 2003 and 2004 were \$627,144, \$1,263,918, \$862,697, \$1,042,549, \$34,898 and \$55,573, respectively.



### Historical Commonwealth Sales Tax Receipts\*

Fiscal Year	Sales Tax Receipts	20% of Sales Tax Receipts**	% Increase/ (Decrease)	Fiscal Year	Sales Tax Receipts	20% of Sales Tax Receipts**	% Increase/ (Decrease)
1977	\$441,842,408	\$88,368,482	27.166	1991	\$1,617,727,164	\$323,545,433	(2.577)
1978	520,701,183	104,140,237	17.848	1992	1,682,319,431	336,463,886	3.993
1979	577,667,207	115,533,441	10.940	1993	1,820,971,551	364,194,310	8.242
1980	608,337,996	121,667,599	5.309	1994	1,978,773,555	395,754,711	8.666
1981	704,029,980	140,805,996	15.730	1995	2,136,971,274	427,394,255	7.995
1982	753,508,032	150,701,606	7.028	1996	2,252,083,428	450,416,686	5.387
1983	865,274,260	173,054,852	14.833	1997	2,494,701,986	498,940,397	10.773
1984	1,041,786,825	208,357,365	20.400	1998	2,572,447,261	514,489,452	3.116
1985	1,209,486,848	241,897,370	16.097	1999	2,833,016,602	566,603,320	10.219
1986	1,452,207,247	290,441,449	20.068	2000	3,107,166,500	621,433,300	9.677
1987	1,600,004,046	320,000,809	10.177	2001	3,272,953,839	654,590,768	5.336
1988	1,733,312,577	346,662,515	8.332	2002	3,193,946,638	638,789,328	(2.414)
1989	1,787,062,915	357,412,583	3.101	2003	3,196,008,691	639,201,738	0.065
1990	1,660,519,408	332,103,882	(7.081)	2004	3,211,141,238	642,228,248	0.473

Source: Massachusetts Department of Revenue

\* Total sales tax receipts after reimbursements and abatements, less sales tax on meals and less sales tax from the Convention Center Financing District of Boston.

\*\* Estimated dedicated sales tax revenue amount.

**The Bonds are not general obligations of the Commonwealth and are not secured by the full faith and credit of the Commonwealth. The Bonds are payable only from Pledged Revenues and other moneys available to the owners of the Bonds under the Sales Tax Bond Trust Agreement. See “SECURITY FOR THE SALES TAX BONDS.”**

### ASSESSMENT BOND TRUST AGREEMENT AND ASSESSMENTS

The Assessment Bond Trust Agreement provides that the Authority may incur particular obligations, including, without limitation, Assessment Bonds, and provides for, to the extent of available funds under the Assessment Bond Trust Agreement, the payment of Sales Tax Bonds to the extent there are insufficient funds available therefore under the Sales Tax Bond Trust Agreement. Obligations under the Assessment Bond Trust Agreement are payable from and secured by a pledge of the Assessment Pledged Revenues (hereinafter defined) and a lien and charge on all funds and accounts created under the Assessment Bond Trust Agreement (other than the Bond Proceeds Fund while it is held and administered by the Authority and the Rebate Fund and as otherwise described below).

#### **Pledge Under the Assessment Bond Trust Agreement**

Obligations under the Assessment Bond Trust Agreement are special obligations of the Authority payable solely from the items pledged therefor pursuant to the terms of the Assessment Bond Trust Agreement. Such pledge includes the following:

- all Assessment Pledged Revenues;
- Dedicated Payments allocated to Assessment Bonds and interest earnings thereon, if any;
- amounts received from the trustee under the Sales Tax Bond Trust Agreement in accordance with the Assessment Bond Trust Agreement;
- the Deficiency Fund and the Capital Maintenance Fund including the investments, if any, thereof; and
- all Funds and Accounts established under the Assessment Bond Trust Agreement (other than the Bond Proceeds Fund, while it is held and administered by the Authority, and the Rebate Fund), including the investment income thereon, if any.

Under the Enabling Act, the above amounts constituting Dedicated Revenues shall not be reduced or diverted as described under “SECURITY FOR THE SALES TAX BONDS – Statutory Covenant.”

The above are pledged for the payment, first, of Assessment Bonds and, second, of Sales Tax Bonds, as the respective interests of the holders thereof may appear, in accordance with the respective terms of such Bonds and the Assessment Bond Trust Agreement.

Under the MOU, Assessments shall be deposited to the Fund quarterly on September 30, December 31, March 31 and June 30. Assessments are collected by the Commonwealth and deducted from payments from the Commonwealth’s general revenue sharing funds and specific program funds to cities, towns and regional school districts (“Local Aid”) payable by the Commonwealth to assessed cities and towns. The amount of any assessment which exceeds a city or town’s Local Aid is payable directly by such city or town. Under Commonwealth law, there are other competing deductions and potential intercepts of Local Aid.

In accordance with the Assessment Bond Trust Agreement, Assessments credited to the State and Local Contribution Fund shall be deposited as soon as practicable to the Assessment Pledged Revenue Fund, provided, however, that the Authority has certified to the Commonwealth that it has provided for the payment of its Prior Obligations due in any particular Fiscal Year in its annual budget for such Fiscal Year.

Under the Assessment Bond Trust Agreement, “Pledged Revenues” (referred to herein as the “Assessment Pledged Revenues”) means Assessments, payments received by the Authority from a Provider of a Hedge Agreement that is not a Qualified Hedge and Alternate Revenues, if any. Notwithstanding the preceding sentence, however, Pledged Revenues shall not include (i) Sales Tax Dedicated Payments or (ii) amounts received under a Qualified Hedge Agreement which are deposited in the Debt Service Fund and have been relied upon in calculating Net Debt Service in accordance with the Assessment Bond Trust Agreement.

Under the Assessment Bond Trust Agreement, “Dedicated Payments” (referred to herein as the “Assessment Dedicated Payments”) means any revenues of the Authority which are not Sales Tax Pledged Revenues as defined in the Assessment Bond Trust Agreement as initially entered into, which the Authority subsequently pledges as additional security for its payment obligations on Assessment Bonds pursuant to a resolution of the Authority and which are specifically designated as Sales Tax Dedicated Payments by the Authority in accordance with the limitations of the Assessment Bond Trust Agreement and, accordingly, are to be deposited in the Debt Service Fund upon receipt. See APPENDIX B – “SUMMARY OF CERTAIN PROVISIONS OF THE ASSESSMENT BOND TRUST AGREEMENT.”

### **Flow of Funds**

The Assessment Bond Trust Agreement establishes the following Funds and Accounts, to be held and administered by the Trustee:

- (1) the Assessment Bond Pledged Revenue Fund;
- (2) the Debt Service Fund; and
- (3) the Debt Service Reserve Fund.

The Assessment Bond Trust Agreement establishes the following Funds and Accounts, to be held and administered by the Authority:

- (1) the Assessment Bond Proceeds Fund, which shall include a Capital Account and such other Accounts as the Authority may create by Supplemental Agreement; and
- (2) the Rebate Fund.

The Authority by Supplemental Agreement authorizing a series of Assessment Bonds may designate that one or more Accounts in the Bond Proceeds Fund created by such Supplemental Agreement be held and administered by the Trustee and pledged to the Owners of the Assessment Bonds.

For a description of the Funds and Accounts under the Assessment Bond Trust Agreement, see APPENDIX B – “SUMMARY OF CERTAIN PROVISIONS OF THE ASSESSMENT BOND TRUST AGREEMENT.”

For an illustration of the flow of funds under the Assessment Bond Trust Agreement, see “SECURITY FOR THE SALES TAX BONDS – Flow of Funds.”

### **Indebtedness Under the Assessment Bond Trust Agreement**

For a description of the conditions to the Authority issuing indebtedness under the Assessment Bond Trust Agreement, see APPENDIX B – “SUMMARY OF CERTAIN PROVISIONS OF THE ASSESSMENT BOND TRUST AGREEMENT.” Certain Assessment Bonds are being refunded by the issuance of the Bonds, as described in Appendix F – “LIST OF REFUNDED BONDS.”

### **Statutory Covenant**

The Enabling Act contains a statutory covenant that provides that the amount to be assessed on cities and towns shall not be reduced below \$136,026,868 per Fiscal Year. See “SECURITY FOR THE SALES TAX BONDS – Statutory Covenant.”

In the opinion of Bond Counsel, this covenant is a valid contract between the Commonwealth and the holders of Bonds which is binding on future legislatures. Furthermore, enactment of a law which would reduce the Dedicated Revenues below that which is necessary to satisfy the obligations of the Authority to the Holders of Assessment Bonds and Sales Tax Bonds issued prior to enactment of such law, would result in an unconstitutional impairment of contract rights or taking of property rights unless such Holders are provided reasonable and adequate compensation.

The covenant with respect to the Assessments relates only to the aggregate amount of Assessments to be collected and not to the communities which are assessed or the amounts assessed on individual communities.

### **Assessments**

Under the Enabling Act, the Commonwealth’s annual obligation to support the Authority for operating costs and debt service will be limited to the Dedicated Revenues.

The Dedicated Revenues are credited upon receipt, without appropriation, to the Commonwealth’s State and Local Contribution Fund. Such amounts shall be disbursed upon the request of the General Manager to the Authority so long as the Authority shall certify each year that it has

provided in its budget for the payment of the Prior Obligations due during such year. In connection with its Fiscal Year 2005 budget, the Authority has certified that it has provided for the payment of Prior Obligations during Fiscal Year 2005 in such annual budget.

Pursuant to the MOU, Assessments shall be deposited to the Fund quarterly, on September 30, December 31, March 31 and June 30. Such quarterly dates are the dates not later than which the Commonwealth is required to pay Local Aid to cities and towns.

Under the Prior Act, specified cities and towns were assessed to reimburse the Commonwealth for cash advances made to pay the Authority's Net Cost of Service on account of prior fiscal periods. The amount of assessments for any particular period varied, depending on the amount of the Net Cost of Service for that period and offsetting state appropriations, among other things. The Enabling Act increased the number of assessed cities and towns from 78 to 175 commencing in Fiscal Year 2002. Total Assessments shall be not less than \$136,026,868 in Fiscal Year 2006, as adjusted in each year thereafter for inflation, provided that such amount shall not increase by more than 2.5% per year. Under a transition provision, the Assessments paid by the previously assessed 78 cities or towns for Fiscal Year 2001 were frozen at the Fiscal Year 2000 level (\$144,578,734). Beginning in Fiscal Year 2002 and each Fiscal Year thereafter through Fiscal Year 2006, Assessments are reduced in five equal installments, while, commencing with Fiscal Year 2002, the additional cities and towns are assessed and their portion of the Assessments are increased through Fiscal Year 2006 in five equal installments. In each case, individual Assessments are determined according to a weighted population formula. Total Assessments for Fiscal Year 2005 are \$137,732,242. Beginning in Fiscal Year 2002, cities and towns that are also assessed for regional transit authority expenses received a dollar-for-dollar credit against the Assessments, but this will have no effect on the total amount assessed for the Authority, because the credited amounts are reassessed on the "14 cities and towns" and the "51 cities and towns," but not on the "other served communities," as each is defined in the Enabling Act. See APPENDIX E for historical information on the amounts of Local Aid, Authority Assessments and other assessments related to the cities and towns in the Authority's territory.

Assessments are collected by the Commonwealth pursuant to Section 20 of Chapter 59 of the General Laws, which deals generally with the collection of state assessments and charges. Under Section 20, the State Treasurer must, not later than August 20 of each year, send formal notice by mail to the assessors and treasurers of municipalities that owe assessments and charges payable to the Commonwealth. In addition, Section 20 provides that the State Treasurer is to reduce the amounts payable by the Commonwealth to affected cities and towns under specified Local Aid programs by the amount of such assessments and charges and is to make payments to cities and towns in four quarterly installments, on or before each September 30, December 31, March 31 and June 30.

Pursuant to the Enabling Act, the Dedicated Revenues are credited to the Fund and may be disbursed to the Authority without appropriation and outside the state budget process, provided that the Authority certifies each year that it has provided for payment of the Prior Obligations in such year in its annual budget. The Authority will provide for payment of Prior Obligations from the Dedicated Sales Tax. See "DEDICATED SALES TAX." The Enabling Act contains a statutory covenant to the effect that the Dedicated Revenues may not be reduced or diverted. See "SECURITY FOR THE SALES TAX BONDS – Statutory Covenant."

If the amount of assessments and other charges due to the Commonwealth by a particular city or town exceeds the amount of its Local Aid, Section 20 provides that the local treasurer must pay the remaining amount owed to the State Treasurer pursuant to a schedule established by the Secretary of Administration and Finance. If the amount is not paid by the city or town within the time specified, the State Treasurer must notify the local treasurer, who must then pay into the state treasury, in addition to the sum assessed, such further sum as would equal 1% per month during the delinquency from and after the

time specified. If the amount remains unpaid after the expiration of ten days after the time specified, the State Treasurer is explicitly authorized by Section 20 to sue the delinquent city or town in the Supreme Judicial Court. Upon notice to the delinquent city or town and after a summary hearing before the court or a single justice of the court, an order may be issued enforcing the payment under such penalties as the court or the single justice may require. The State Treasurer is also authorized by Section 20 to deduct at any time from any moneys which may be due from the Commonwealth to such city or town the whole or any part of any sum so assessed or any other sum or sums which may be due and payable to the Commonwealth from such city or town, together with accrued interest thereon.

Although the Enabling Act contemplates a course of action in the event the amount of assessments and other charges due to the state by a particular city or town exceeds the amount payable by the Commonwealth, historically, all of the cities and towns required to pay the Assessments currently receive substantially more Local Aid than they owe in state charges and assessments. See APPENDIX E.

### **Other Withholding of Local Aid**

*Qualified Bonds.* The Commonwealth's Qualified Bond Act enables cities and towns, with the approval of a board comprised of the Commonwealth's Attorney General, State Treasurer, State Auditor, and Director of Accounts, or their designees (the "Qualified Bond Act Board"), to issue "qualified bonds," *i.e.*, bonds on which the debt service is paid directly by the State Treasurer. The State Treasurer pays the debt service on behalf of the city or town according to the debt service schedule that has been established at the time of issuance by the city or town, and then subsequently deducts the debt service amount from distributable aid payable to the city or town or, if the amount of distributable aid in that year is insufficient for the purpose, from any other amounts payable by the state to the city or town. One of the factors to be taken into account by the Qualified Bond Act Board in giving its approval is the amount of state Local Aid payments likely to be made to the city or town compared to the amount of debt service on the qualified bonds. The Qualified Bond Act contains a statutory covenant for the benefit of the holders of qualified bonds that the Commonwealth will not give a priority to any other deduction from Local Aid which is superior in right or prior in time to debt service payments on qualified bonds. The covenant makes clear, however, that the Commonwealth is not obligated to continue authorizing Local Aid payments. Neither this covenant nor anything else in the Qualified Bond Act constitutes a pledge of the Commonwealth's credit, and nothing in the act relieves the issuing city or town from its ultimate responsibility for the debt service on the bonds. Currently, seven communities in the Authority's territory, Beverly, Brockton, Chelsea, Haverhill, Lawrence, Lowell and Revere have outstanding Qualified Bonds.

### **Potential Local Aid Intercepts**

Under certain circumstances, the State Treasurer is required to intercept a portion of a city or town's Local Aid in the event of non-payment of an obligation by such city or town.

*Massachusetts Water Resources Authority.* The Massachusetts Water Resources Authority (the "MWRA") provides wholesale water and wastewater services to numerous cities and towns in Massachusetts, for which it assesses charges. The MWRA's enabling act contains a Local Aid intercept provision pursuant to which the MWRA may, in the event of a payment delinquency on the part of a city or town, certify the unpaid amount to the State Treasurer, whereupon the State Treasurer must promptly pay to the MWRA any amount otherwise certified to the State Treasurer for payment to the city or town as Local Aid until such time as any deficiency in the city or town's payment of charges to the MWRA has been set off by such payments from the State Treasurer. In the case of the cities of Boston and Lynn, Local Aid payments are not subject to setoff under the MWRA's enabling act on account of the payment obligations of the Boston Water and Sewer Commission and the Lynn Water and Sewer Commission ("LWSC"), respectively. If water and sewer commissions are established in other cities in the future,

Local Aid payments to those cities will be subject to the intercept. The MWRA has utilized the intercept mechanism six times since 1990 for cities and towns in the Authority's territory.

*Massachusetts Water Pollution Abatement Trust.* The Massachusetts Water Pollution Abatement Trust (the "Trust") makes loans to cities, towns and other units of regional and local government (including the MWRA, LWSC and the South Essex Sewage District ("SESD")) to finance water and wastewater treatment facilities. The Trust's enabling act contains two Local Aid intercept provisions relative to amounts owed on loans, one governing payments owed to a regional unit of government (such as the MWRA, LWSC and SEDS) by the underlying cities, towns and other entities receiving service from that regional unit and one governing payments by Trust borrowers directly to the Trust. In the former case, the regional entity may certify to the State Treasurer the amount owing to the regional entity, whereupon the State Treasurer must promptly pay to the regional entity any Local Aid distributions otherwise certified to the State Treasurer as payable to the offending city or town until such time as the deficiency has been offset. In the case of the intercept provisions in the Trust's enabling act, Local Aid payments to cities served by water and sewer commissions, such as Boston and Lynn, are subject to offset. In the latter case, the Trust itself may certify to the State Treasurer the amount of the delinquency, and the State Treasurer must promptly pay to the Trust any Local Aid distributions otherwise payable to the borrowing entity. If the borrowing entity is a regional entity consisting of more than one local entity, and if the Trust determines that the regional borrower's delinquency is attributable to a particular local entity, the Trust may certify to the State Treasurer to have that local entity's Local Aid payments diverted. If the Trust determines that no local entity is in default to the regional borrower, the State Treasurer must pay the Trust and deduct Local Aid payments otherwise payable to all of the underlying local entities constituting the regional entity *pro rata*. If a local entity is in default both to a regional entity and to the Trust, intercepted Local Aid distributions are to be paid *pro rata* by the State Treasurer to the regional entity and to the Trust.

There are no provisions in state law governing the priority among these various Local Aid withholding or intercept provisions. However, Assessments are deducted from state Local Aid payments at the end of each calendar quarter. In the past, Local Aid payments have been advanced to a distressed city or town. State grants to municipalities under the school building assistance program are payable at various times throughout the year. Local payments to the MWRA are payable in four equal installments due on or before September 15, November 15, March 15 and May 15 of each Fiscal Year, while payments to the Trust are generally due on August 1 and February 1 of each Fiscal Year.

### **Legal Obligations of Assessed Cities and Towns**

Although the mechanism by which a city or town "pays" Assessments is by deduction from Local Aid distributions received from the State Treasurer, payment of Assessments is a legal obligation of each assessed city and town. Under Section 21 and Section 23 of Chapter 59 of the General Laws, local assessors are required to include Assessments in the computation of the local tax rate. Along with debt service, final judgments and certain other specified items, assessments and charges owing to the state must be included in the total amount to be raised by taxation. In practice, the deduction of Local Aid distributions from the amount to be raised by the tax levy masks this requirement, but the obligation of the city or town to raise the money by taxation remains. Proposition 2½ provides that the total taxes assessed within a city or town may not exceed 2.5% of the full and fair cash value of all real estate and personal property in the city or town (the "maximum levy limit") and further provides that the maximum levy limit may not increase annually by more than 2.5%, with certain exceptions, as more fully described under "Proposition 2½" herein. Currently, the payment of Assessments is effectively shielded from these provisions by virtue of the deduction of such payments from Local Aid distributions. Because Assessments are imposed directly by statute, they must be paid by the assessed city or town whether or not the local property tax rate for that Fiscal Year has been approved and whether or not the local budget for that Fiscal Year has been approved.

As noted above, cities and towns are subject to suit by the State Treasurer for payment of Assessments. Under state law, the payment by a city or town of its Assessment is not limited to a particular fund or revenue source and, as a result, such Assessment constitutes a general obligation of the city or town. The only provisions in state law that provide for priorities among municipal obligations are the provisions for setoffs against state Local Aid payments and the provisions of the Qualified Bond Act. There is no provision in state law for a lien on any portion of the local property tax levy to secure a particular obligation, including assessments, judgments or debt service, in priority to other claims. Cities and towns do have standing authority to borrow to pay final judgments, subject to the general debt limit. Subject to the approval of the state Director of Accounts for judgments above \$10,000, judgments may also be paid from available funds without appropriation and included in the next tax levy unless otherwise provided for.

Based on the Fiscal Year 2005 so-called “cherry sheet” prepared by Department of Revenue, Division of Local Services, the City of Boston’s projected Local Aid will be \$514,815,311, and the projected Assessment for the Authority will be \$65,075,413 or 12.6% of the City’s Local Aid. Such Assessment will account for 47.2% of the total Assessments for the Authority from all assessed cities and towns.

Under the Enabling Act, the obligation to pay Assessments is not contingent upon the Authority’s provision of specified transportation services to the affected cities and towns. Some assessed cities and towns receive no direct service from the Authority, as was the case under the Prior Act. The validity of the assessments under the Prior Act was upheld by the Supreme Judicial Court in 1965, when the constitutionality of the Prior Act was challenged, and in 1975, when the assessment provisions were challenged by a town that received no direct service. In those decisions and in others involving similar mechanisms for apportioning costs of various public services on groups of communities, the court has acknowledged that cost allocations must be reasonable and may not be arbitrary, but the court has emphasized that the burden imposed upon a particular city or town need not be proportional to the benefits it receives. The court has recognized that “[b]y any measuring and apportioning schemes that can feasibly be administered, only a rough approximation of equality in the distribution of burdens can be had” and has indicated that it would defer to the Legislature’s chosen methodology unless it is “arbitrary, despotic or a flagrant misuse of legislative power.”

### **Proposition 2½**

In November, 1980, voters in the Commonwealth approved a statewide tax limitation initiative petition, commonly known as Proposition 2½, to constrain levels of property taxation and to limit the charges and fees imposed on cities and towns by certain governmental entities, including county governments. Proposition 2½ is not a provision of the state constitution and accordingly is subject to amendment or repeal by the legislature. Proposition 2½, as amended to date, limits the property taxes that may be levied by any city or town in any Fiscal Year to the lesser of (i) 2.5% of the full and fair cash valuation of the real estate and personal property therein, and (ii) 2.5% over the previous year’s levy limit plus any growth in the tax base from certain new construction and parcel subdivisions. Proposition 2½ also limits any increase in the charges and fees assessed by certain governmental entities, including Assessments, on cities and towns to the sum of (i) 2.5% of the total charges and fees imposed in the preceding Fiscal Year, and (ii) any increase in charges for services customarily provided locally or services obtained by the city or town at its option. The law contains certain override provisions and, in addition, permits debt service on specific bonds and notes and expenditures for identified capital projects to be excluded from the limits by a majority vote at a general or special election. At the time Proposition 2½ was enacted, many cities and towns had property tax levels in excess of the limit and were therefore required to roll back property taxes with a concurrent loss of revenues. Between Fiscal Year 1981 and Fiscal Year 2003, the aggregate property tax levy grew from \$3.346 billion to \$8.494 billion, a compound annual growth rate of 4.3%.

Proposition 2½ allows a community, through voter approval, to override the levy limit of Proposition 2½, or to assess taxes in excess of its levy limit for the payment of certain capital projects (capital outlay expenditure exclusions) and for the payment of specified debt service costs (debt exclusions).

### **Local Aid**

During the 1980s, the Commonwealth increased Local Aid to mitigate the impact of Proposition 2½ on local programs and services. In Fiscal Year 2005, approximately 22.5% of the Commonwealth's projected spending is estimated to be allocated to direct Local Aid. Local Aid payments to cities, towns and regional school districts take the form of both direct and indirect assistance. Direct Local Aid consists of general revenue sharing funds and specific program funds sent directly to local governments and regional school districts as reported on the "cherry sheet," excluding certain pension funds and nonappropriated funds.

As a result of comprehensive education reform legislation enacted in June, 1993, a large portion of general revenue sharing funds are earmarked for public education and are distributed through a formula designed to provide more aid to the Commonwealth's poorer communities. The legislation established a Fiscal Year 1993 state spending base of approximately \$1.288 billion for local education purposes and required annual increases in state expenditures for such purposes above that base, subject to appropriation, estimated to be approximately \$3.183 billion in Fiscal Year 2005.

Another component of general revenue sharing, the Lottery and Additional Assistance programs, provides unrestricted funds for municipal use. There are also several specific programs funded through direct Local Aid, such as highway construction and police education incentives.

Except for delays in distributions of Local Aid in Fiscal Years 1989 and 1990, the Commonwealth has always paid Local Aid on schedule. In response to a budget deficit in Fiscal Year 1989, the Commonwealth delayed for one month the payment of approximately 10% of Local Aid (excluding amounts applicable to debt service on local government bonds). Local Aid payments which the recipient identified as applicable to debt service on its obligations were paid on time. Similarly, as a result of the Commonwealth's Fiscal Year 1990 deficit, the Commonwealth deferred \$1.26 billion of Local Aid due June 30, 1990 which was paid in early Fiscal Year 1991.

During Fiscal Year 2003, the Governor of the Commonwealth reduced Local Aid in response to declining revenues of the Commonwealth, pursuant to authority under Section 9C of Chapter 29 of the Massachusetts General Laws. In the Fiscal Year 2004 budget, direct Local Aid was reduced by an additional \$288.7 million, or 5.7%. For Fiscal Year 2005, state aid to municipalities and regional school districts increased by \$138.6 million, or 2.9%.

### **LEGAL INVESTMENTS AND SECURITY FOR DEPOSITS**

Under the Enabling Act, the Sales Tax Bonds are made securities in which all public officers and public bodies of the Commonwealth and its political subdivisions, all insurance companies, trust companies, banking associations, savings banks, cooperative banks, investment companies, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or notes or other obligations of a similar nature may properly and legally invest funds, including capital, deposits or other funds in their control or belonging to them. The Sales Tax Bonds are hereby made securities which may properly and legally be deposited with and received by any state or municipal officer or any agency or political subdivision of the Commonwealth for any purpose for which the deposit of bonds or other obligations of the Commonwealth now or may hereafter be authorized by law.



## LITIGATION

The Authority's General Counsel is not aware of any cases, other than the cases mentioned below, that are material to the financial information concerning the Authority contained herein.

The Authority is engaged in numerous matters of routine litigation. These matters include tort and other claims where the Authority's liability is in whole or in part self-insured. In the opinion of the Authority's General Counsel, these matters are not reasonably expected to require amounts to be paid by the Authority which in the aggregate would be material to the financial information contained herein. Other cases and claims include disputes with contractors, and others, arising out of the Authority's capital construction program. In the opinion of the Authority's General Counsel, any amounts reasonably expected to be paid by the Authority would be within the scope of grant funds and other moneys available to the Authority for the respective projects.

In *Clifton v. Massachusetts Bay Transportation Authority*, the plaintiff brought a civil action seeking damages for racial discrimination. A jury awarded compensatory damages of \$500,000 and punitive damages of \$5,000,000. The trial court, on a motion by the Authority, remitted the punitive damages award to \$500,000, which the plaintiff rejected. Rather than proceeding immediately to a retrial of the punitive damages award, the trial court judge reported the disputed issues of law from the first trial to the Appeals Court. The Appeals Court remanded for new trial on both liability and damages and ruled that the trial court judge had not abused his discretion or erred in remitting the punitive damages award. The plaintiff has filed motions for rehearing and for further appellate review.

The *Estate of James R. Allen* initially made a claim in the amount of \$25 million in compensatory and punitive damages against the Authority and Amtrak, as operator of the Authority's commuter rail system at the time of the incident which is the subject of the claim, alleging wrongful death and other claims arising in connection with Dr. Allen's cardiac arrest and death on the commuter rail on July 30, 2002. The Estate has subsequently filed a civil suit against the Authority, Amtrak and CSX Transportation Inc. in Suffolk Superior Court asserting all the above mentioned claims. The Authority acting on its behalf and that of Amtrak as commuter rail operator is vigorously defending the action.

## LEGISLATION

Legislation is periodically filed in the state legislature relating to the Authority. Such bills are subject to the legislative process and no prediction can be made as to whether or not such bills will be enacted into law. In addition, any such legislation enacted subsequent to the issuance of the Bonds would with respect to the Bonds be subject to the provisions of Article 1, Section 10 of the United States Constitution prohibiting any law impairing the obligation of contracts and therefore could not unconstitutionally impair the contract of the holders of the Bonds.

## TAX EXEMPTION

Bond Counsel is of the opinion that, under existing law, interest on the Bonds will not be included in the gross income of holders of the Bonds for federal income tax purposes. This opinion is expressly conditioned upon continued compliance with certain requirements imposed by the Internal Revenue Code of 1986, as amended (the "Code"), which must be satisfied subsequent to the date of issuance of the Bonds in order to assure that interest on the Bonds is and continues to be excluded from gross income of holders of the Bonds. Failure to comply with certain of such requirements could cause interest on the Bonds to be included in the gross income of the holders of the Bonds retroactive to the date of issuance of the Bonds. In particular, and without limitation, those requirements include restrictions on the use, expenditure and investment of proceeds of the Bonds and the payment of rebate, or penalties in lieu of rebate, to the United States, subject to certain exceptions. The Authority has provided covenants and certificates as to continued compliance with such requirements.

In the opinion of Bond Counsel, under existing law, since the Bonds are not "private activity bonds" under the Code, interest on the Bonds will not constitute a preference item under Section 57(a)(5) of the Code for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations under Section 55 of the Code. However, interest on the Bonds will be included in "adjusted current earnings" of corporate holders of the Bonds and therefore will be taken into account under Section 56(g) of the Code in the computation of the alternative minimum tax applicable to certain corporations.

Bond Counsel has not opined as to other federal tax consequences arising with respect to the Bonds. However, prospective purchasers should be aware of certain collateral consequences which may result under federal tax law for certain holders of the Bonds: (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Bonds; (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) of the Code reduces the deduction for losses incurred by 15 percent of the sum of certain items, including interest on the Bonds; (iii) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code; (iv) passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for an S Corporation that has Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such S Corporation is passive investment income; (v) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income receipts or accruals of interest on the Bonds; and (vi) receipt of investment earnings, including interest on the Bonds, may, pursuant to Section 32(i) of the Code, disqualify the recipient from obtaining the earned income credit provided by Section 32(a) of the Code.

In the opinion of Bond Counsel, interest on the Bonds and any profit on the sale thereof are exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective purchasers should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of Massachusetts corporate excise and franchise taxes. Bond Counsel has not opined as to the taxability of the Bonds or the income therefrom under the laws of any state other than Massachusetts.

For federal and Massachusetts tax purposes, interest includes original issue discount. Original issue discount with respect to a Bond is equal to the excess, if any, of the stated redemption price at maturity of such Bond, over the initial offering price thereof to the public, excluding underwriters and other intermediaries, at which price a substantial amount of all Bonds with the same maturity were sold. Original issue discount accrues actuarially over the term of a Bond. Holders should consult their own tax advisers with respect to the computations of original issue discount on such accruals of interest during the period in which any such Bond is held.

An amount equal to the excess, if any, of the purchase price of a Bond over the principal amount payable at maturity constitutes amortizable bond premium for federal and Massachusetts tax purposes. The required amortization of such premium during the term of a Bond will result in the reduction of the holder's tax basis in such Bond. Such amortization also will result in reduction of the amount of the stated interest on the Bond taken into account as interest for tax purposes. Holders of Bonds purchased at a premium should consult their own tax advisers with respect to the determination and treatment of such premium for federal income tax purposes and with respect to state or local tax consequences of owning such Bonds.

On the date of delivery of the Bonds, the original purchasers thereof will be furnished with an opinion of Bond Counsel substantially in the form attached hereto. See APPENDIX C – "PROPOSED FORM OF OPINION OF BOND COUNSEL."

## **RATINGS**

The Bonds have been assigned ratings of "AAA" and "Aa2" by Standard & Poor's and Moody's, respectively.

Such ratings reflect only the respective views of such organizations, and an explanation of the significance of such ratings may be obtained from the rating agency furnishing the same. There is no assurance that a rating will continue for any given period of time or that a rating will not be revised or withdrawn entirely by any or all of such rating agencies, if, in its or their judgment, circumstances so warrant. Any downward revision or withdrawal of a rating could have an adverse effect on the market prices of the Bonds.

## **CERTAIN LEGAL MATTERS**

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approval of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel. The approving opinion of Bond Counsel in substantially the form attached hereto as Appendix C will be delivered with the Bonds. Certain legal matters will be passed upon for the Underwriters by Palmer & Dodge LLP, Boston, Massachusetts.

## **UNDERWRITING**

The Underwriters, for whom UBS Financial Services Inc. is acting as representative, have agreed, subject to certain conditions, to purchase from the Authority the Bonds at a discount from the initial offering prices of the Bonds equal to \$1,967,882. The initial public offering prices of the Bonds may be changed from time to time by the Underwriters. The Underwriters will be obligated to purchase all Bonds if any such Bonds are purchased.

## **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

Grant Thornton LLP, Minneapolis, Minnesota, a firm of independent public accountants, will deliver to the Authority and the Underwriters on or before the date of delivery of the Bonds its verification report indicating that it has verified, in accordance with the standards established by the American Institute

of Certified Public Accountants: (1) the mathematical accuracy of certain computations showing the adequacy of the cash and the maturing principal of and interest on certain government obligations held in the refunding trust funds to provide for the payment of the principal of and interest and redemption premiums, if any, on the Refunded Bonds; and (2) the yields on the Bonds and the investments purchased with a portion of the proceeds of the sale of the Bonds. Such verification will be used by Bond Counsel in concluding that the Bonds are not arbitrage bonds within the meaning of the Code.

The verification report will state that Grant Thornton LLP has no obligation to update the report because of events occurring, or data or information coming to their attention, subsequent to the date of the report.

### **CONTINUING DISCLOSURE**

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the “Rule”), the Authority will enter into a Continuing Disclosure Agreement with the Trustee for the benefit of owners of the Bonds setting forth the undertaking of the Authority regarding continuing disclosure with respect to the Bonds. The proposed form of the Continuing Disclosure Agreement is set forth in Appendix D. The Authority has not failed to comply with any previous undertaking to provide annual reports or notices of material events in accordance with the Rule.

### **MISCELLANEOUS**

The summaries of the provisions of the Enabling Act, the Bonds, the Sales Tax Bond Trust Agreement and the Assessment Bond Trust Agreement contained herein do not purport to be complete and are made subject to the detailed provisions thereof to which reference is hereby made. Copies of the Enabling Act, the form of the Bonds, the Sales Tax Bond Trust Agreement and the Assessment Bond Trust Agreement are available for inspection at the offices of the Authority and the Trustee.

Information relating to DTC and the book-entry system described under the heading “THE BONDS – Book-Entry Only System” has been furnished by DTC. Neither the Authority nor the Underwriters makes any representations or warranties whatsoever with respect to such information.

The execution and delivery of this Official Statement has been duly authorized by the Authority.

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY

By: /s/ Jonathan R. Davis  
Jonathan R. Davis  
Deputy General Manager and  
Chief Financial Officer

By: /s/ Wesley G. Wallace, Jr.  
Wesley G. Wallace, Jr.  
Treasurer-Controller

## SUMMARY OF CERTAIN PROVISIONS OF THE SALES TAX BOND TRUST AGREEMENT

*The following is a summary of certain provisions of the Sales Tax Bond Trust Agreement including certain terms used in the Sales Tax Bond Trust Agreement not used elsewhere in this Official Statement. This summary does not purport to be complete and reference is made to the Sales Tax Bond Trust Agreement for full and complete statements of its terms and provisions.*

### *Definitions*

The following are definitions in summary form of certain terms contained in the Sales Tax Bond Trust Agreement:

*Account or Accounts* shall mean each account or all of the accounts established by or pursuant to the Sales Tax Bond Trust Agreement.

*Accreted Value* shall mean with respect to any Capital Appreciation Bond (i) as of any Valuation Date, the amount set forth in the applicable Supplemental Trust Agreement and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Accreted Values for such Valuation Dates. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date and the number of days from the preceding Valuation Date to the next succeeding Valuation Date shall be calculated on the basis of a three hundred sixty (360) day year of twelve (12) thirty (30) day months.

*Act* shall mean Chapter 161A of the Massachusetts General Laws, as from time to time in effect.

*Aggregate Debt Service* for any period shall mean, as of any date of calculation, the sum of the amounts of Debt Service for such period with respect to all Outstanding Senior Sales Tax Bonds and all Outstanding Subordinated Sales Tax Bonds, provided, however, that for purposes of estimating Aggregate Debt Service for any future period, (i) any Variable Interest Rate Bonds shall be deemed to bear at all times (for which the interest rate is not yet determined) to the maturity thereof the Estimated Average Interest Rate applicable thereto; and (ii) any Put Bonds Outstanding during such period shall be assumed to mature on the stated maturity date thereof, unless the Credit Facility or Liquidity Facility securing such Put Bonds expires within three months or less of the date of calculation and has not been renewed or replaced in which case such Put Bonds shall be assumed to mature on the expiration date of such Credit Facility or Liquidity Facility. For purposes of this definition, the principal and interest portions of the Accreted Value of any Capital Appreciation Bonds becoming due at maturity or by virtue of a Sinking Fund Installment and the principal and interest portions of the Appreciated Value of any Deferred Income Bonds becoming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of accrued and unpaid and accruing interest or Principal Installments only during the year such amounts become due for payment unless otherwise provided in the Supplemental Trust Agreement authorizing Sales Tax Bonds which are Capital Appreciation Bonds or Deferred Income Bonds, as the case may be.

*Alternate Revenues* shall mean any revenues of the Authority (other than the Dedicated Sales Tax) legally available and pledged by resolution of the Authority for its obligations under the Sales Tax Bond Trust Agreement and deposited to the Pledged Revenue Fund, provided that (i) if such Alternate Revenues are to be received from the United States of America or the Commonwealth, they must automatically recur without appropriation, approval or other similar action for so long as the Authority is

relying thereon for the purpose of issuing Sales Tax Bonds or they constitute a general obligation of the Commonwealth and the manner of determining the amounts to be derived therefrom must not be subject to change or revision during such period, (ii) such Alternate Revenues consist of obligations with a rating by each Rating Agency in a category equal to or higher than its unenhanced, published rating on Outstanding Sales Tax Bonds or (iii) the Authority has received a written confirmation from each Rating Agency that its unenhanced, published rating of Outstanding Sales Tax Bonds will not be adversely affected by the designation of such revenues as Alternate Revenues.

*Amortized Value*, when used with respect to Investment Obligations purchased at a premium above or a discount below par, shall mean the value as of any given time obtained by dividing the total premium or discount at which such Investment Obligation was purchased by the number of days remaining to maturity on such Investment Obligation at the date of such purchase and by multiplying the amount thus calculated by the number of days having passed since such purchase, and (1) in the case of an Investment Obligation purchased at a premium by deducting the product thus obtained from the purchase price, and (2) in the case of an Investment Obligation purchased at a discount by adding the product thus obtained to the purchased price.

*Appreciated Value* shall mean with respect to any Deferred Income Bond (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Trust Agreement authorizing such Deferred Income Bond, (ii) as of any date prior to the Interest Commencement Date, other than a Valuation Date, the sum of (a) the Appreciated Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Appreciated Values for such Valuation Dates, and (iii) as of any date on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date shall be calculated on the basis of a three hundred sixty (360) day year of twelve (12) thirty (30) day months.

*Assessment Bonds* shall mean any bond or bonds and any bond anticipation note authenticated and delivered under the Assessment Bond Trust Agreement.

*Assessment Bond Trust Agreement* shall mean the Massachusetts Bay Transportation Authority Assessment Bond Trust Agreement dated as of July 1, 2000 by and between the Authority and State Street Bank and Trust Company, as Trustee, as amended and supplemented from time to time.

*Assessment Floor Amount* shall mean the amount below which the amount assessed on cities and towns pursuant to the Act shall not be reduced in accordance with Section 35T.

*Assessments* shall have the meaning provided in the recitals to the Sales Tax Bond Trust Agreement.

*Authority* shall have the meaning provided in the first paragraph of the Sales Tax Bond Trust Agreement.

*Authorized Newspaper* shall mean The Bond Buyer or a newspaper customarily published at least once a day for at least five days (other than legal holidays) in each week, printed in the English language and of general circulation in the City or in the Borough of Manhattan, City and State of New York.

*Authorized Officer* shall mean the General Manager, the Chief Financial Officer, the Director of Financial Planning, the Treasurer-Controller or the General Counsel of the Authority, and when used with reference to an act or document of the Authority also means any other person authorized by resolution of the Authority to perform the act or sign the document in question.

*Bank Bonds* shall mean any Sales Tax Bonds issued to or acquired or held by any bank, insurance company or other provider of credit and/or liquidity support or any designee thereof for any Sales Tax Bonds or for any Bond Anticipation Notes as evidence of the obligations of the Authority arising under any letter of credit, revolving credit agreement, insurance policy, reimbursement agreement or any other agreement, instrument or document relating to such credit and/or liquidity support; provided, however, that Bank Bonds do not include any Sales Tax Bonds issued to or held by any such party or its designee in any other capacity.

*Base Revenue Floor Amount* shall mean (as of the date of computation) the base revenue amount (as defined in Section 35T), as most recently certified by the Comptroller of the Commonwealth in accordance with Section 35T.

*Bond Anticipation Note* shall mean a note issued pursuant to the Sales Tax Bond Trust Agreement.

*Bond Counsel* shall mean Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. or any other lawyer or firm of lawyers nationally recognized in the field of municipal finance and satisfactory to the Authority.

*Bondowner or Owner, or Owner of Sales Tax Bonds*, or any similar terms, shall mean any person who shall be the registered owner of any Outstanding Sales Tax Bond or Bonds.

*Bond Proceeds Fund* shall mean the Fund by that name established by the Sales Tax Bond Trust Agreement.

*Business Day* shall mean any day that is not a Saturday, Sunday or legal holiday in the Commonwealth or a day on which banks in the City are authorized or required by law or executive order to close.

*Capital Appreciation Bond* shall mean any Sales Tax Bond as to which interest is payable only at the maturity or prior redemption of such Sales Tax Bond. For the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity or (ii) computing the principal amount of Sales Tax Bonds held by the registered owner of a Capital Appreciation Bond in giving to the Authority or the Trustee any notice, consent, request, or demand pursuant to the Sales Tax Bond Trust Agreement for any purpose whatsoever, unless otherwise provided in the Supplemental Trust Agreement authorizing Sales Tax Bonds which are Capital Appreciation Bonds, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

*Capital Maintenance Fund* shall mean the fund of such name created and held by the Authority pursuant to Authority resolution, which fund shall be used to pay a portion of the ongoing schedule of maintaining the equipment and mass transportation facilities of the Authority.

*City* shall mean the City of Boston in the Commonwealth.

*Code* shall mean the Internal Revenue Code of 1986, as amended to the date of adoption of the Sales Tax Bond Trust Agreement, unless a later date shall be specified in a Supplemental Trust Agreement to be applicable to one or more Series of Sales Tax Bonds, and the applicable regulations thereunder, and any reference in the Sales Tax Bond Trust Agreement to any section thereof shall, to the extent the provisions of the Internal Revenue Code of 1986, as amended to the date of adoption of the Sales Tax Bond Trust Agreement, unless a later date shall be specified in a Supplemental Trust Agreement to be applicable to one or more Series of Sales Tax Bonds, are included in a successor code or in an equivalent section or sections of such a successor code, be deemed to include such successor code and the equivalent section or sections of such successor code and the applicable regulations thereunder.

*Combined Net Debt Service* shall mean Subordinated Net Debt Service plus Senior Net Debt Service.

*Commonwealth* shall mean The Commonwealth of Massachusetts.

*Counsel's Opinion or Opinion of Counsel* shall mean an opinion signed by Bond Counsel or an attorney or firm of attorneys of recognized standing (who may be counsel to the Authority) selected by the Authority.

*Credit Facility* shall mean an irrevocable letter of credit, surety bond, loan agreement, Standby Purchase Agreement or other agreement, facility or insurance or guaranty arrangement issued or extended by a Qualified Institution, pursuant to which the Authority is entitled to obtain moneys to pay the principal, purchase price or Redemption Price of Sales Tax Bonds due in accordance with their terms or tendered for purchase or redemption, plus accrued interest thereon to the date of payment, purchase or redemption thereof, in accordance with the Sales Tax Bond Trust Agreement, whether or not the Authority is in default under the Sales Tax Bond Trust Agreement.

*Debt Service* for any period shall mean, as of any date of calculation and with respect to the Outstanding Sales Tax Bonds of any Series, an amount equal to the sum of (i) interest accruing during such period on Outstanding Sales Tax Bonds of such Series and (ii) that portion of each Principal Installment for such Series which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series or, if (a) there shall be no such preceding Principal Installment due date or (b) such preceding Principal Installment due date is more than one year prior to the due date of such Principal Installment, then, from a date one year preceding the due date of such Principal Installment or from the date of issuance of the Sales Tax Bonds of such Series, whichever date is later. Such interest and Principal Installments for such Series shall be calculated on the assumption that (1) no Sales Tax Bonds (except for Put Bonds actually tendered for payment and not purchased in lieu of redemption prior to the redemption date thereof) of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof and (2) the principal amount of Put Bonds tendered for payment and not purchased in lieu of redemption prior to the redemption date thereof shall be deemed to accrue on the date required to be paid pursuant to such tender. For purposes of this definition, the principal and interest portions of the Accreted Value of a Capital Appreciation Bond and the Appreciated Value of a Deferred Income Bond becoming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of accrued and unpaid and accruing interest or Principal Installments only during the year such amounts become due for payment unless otherwise provided in the applicable Supplemental Trust Agreement. Debt Service on Senior Sales Tax Bonds and Subordinated Sales Tax Bonds with respect to which there is a Qualified Hedge Agreement shall be calculated consistent with the Sales Tax Bond Trust Agreement. Debt Service shall include costs of Credit Facilities and Liquidity Facilities and reimbursement to Providers of Credit Enhancement, in each



case if and to the extent payable from the applicable Debt Service Fund. Debt Service on Bond Anticipation Notes shall not include any Principal Installments thereon.

*Dedicated Payments* shall mean any revenues of the Authority which are not Pledged Revenues, as defined in the Trust Agreement as initially entered into, which the Authority subsequently pledges as additional security for its payment obligations on the Sales Tax Bonds pursuant to a resolution of the Authority and which are specifically designated as Dedicated Payments by the Authority in accordance with the limitations of the Sales Tax Bond Trust Agreement and, accordingly, are to be deposited in the Senior Debt Service Fund or the Subordinated Debt Service Fund upon receipt.

*Dedicated Sales Tax* shall have the meaning provided in the Recitals to the Sales Tax Bond Trust Agreement.

*Deferred Income Bond* shall mean any Sales Tax Bond (i) as to which interest accruing thereon prior to the Interest Commencement Date of such Sales Tax Bond is (a) compounded on each Valuation Date for such Deferred Income Bond and (b) payable only at the maturity or prior redemption of such Sales Tax Bonds and (ii) as to which interest accruing after the Interest Commencement Date is payable on the first interest payment date immediately succeeding the Interest Commencement Date and periodically thereafter on the dates set forth in the Supplemental Trust Agreement authorizing such Deferred Income Bond. For the purposes of (i) receiving payment of the Redemption Price if a Deferred Income Bond is redeemed prior to maturity or (ii) computing the principal amount of Sales Tax Bonds held by the registered owner of a Deferred Income Bond in giving to the Authority or the Trustee any notice, consent, request, or demand pursuant to the Sales Tax Bond Trust Agreement for any purposes whatsoever, unless otherwise provided in the Supplemental Trust Agreement authorizing such Deferred Income Bond, the principal amount of a Deferred Income Bond shall be deemed to be its Appreciated Value.

*Deficiency Fund* shall mean the fund by such name created and held by the Authority pursuant to Authority resolution, which fund may be used to pay debt service on Authority bonds, notes and other obligations and other expenses of the Authority.

*Estimated Average Interest Rate* shall mean, as to any Variable Interest Rate Bond and as of any date of calculation, the “25-year revenue bond index” most recently published in The Bond Buyer or, if such index is no longer published, such other substantially comparable index as determined by the Authority.

*Fiduciary or Fiduciaries* shall mean the Trustee, any Paying Agent, or any or all of them, as may be appropriate.

*Fiscal Year* shall mean that period beginning on the first day of July of any year and ending on the last day of June of the subsequent year or, at the option of the Authority, any other period of twelve consecutive calendar months selected by the Authority in a written instrument delivered to the Trustee as the Fiscal Year of the Authority.

*Fund or Funds* shall mean each fund or all of the funds established by the Sales Tax Bond Trust Agreement, as the case may be.

*General Fund Expenses* shall mean, to the extent such expenses shall not have been otherwise provided for, (i) the net costs (including, in certain circumstances, termination payments or fees) of any Hedge Agreements payable from the General Fund pursuant to and in accordance with Section 104 of the Trust Agreement and (ii) any other costs approved by the Board of Directors of the Authority.

*General Fund Indebtedness* shall mean any bond, note or other evidence of indebtedness issued by the Authority in accordance with Section 206 of the Trust Agreement which is secured by or payable from the Revenues and other amounts on deposit from time to time in the General Fund, provided that any such pledge shall not be prior or equal to the pledge thereof made hereby for the benefit of Sales Tax Bonds.

*Hedge Agreement* shall mean a payment exchange agreement, swap agreement, forward purchase agreement or any other hedge agreement entered into by the Authority providing for payments between the parties based on levels of, or changes in interest rates, stock or other indices or contracts to exchange cash flows or a series of payments or contracts, including without limitation, interest rate floors, or caps, options, puts or calls, which allows the Authority to manage or hedge payment, rate, spread or similar risk with respect to any Series of Sales Tax Bonds.

*Historic Dedicated Sales Tax Revenue Amount* shall mean (as of any date of computation) the dedicated sales tax revenue amount, as defined in Section 35T, for any consecutive 12 of the last 24 months, as determined by an Authorized Officer.

*Indebtedness* shall mean Sales Tax Bonds or Bond Anticipation Notes.

*Interest Commencement Date* shall mean, with respect to any particular Deferred Income Bond, the date prior to the maturity date thereof specified in the Supplemental Trust Agreement authorizing such Deferred Income Bond after which interest accruing on such Sales Tax Bond shall be payable on the first interest payment date immediately succeeding such Interest Commencement Date and periodically thereafter on the dates specified in the Supplemental Trust Agreement authorizing such Deferred Income Bond.

*Investment Agreement* shall mean an agreement for the investment of moneys with, or unconditionally guaranteed by, a Qualified Institution but shall not mean an obligation of the type described in clause (x) of the definition of Investment Obligation herein.

*Investment Income* shall mean income from Investment Obligations held in the Funds and Accounts established under the Sales Tax Bond Trust Agreement, other than (i) if so determined in a Supplemental Trust Agreement authorizing the issuance of a Series of Sales Tax Bonds, with respect to such Sales Tax Bonds, income from Investment Obligations purchased from the proceeds of such Sales Tax Bonds held in the Bond Proceeds Fund and (ii) income from Investment Obligations held in the Rebate Fund.

*Investment Obligation* shall mean and include any of the following securities, to the extent investment in such securities by the Authority is authorized under applicable law:

(i) a bond or other obligation which as to principal and interest constitutes a direct obligation of, or is unconditionally guaranteed by, the United States of America, including an obligation of any of the Federal Agencies described in clause (iv) below to the extent unconditionally guaranteed by the United States of America;

(ii) a bond or other obligation of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (a) which is not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bond or other obligation by the obligor to give due notice of redemption and to call such bond or other obligation for redemption on the date or dates specified in such instructions, (b) which is secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the

character described in clause (i) hereof which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bond or other obligation on the maturity date thereof or the redemption date specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate, and (c) as to which the principal of and interest on the bonds and obligations of the character described in clause (i) hereof which have been deposited in such fund, together with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bond or other obligation described in this clause (ii) on the maturity date thereof or on the redemption date specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate;

(iii) general obligations of the Commonwealth or obligations unconditionally guaranteed by the Commonwealth;

(iv) a bond, debenture, or other evidence of indebtedness issued or guaranteed at the time of the investment by the Student Loan Marketing Association, Federal National Mortgage Association, Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, the Tennessee Valley Authority, the United States Postal Service, Federal Farm Credit System Obligations, the Export Import Bank, the World Bank, the International Bank for Reconstruction and Developments, the Federal Home Loan Mortgage Corporation, the Resolution Funding Corporation, the U.S. Agency for International Development and the Inter-American Development Bank or any other agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America;

(v) an obligation of any state of the United States of America or any political subdivision thereof or any agency, instrumentality or local government unit of any such state or political subdivision other than obligations described in clause (iii) above which shall be rated at the time of the investment a category equal to or higher than its unenhanced, published rating on Outstanding Sales Tax Bonds by any Rating Agency, without regard to any refinement or gradation of such rating;

(vi) a certificate or other instrument that evidences ownership of the right to payment of the principal of or interest on obligations of any state of the United States of America or any political subdivision thereof or any agency or instrumentality of any state or political subdivision, provided that such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a successor Trustee under the Sales Tax Bond Trust Agreement, and provided further that the payment of all principal of and interest on such certificate or such instrument shall be fully insured or unconditionally guaranteed by, or otherwise unconditionally payable pursuant to a credit support arrangement provided by, one or more financial institutions or insurance companies or associations which at the date of investment shall have an outstanding, unsecured, uninsured and unguaranteed debt issue rated in a category equal to or higher than its unenhanced, published rating on Outstanding Sales Tax Bonds by any Rating Agency, or, in the case of an insurer providing municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bonds, such insurance policy shall result in such municipal bonds being rated in the highest rating category by any Rating Agency, without regard to any refinement or gradation of such rating;

(vii) time deposits, certificates of deposit or any other deposit with a bank, trust company, national banking association, savings bank, federal mutual savings bank, savings and loan association, federal savings and loan association or any other institution chartered or licensed by any state or the U.S. Comptroller of the Currency to accept deposits in such state (as used herein, "deposits" shall mean obligations evidencing deposit liability which rank at least on a parity with the claims of general creditors in liquidation), which are (a) fully secured, to the extent not insured by the Federal Deposit Insurance Corporation, by any of the obligations described in clauses (i) or (iv) above having a market value

(exclusive of accrued interest) of not less than the uninsured amount of such deposit or (b) (1) unsecured or (2) secured to the extent, if any, required by the Authority and in either case made with a Qualified Institution;

(viii) a certificate that evidences ownership of the right to payments of principal of or interest on obligations described in clause (i), provided that such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a successor Trustee under the Sales Tax Bond Trust Agreement;

(ix) a time deposit, certificate of deposit, whether negotiable or non-negotiable, and a banker's acceptance of one or more of the 50 largest banks in the United States or commercial paper issued by the parent holding company of any such bank which at the time of investment has an outstanding unsecured, uninsured and unguaranteed debt issue rated a category equal to or higher than its unenhanced, published rating on Outstanding Sales Tax Bonds by any Rating Agency (including the Trustee and its parent holding company, if any, if it otherwise qualifies);

(x) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York which at the time of investment has an outstanding unsecured, uninsured and unguaranteed long-term debt issue or commercial paper issue rated at least in a category equal to or higher than its unenhanced, published rating on Outstanding Sales Tax Bonds by any Rating Agency (including the Trustee and its parent holding company, if any, if it otherwise qualifies), which agreement is secured by any one or more of the securities described in clause (i), (iv) or (viii) above which securities shall at all times have a market value (exclusive of accrued interest) of not less than the full amount of the repurchase agreement and be delivered to another bank or trust company organized under the laws of any state of the United States of America or any national banking association, as custodian;

(xi) an Investment Agreement;

(xii) money market funds registered under the Federal Investment Company Act of 1940, as amended, whose shares are registered under the Federal Securities Act of 1933, and having a rating in a category equal to or higher than its unenhanced, published rating on Outstanding Sales Tax Bonds by any Rating Agency;

(xiii) commercial paper, notes, bonds or other obligations of any corporation rated, at the time of investment, in a category equal to or higher than its unenhanced, published rating on Outstanding Sales Tax Bonds by any Rating Agency; and

(xiv) any other investment in which moneys of the Authority may be legally invested provided that at the time of such investment the Authority obtains written confirmation from each Rating Agency that such investment will not result in the reduction or suspension of the then existing rating on the Sales Tax Bonds by each such Rating Agency.

*Liquidity Facility* shall mean an irrevocable letter of credit, surety bond, loan agreement, Standby Purchase Agreement, line of credit or other agreement or arrangement issued or extended by a Qualified Institution, pursuant to which the Authority is entitled to obtain moneys upon the terms and conditions contained therein for the purchase or redemption of Sales Tax Bonds tendered for purchase or redemption in accordance with the terms of the Sales Tax Bond Trust Agreement.

*Minimum Senior Debt Service Reserve Requirement* shall mean as of any date of calculation for each Series of Senior Sale Tax Bonds, an amount equal to one-half of the least of (i) 10% of the original net proceeds from the sale of such Series, (ii) 125% of average annual Debt Service for such Series and (iii) the maximum amount of Debt Service due on the Senior Sales Tax Bonds of such Series in any future Fiscal Year; provided that in the case that two or more Series of Sales Tax Bonds are treated as one issue for federal tax purposes, (a) the aggregate Minimum Senior Debt Service Reserve Requirement for such Series shall not exceed the amount which would be applicable if such Series were treated as a single Series for purposes of calculating such requirement and (b) any reduction in the aggregate Minimum Senior Debt Service Reserve Requirement resulting from the limitation in clause (a) of this proviso shall be allocated pro rata among the affected Series in accordance with the ratio of the initial principal amounts of such Series. The Estimated Average Interest Rate as of the date of issue for any Variable Interest Rate Bonds shall be used to establish Debt Service on such Senior Sales Tax Bonds for the purpose of the Minimum Senior Debt Service Reserve Requirement.

*Minimum Subordinated Debt Service Reserve Requirement* shall mean as of any date of calculation for each Series of Subordinated Sale Tax Bonds, an amount equal to one-half of the least of (i) 10% of the original net proceeds from the sale of such Series, (ii) 125% of average annual Debt Service for such Series and (iii) the maximum amount of Debt Service due on the Subordinated Sales Tax Bonds of such Series in any future Fiscal Year; provided that in the case that two or more Series of Sales Tax Bonds are treated as one issue for federal tax purposes, (a) the aggregate Minimum Subordinated Debt Service Reserve Requirement for such Series shall not exceed the amount which would be applicable if such Series were treated as a single Series for purposes of calculating such requirement and (b) any reduction in the aggregate Minimum Subordinated Debt Service Reserve Requirement resulting from the limitation in clause (a) of this proviso shall be allocated pro rata among the affected Series in accordance with the ratio of the initial principal amounts of such Series. The Estimated Average Interest Rate as of the date of issue for any Variable Interest Rate Bonds shall be used to establish Debt Service on such Subordinated Sales Tax Bonds for the purpose of the Minimum Subordinated Debt Service Reserve Requirement.

*Opinion of Bond Counsel* shall mean a legal opinion signed by Bond Counsel.

*Outstanding*, when used with reference to Sales Tax Bonds of a Series, shall mean, as of any date, Sales Tax Bonds or Bonds of such Series, theretofore or thereupon being authenticated and delivered, issued under the Sales Tax Bond Trust Agreement except:

- (i) any Sales Tax Bonds canceled by any Fiduciary at or prior to such date,
- (ii) Sales Tax Bonds (or portions of Sales Tax Bonds) for the payment or redemption of which moneys, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held in trust under the Sales Tax Bond Trust Agreement and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such Sales Tax Bonds (or portions of Sales Tax Bonds) are to be redeemed, notice of such redemption shall have been given or provision satisfactory to the Trustee shall have been made for the giving of such notice as provided in the Sales Tax Bond Trust Agreement;
- (iii) Sales Tax Bonds in lieu of or in substitution for which other Sales Tax Bonds shall have been authenticated and delivered pursuant to the Sales Tax Bond Trust Agreement unless proof satisfactory to the Trustee is presented that any such Sales Tax Bonds are held by a bona fide purchaser in due course;

(iv) Sales Tax Bonds deemed to have been paid as provided in the Sales Tax Bond Trust Agreement; and

(v) Put Bonds deemed tendered in accordance with the provisions of the Supplemental Trust Agreement authorizing such Sales Tax Bonds on the applicable adjustment or conversion date, if the purchase price thereof and interest thereon shall have been paid or amounts are available for such payment as provided in the Sales Tax Bond Trust Agreement.

For purposes of the foregoing definition, any Sales Tax Bonds which are Bank Bonds shall be deemed Outstanding only in a principal amount equal to the principal amount of the obligation then owed by the Authority thereunder regardless of the face amount of such Bank Bond.

*Paying Agent* shall mean any paying agent for the Sales Tax Bonds of any Series, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Sales Tax Bond Trust Agreement.

*Pledged Revenues* shall mean the Dedicated Sales Tax, payments received by the Authority from a Provider of a Hedge Agreement that is not a Qualified Hedge and Alternate Revenues, if any.

*Pledged Revenue Fund* shall mean the Fund by that name established by the Sales Tax Bond Trust Agreement.

*Prior Obligations* shall mean debt service and other payment obligations of the Authority due and payable under financing obligations for which the Commonwealth has pledged its credit or contract assistance (defined below) or is otherwise liable or as to which the Authority has covenanted to maintain net cost of service or contract assistance (both as defined in Chapter 161A of Massachusetts General Laws as in effect prior to July 1, 2000), including without limitation the Authority's General Transportation System Bonds issued pursuant to the General Bond Resolution adopted February 15, 1967, as amended and supplemented.

*Principal Installment* shall mean, as of any date of calculation and with respect to the Sales Tax Bonds of any Series, so long as any Sales Tax Bonds thereof are Outstanding, (i) the principal amount of Sales Tax Bonds (including the principal amount of any Put Bonds tendered for payment and not purchased in lieu of redemption prior to the redemption date thereof) of such Series due on a future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance of any Sinking Fund Installments due on a future date for Sales Tax Bonds of such Series, plus the amount of the premium, if any, which would be applicable upon redemption of such Sales Tax Bonds on such future date in a principal amount equal to said unsatisfied balance of such Sinking Fund Installments, or (iii) if such future dates coincide as to different Sales Tax Bonds of such Series, the sum of such principal amount of Sales Tax Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date, plus such applicable redemption premium, if any.

*Provider* shall mean any person or entity providing a Credit Facility, a Liquidity Facility or a Qualified Hedge Agreement with respect to any one or more Series of Sales Tax Bonds, pursuant to agreement with or upon the request of the Authority.

*Put Bond* shall mean a Sales Tax Bond which by its terms may be tendered by and at the option of the Owner thereof for payment by the Authority prior to the stated maturity or redemption date thereof.

*Qualified Hedge Agreement* shall have the meaning set forth under the heading "Hedging Transactions."

*Qualified Institution* shall mean (i) a bank, a trust company, a national banking association, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America, a corporation, a trust, a partnership, an unincorporated organization, or a government or an agency, instrumentality, program, account, fund, political subdivision or corporation thereof, in each case the unsecured or uncollateralized long-term debt obligations of which, or obligations secured or supported by a letter of credit, contract, agreement or surety bond issued by any such organization, at the time an Investment Agreement, Qualified Hedge Agreement, Credit Facility or Liquidity Facility is entered into by the Authority are rated in a category equal to or higher than its unenhanced, published rating on Outstanding Sales Tax Bonds by each Rating Agency which rates such obligations or (ii) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality.

*Rating Agency* shall mean each recognized rating service which maintains a published, unenhanced rating on any Outstanding Sales Tax Bonds at the request of the Authority.

*Rebate Fund* shall mean the Fund by that name established by the Sales Tax Bond Trust Agreement.

*Rebate Fund Requirement* shall mean, as of any date of calculation, an amount equal to the aggregate of the amounts, if any, specified in a certificate from an Authorized Officer of the Authority or the applicable Supplemental Trust Agreement as the amount required to be maintained in the Rebate Fund with respect to such Sales Tax Bonds.

*Redemption Price* shall mean, with respect to any Sales Tax Bond, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the Sales Tax Bond Trust Agreement, but excluding accrued interest.

*Refunding Bonds* shall mean all Sales Tax Bonds authenticated and delivered on original issuance pursuant to the provisions under the heading “Special Provisions for Refunding Bonds.”

*Residual Sales Tax* shall mean for any year the greater of the Base Revenue Floor Amount and the Historic Dedicated Sales Tax Revenue Amount less the sum of (i) the estimated debt service on Prior Obligations, (ii) Senior Net Debt Service (as defined in the Sales Tax Bond Trust Agreement), (iii) Subordinated Net Debt Service (as defined in the Sales Tax Bond Trust Agreement) and (iv) debt service on other indebtedness (other than Indebtedness) secured by a pledge of or a security interest in and payable from the Dedicated Sales Tax.

*Sales Tax Bond or Bonds* shall mean any bond or bonds and any Bond Anticipation Note authenticated and delivered under the Sales Tax Bond Trust Agreement.

*Section 35T* shall have the meaning provided in the Recitals to the Sales Tax Bond Trust Agreement.

*Senior Sales Tax Bonds* shall mean all Senior Sales Tax Bonds authenticated and delivered under the Sales Tax Bond Trust Agreement.

*Senior Debt Service Fund* shall mean the Fund by that name established by the Sales Tax Bond Trust Agreement.

*Senior Debt Service Reserve Fund* shall mean the Fund by that name established by the Sales Tax Bond Trust Agreement.

*Senior Debt Service Reserve Requirement* shall mean for each Fiscal Year the amount set forth in a certificate of an Authorized Officer of the Authority filed with the Trustee by July 1 of each year, which certificate may be modified from time to time by such Authorized Officer during such Fiscal Year; provided, however, that in no event shall the Senior Debt Service Reserve Requirement be less than the Minimum Senior Debt Service Reserve Requirement.

*Senior Net Debt Service* shall mean Debt Service payable on Senior Sales Tax Bonds less (i) the sum of (a) interest accrued or to accrue on such Sales Tax Bonds which is to be paid from deposits in the Senior Debt Service Fund made from the proceeds of Sales Tax Bonds in accordance with a certificate of an Authorized Officer to the Trustee, (b) additional amounts transferred to the Senior Debt Service Fund at the Authority's direction, (c) Investment Income from the Senior Debt Service Fund, the Pledged Revenue Fund, the Senior Debt Service Reserve Fund and any Account of the Bond Proceeds Fund established by Supplemental Trust Agreement and held by the Trustee transferred or to be transferred in the current Fiscal Year to or retained in the Senior Debt Service Fund and (d) Dedicated Payments deposited in the Senior Debt Service Fund pursuant to the Sales Tax Bond Trust Agreement plus (ii) Debt Service payable on Bond Anticipation Notes issued in anticipation of Senior Sales Tax Bonds net of any amounts deposited from the proceeds of such notes available in the Senior Debt Service Fund or in another account established in connection with the issuance of such notes for the payment of such Debt Service.

*Series* shall mean all of the Sales Tax Bonds authenticated and delivered on original issuance and designated as such by the Authority in a simultaneous transaction pursuant to the Sales Tax Bond Trust Agreement and any Sales Tax Bonds thereafter authenticated and delivered in lieu of or in substitution therefor, regardless of variations in maturity, interest rate, sinking fund, or other provisions.

*Sinking Fund Installment* shall mean, as of any date of calculation and with respect to any Sales Tax Bonds of a Series, so long as any Sales Tax Bonds thereof are Outstanding, the amount of money required by the applicable Supplemental Trust Agreement, to be paid on a single future date for the retirement of any Outstanding Sales Tax Bonds of said Series which mature after said date, but does not include any amount payable by the Authority by reason only of the maturity of a Sales Tax Bond.

*Standby Purchase Agreement* shall mean an agreement by and between the Authority and another entity pursuant to which such entity is obligated to purchase Put Bonds tendered for purchase or redeemed in lieu of purchase upon such tender.

*State and Local Contribution Fund* shall have the meaning provided in the Recitals to the Sales Tax Bond Trust Agreement.

*Subordinated Sales Tax Bonds* shall mean all Subordinated Sales Tax Bonds authenticated and delivered under the Sales Tax Bond Trust Agreement

*Subordinated Debt Service Reserve Fund* shall mean the fund by that name established by the Sales Tax Bond Trust Agreement.

*Subordinated Debt Service Reserve Requirement* shall mean for each Fiscal Year the amount set forth in a certificate of an Authorized Officer of the Authority filed with the Trustee by July 1 of each



year, which certificate may be modified from time to time by such Authorized Officer during such Fiscal Year; provided, however, that in no event shall the Subordinated Debt Service Reserve Requirement be less than the Minimum Subordinated Debt Service Reserve Requirement.

*Subordinated Debt Service Fund* shall mean the fund by that name established by the Sales Tax Bond Trust Agreement.

*Subordinated Net Debt Service* shall mean Debt Service payable on Subordinated Sales Tax Bonds less (i) the sum of (a) interest accrued or to accrue on such Sales Tax Bonds which is to be paid from deposits in the Subordinated Debt Service Fund made from the proceeds of Sales Tax Bonds in accordance with a certificate of an Authorized Officer to the Trustee, (b) additional amounts transferred to the Subordinated Debt Service Fund at the Authority's direction, (c) Investment Income from the Subordinated Debt Service Reserve Fund, the Subordinated Debt Service Fund and any Account of the Bond Proceeds Fund established by Supplemental Trust Agreement and held by the Trustee transferred or to be transferred in the current Fiscal Year to or retained in the Subordinated Debt Service Fund and (d) Dedicated Payments deposited in the Subordinated Debt Service Fund pursuant to the Sales Tax Bond Trust Agreement plus (ii) Debt Service payable on Bond Anticipation Notes issued in anticipation of Subordinated Sales Tax Bonds net of any amounts deposited from the proceeds of such notes available in the Subordinated Debt Service Fund or in another account established in connection with the issuance of such notes for the payment of such Debt Service.

*Supplemental Trust Agreement* shall mean any trust agreement supplemental to or amendatory of the Trust Agreement, adopted by the Authority in accordance with the Sales Tax Bond Trust Agreement.

*Trust Agreement* shall mean the Sales Tax Bond Trust Agreement dated July 1, 2000 by and between the Authority and the Trustee.

*Trustee* shall mean the trustee appointed under the Sales Tax Bond Trust Agreement, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Sales Tax Bond Trust Agreement.

*Valuation Date* shall mean (i) with respect to any Capital Appreciation Bond the date or dates set forth in the applicable Supplemental Trust Agreement on which specific Accreted Values are assigned to the Capital Appreciation Bond and (ii) with respect to any Deferred Income Bond, the date or dates on or prior to the Interest Commencement Date set forth in the Supplemental Trust Agreement authorizing such Sales Tax Bond on which specific Appreciated Values are assigned to the Deferred Income Bond.

*Variable Interest Rate* shall mean a variable interest rate to be borne by any Sales Tax Bond. The method of computing such variable interest rate shall be specified in the Supplemental Trust Agreement authorizing such Sales Tax Bond. Such Supplemental Trust Agreement shall also specify either (i) the particular period or periods of time for which each value of such variable interest rate shall remain in effect or (ii) the time or times upon which any change in such variable interest rate shall become effective.

*Variable Interest Rate Bond* shall mean a Sales Tax Bond which bears interest at a Variable Interest Rate.

### ***The Pledge Effected by the Sales Tax Bond Trust Agreement***

The Sales Tax Bonds are special obligations payable solely from the items pledged to the payment thereof pursuant to the terms of the Sales Tax Bond Trust Agreement.

The Sales Tax Bond Trust Agreement provides that there is pledged for the payment, first, of the Senior Sales Tax Bonds, second, of the Subordinated Sales Tax Bonds and, after payment of the Senior Sales Tax Bonds and Subordinated Sales Tax Bonds, as the respective interests of the holders thereof may appear, in accordance with the respective terms of such Bonds and the provisions of this Trust Agreement, subject only to the provisions of the Sales Tax Bond Trust Agreement permitting the application thereof for or to the purposes and on the terms and conditions in the Sales Tax Bond Trust Agreement and therein set forth: (i) all Pledged Revenues, (ii) Dedicated Payments allocated to the Senior Sales Tax Bonds and interest earnings thereon, (iii) amounts received from the trustee under the Sales Tax Bond Trust Agreement in accordance with the Sales Tax Bond Trust Agreement, (iv) the Deficiency Fund and the Capital Maintenance Fund including the investment, if any, thereof, and (v) all Funds and Accounts established by the Sales Tax Bond Trust Agreement (other than the Bond Proceeds Fund while it is held and administered by the Authority, the Rebate Fund, the Subordinated Debt Service Fund and the Subordinated Debt Service Reserve Fund) including the investments, if any, thereof.

Subject only to the prior pledge created for the payment of Senior Sales Tax Bonds under the second paragraph under this heading, and on the terms and conditions set forth therein with respect to such prior pledge, the property described in clauses (i), (iii), (iv) and (v) of said paragraph (except moneys or Investment Obligations in the Senior Debt Service Fund or the Senior Debt Service Reserve Fund) are hereby further pledged, and the proceeds of the sale of Subordinated Sales Tax Bonds, Dedicated Payments allocated to Subordinated Sales Tax Bonds and interest earnings thereon, the Subordinated Debt Service Fund and the Subordinated Debt Service Reserve Fund are hereby further pledged, to the payment of the Subordinated Sales Tax Bonds. (*Sections 201, 501*).

### ***Provisions for Issuance of Sales Tax Bonds***

Sales Tax Bonds of one or more Series may at any time or from time to time be authenticated and delivered upon original issuance (i) to pay or provide for the payment of other Authority bonds, notes or other obligations, (ii) to refund Outstanding Sales Tax Bonds, (iii) to pay costs of the Authority in accordance with the Act, (iv) to make a deposit to the Bond Proceeds Fund, the Deficiency Fund or the Capital Maintenance Fund, including any Accounts therein, (v) in the case of Senior Sales Tax Bonds, to make a deposit to the Senior Debt Service Fund or the Senior Debt Service Reserve Fund, including any Accounts therein, (vi) in the case of Subordinated Sales Tax Bonds, to make a deposit to the Subordinated Debt Service Fund or the Subordinated Debt Service Reserve Fund, including any Accounts therein, and (vii) to pay or provide for the payment of the costs incurred in connection with the issuance of Sales Tax Bonds.

The Sales Tax Bonds of a Series authorized to be issued shall be executed by the Authority and delivered to the Trustee. Such Sales Tax Bonds shall from time to time and in such amounts as directed by the Authority be authenticated and delivered by the Trustee to or upon the order of the Authority upon receipt of the consideration therefor and upon delivery to the Trustee of:

(1) An Opinion of Bond Counsel to the effect that (i) the Authority has the right and power under the Act to enter into the Sales Tax Bond Trust Agreement, and the Trust Agreement has been duly and lawfully approved by the Authority, and, assuming due authorization, execution and delivery by the Trustee, is in full force and effect and is valid and binding upon the Authority and enforceable in accordance with its terms, and no other authorization for the Trust Agreement is required; (ii) the Trust

Agreement creates the valid pledge of the items which it purports to pledge to the payment of the Sales Tax Bonds pursuant to the Sales Tax Bond Trust Agreement, subject to the application thereof to the purposes and on the conditions permitted by the Trust Agreement; and (iii) the Sales Tax Bonds of such Series are valid and binding special obligations of the Authority as provided in the Trust Agreement, enforceable in accordance with their terms and the terms of the Trust Agreement, and entitled to the benefit of the Trust Agreement and of the Act and such Sales Tax Bonds have been duly and validly authorized and issued in accordance with law, including the Act, and in accordance with the Trust Agreement; provided, that such Opinion may take exception as to the effect of, or for restrictions or limitations imposed by or resulting from, bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws affecting creditors' rights generally and judicial discretion and may state that no opinion is being rendered as to the availability of any particular remedy;

(2) A written order as to the delivery of the Sales Tax Bonds of such Series, signed by an Authorized Officer;

(3) Copies of the Trust Agreement as amended and supplemented and of the Supplemental Trust Agreement authorizing such Series, each certified by an Authorized Officer;

(4) If any Sales Tax Bonds of such Series are Put Bonds, a Credit Facility or Liquidity Facility in such an amount as would provide sufficient moneys for the purchase or redemption of all Put Bonds of such Series if Owners thereof elected to tender for purchase or redemption the entire aggregate Outstanding principal amount of the Put Bonds of such Series;

(5) A certificate of an Authorized Officer:

(i) setting forth (a) the Senior Net Debt Service for all Series of Sales Tax Bonds Outstanding immediately after such authentication and delivery for the then current and each future Fiscal Year during which such Series of Sales Tax Bonds will be Outstanding, (b) the Combined Net Debt Service for all Series of Sales Tax Bonds Outstanding immediately after such authentication and delivery for the then current and each future Fiscal Year during which such Series of Sales Tax Bonds will be Outstanding, and (c) the aggregate estimated payments due and payable on Prior Obligations for the then current and each such future Fiscal Year;

(ii) stating that the amount on deposit in the Senior Debt Service Reserve Fund and the Subordinated Debt Service Reserve Fund (after taking into account any surety bond, insurance policy, letter of credit or other similar obligation on deposit therein) immediately after the authentication and delivery of the Sales Tax Bonds of such Series (and in the event that any Outstanding Sales Tax Bonds are then being redeemed, after such redemption) will be at least equal to the Senior Debt Service Reserve Requirement and the Subordinated Debt Service Reserve Fund Requirement, respectively, and stating that there is no overdue payment obligations to the provider of any surety bond, insurance policy, letter of credit or other obligation on deposit in the Senior Debt Service Reserve Fund;

(iii) demonstrating, for the then current and each future Fiscal Year, that the sum of the Assessment Floor Amount plus the Residual Sales Tax divided by Net Debt Service (as defined in the Assessment Bond Trust Agreement) on outstanding Assessment Bonds is equal to or greater than 1.50; and

(iv) demonstrating that:

(a) the Base Revenue Floor Amount for each Fiscal Year during which such Series of Sales Tax Bonds will be Outstanding is greater than the sum of (i) the amount set forth in clause 5(i)(b) and (ii) the amount set forth in clause 5(i)(c) for each such Fiscal Year; or

(b) the Historic Dedicated Sales Tax Revenue Amount less, for the then current and each future Fiscal Year during which such Series of Sales Tax Bonds will be Outstanding, the amount set forth in clause 5(i)(c) above, divided by, for each such Fiscal Year, the amount set forth in clauses 5(i)(a) and 5(i)(b), respectively, is equal to or greater than 2.00 and 1.50.

In the event that at the time of delivery of such certificate, any Bond Anticipation Notes are Outstanding, such certificate shall assume that there are Sales Tax Bonds Outstanding in a principal amount equal to the Outstanding Bond Anticipation Notes, which Sales Tax Bonds mature in 40 years, bear interest at the Estimated Average Rate, the Principal Installments and interest due on such Sales Tax Bonds come due in substantially equal annual payments, and are Senior Sales Tax Bonds or Subordinated Sales Tax Bonds, depending on which of the foregoing the Series was designated pursuant to the resolution authorizing such Bond Anticipation Notes in accordance with the Sales Tax Bond Trust Agreement.

(6) A certificate of an Authorized Officer to the effect that, upon the authentication and delivery of the Sales Tax Bonds of such Series, the Authority will not be in default in the performance of the terms and provisions of the Trust Agreement or of any of the Sales Tax Bonds. (*Section 202*).

### ***Special Provisions for Refunding Bonds***

One or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all or any portion of the Outstanding Sales Tax Bonds of a Series, in an aggregate principal amount which will provide funds, together with other moneys available therefor, to accomplish such refunding.

The Refunding Bonds of such Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the documents required by the Sales Tax Bond Trust Agreement:

(1) If the Sales Tax Bonds to be refunded are to be redeemed, instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Sales Tax Bonds so to be refunded on a redemption date specified in such instructions, subject to the provisions of the Sales Tax Bond Trust Agreement;

(2) If the Sales Tax Bonds to be refunded are to be deemed paid within the meaning and with the effect expressed in the Sales Tax Bond Trust Agreement relating to defeasance of Sales Tax Bonds, instructions to the Trustee, satisfactory to it; and

(3) If the Sales Tax Bonds to be refunded are to be deemed paid within the meaning and with the effect expressed in the Sales Tax Bond Trust Agreement relating to defeasance of Sales Tax Bonds, (i) moneys and/or (ii) Investment Obligations as shall be necessary to comply with the Sales Tax Bond Trust Agreement, which Investment Obligations and moneys shall be held in trust and used only as provided in the Sales Tax Bond Trust Agreement;

(4) If the proceeds of such Series of Refunding Bonds are to be utilized by the Authority to purchase Sales Tax Bonds to be delivered to the Trustee in satisfaction of a Sinking Fund Installment or to defease a portion of the Sales Tax Bonds which are the subject of a Sinking Fund Installment in accordance with the Sales Tax Bond Trust Agreement, a certificate of an Authorized Officer of the Authority specifying (i) the principal amount, Series, maturity, interest rate and number of the Sales Tax Bonds to be so delivered, (ii) the date and Series of the Sinking Fund Installment in satisfaction of which such Sales Tax Bonds are to be so delivered, (iii) the aggregate principal amount of the Sales Tax Bonds to be so delivered, and (iv) the unsatisfied balance of each such Sinking Fund Installment after giving effect to the delivery of the Sales Tax Bonds to be so delivered; and

(5) Either (a) a certificate of an Authorized Officer of the Authority stating that (i) the final maturity of the Refunding Bonds is no later than the final maturity of the Sales Tax Bonds to be refunded and (ii) as a result of the issuance of the Refunding Bonds there shall be no increase in the amount of Senior Net Debt Service in any Fiscal Year and there shall be no increase in the amount of Combined Net Debt Service in any Fiscal Year; or (b) the certificate provided for in the Sales Tax Bond Trust Agreement with respect to such Series of Refunding Bonds, considering for all purposes of such certificate that (i) such Series of Refunding Bonds is either a Series of Senior Sales Tax Bonds or a Series of Subordinated Sales Tax Bonds and (ii) that the Sales Tax Bonds to be refunded are no longer Outstanding.

The proceeds, including accrued interest, of the Refunding Bonds of each such Series shall be applied simultaneously with the delivery of such Sales Tax Bonds in the manner provided in the Supplemental Trust Agreement authorizing such Sales Tax Bonds. (*Section 204*).

### ***Bond Anticipation Notes***

Whenever the Authority shall authorize the issuance of a Series of Senior Sales Tax Bonds or Subordinated Sales Tax Bonds (without necessity for the Authority to have entered into a Supplemental Trust Agreement providing for such issue or to have satisfied the conditions set forth in the Sales Tax Bond Trust Agreement), the Authority may by resolution authorize the issuance of notes (and renewals thereof) in anticipation of the sale of such authorized Series of Sales Tax Bonds; provided, however, that in the event such authorized Series is Senior Sales Tax Bonds, the Authority may subsequently determine to issue Subordinated Sales Tax Bonds to repay the notes. The principal of and interest on such notes and renewals thereof shall be payable from the proceeds of such notes, from the proceeds of the sale of the Series of Sales Tax Bonds in anticipation of which such Notes are issued or from funds of the Authority. The proceeds of such Sales Tax Bonds may be pledged for the payment of the principal of and interest on such notes and any such pledge shall have a priority over any other pledge of such proceeds created by the Sales Tax Bond Trust Agreement. The Authority may secure the payment of the interest on such notes by a pledge that is on a parity with the pledge under the Sales Tax Bond Trust Agreement securing all Sales Tax Bonds, in which event such interest shall be payable from the Senior Debt Service Fund or Subordinated Debt Service Fund, as applicable. The Authority may also pledge the Pledged Revenues and other Authority funds to the payment of the principal of such notes, but such pledge shall be subordinate to the pledge securing the payment of the Sales Tax Bonds. A copy of the resolution of the Authority authorizing such notes, certified by an Authorized Representative of the Authority, shall be delivered to the Trustee following its adoption. The aggregate principal amount of notes issued under this heading which may be Outstanding at any time shall be limited as and to the extent provided in the Act. (*Section 205*).

### ***Additional Obligations***

The Authority reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness or to enter into a hedge agreement pursuant to other and separate resolutions or agreements of the Authority, so long as such bonds, notes or other obligations are not, or such other indebtedness or provider of the hedge agreement is not, except as provided in the Sales Tax Bond Trust Agreement, entitled to a charge or lien or right with respect to the Pledged Revenues or the Funds and Accounts created hereby or pursuant hereto. Notwithstanding the foregoing, the Authority may by Supplemental Resolution issue bonds, notes or any other obligations or enter into a hedge agreement entitled to a charge or lien or right with respect to the Pledged Revenue or the Funds and Accounts under the Sales Tax Bond Trust Agreement, so long as amounts payable on such obligations or under such agreement shall be payable after the deposits set forth in the Sales Tax Bond Trust Agreement. (*Section 206*).

### ***Hedging Transactions***

A Hedge Agreement is a Qualified Hedge Agreement if (i) the Provider of the Hedge Agreement is a Qualified Institution or the Provider's obligations under the Hedge Agreement are unconditionally guaranteed by a Qualified Institution and (ii) the Authority designates it as such by Certificate of an Authorized Officer.

If the Authority shall enter into any Qualified Hedge Agreement with respect to any Sales Tax Bonds and the Authority has made a determination that the Qualified Hedge Agreement was entered into for the purpose of hedging or managing the interest due with respect to those Sales Tax Bonds then during the term of the Qualified Hedge Agreement and so long as the Provider of the Qualified Hedge Agreement is not in default:

- (1) for purposes of any calculation of Debt Service, the interest rate on the Sales Tax Bonds with respect to which the Qualified Hedge Agreement applies shall be determined as if such Sales Tax Bonds had interest payments equal to the interest payable on those Sales Tax Bonds less any payments reasonably expected to be made to the Authority by the Provider and plus any payments reasonably expected to be made by the Authority to the Provider in accordance with the terms of the Qualified Hedge Agreement (other than fees or termination payments payable to such Provider for providing the Qualified Hedge Agreement);
- (2) any such payments (other than fees and termination payments) required to be made by the Authority to the Provider pursuant to such Qualified Hedge Agreement shall be made from amounts on deposit in the Senior Debt Service Fund or Subordinated Debt Service Fund, as applicable;
- (3) any such payments received by or for the account of the Authority from the Provider pursuant to such Qualified Hedge Agreement shall be deposited in the Senior Debt Service Fund or Subordinated Debt Service Fund, as applicable; and
- (4) fees and termination payments, if any, payable to the Provider pursuant to such Qualified Hedge Agreement, other than solely as a result of an event of default with respect to the Provider or event affecting the Provider, shall be paid from amounts on deposit in the General Fund; and
- (5) fees and termination payments, if any, payable to the Provider pursuant to such Qualified Hedge Agreement solely as a result of an event of default with respect to the Provider or event affecting the Provider shall be a general unsecured obligation of the Authority.

If the Authority shall enter into a Hedge Agreement that is not a Qualified Hedge Agreement, then:

(1) the interest rate adjustments or assumptions referred to in clause (1) under this heading shall not be made;

(2) any and all payments required to be made by the Authority to the Provider pursuant to such Hedge Agreement, other than solely as a result of an event of default with respect to the Provider or event affecting the Provider, may be made be paid from amounts on deposit in the General Fund if and to the extent expressly provided in the Hedge Agreement; and

(3) fees and termination payments payable to the Provider solely as a result of an event of default with respect to the Provider or event affecting the Provider and, if not expressly provided in the Hedge Agreement to be paid from amounts on deposit in the General Fund, other payments required to be made by the Authority to the Provider under the Hedge Agreement shall be a general unsecured obligation of the Authority. (*Section 104*).

### ***Redemption of Sales Tax Bonds***

Sales Tax Bonds subject to redemption prior to maturity pursuant to a Supplemental Trust Agreement shall be redeemable, upon notice as provided in the Sales Tax Bond Trust Agreement, at such times, at such Redemption Prices and upon such terms as may be specified in the Sales Tax Bond Trust Agreement or in the Supplemental Trust Agreement authorizing such Series.

In the case of any redemption of Sales Tax Bonds otherwise than as provided in the third paragraph under this heading, the Authority shall give written notice to the Trustee of its election so to redeem, of the redemption date, of the Series, and of the principal amounts of the Sales Tax Bonds of each maturity of such Series to be redeemed (which Series, maturities and principal amounts thereof to be redeemed shall be determined by the Authority in its sole discretion, subject to any limitations with respect thereto contained in any Supplemental Trust Agreement). Such notice shall be given at least 45 days prior to the redemption date or such shorter period as shall be acceptable to the Trustee.

Whenever by the terms of the Sales Tax Bond Trust Agreement or a Supplemental Trust Agreement, Sales Tax Bonds are required to be redeemed otherwise than at the election of the Authority, the Authority may, subject to the provision of any related Supplemental Trust Agreement, select the Series of Sales Tax Bonds, the principal amounts of the Sales Tax Bonds of each maturity of such Series to be redeemed and, except in the case of mandatory sinking fund redemption, of the amount of such Sinking Fund Installment, if applicable, within such maturity to be redeemed (which Series, maturities and principal amounts thereof to be redeemed and Sinking Fund Installments shall be determined by the Authority in its sole discretion, subject to any limitations with respect thereto contained in the Sales Tax Bond Trust Agreement or a Supplemental Trust Agreement) and in the event the Authority does not notify the Trustee of such Series, maturities and principal amounts to be redeemed on or before the 45th day preceding the redemption date, the Trustee shall select the Sales Tax Bonds to be redeemed, give the notice of redemption and apply the moneys available therefor to redeem on the redemption date at the Redemption Price therefor, together with accrued interest to the redemption date, all of the Sales Tax Bonds to be redeemed.

In the event of redemption of less than all of the Outstanding Sales Tax Bonds of like maturity of any Series shall be called for prior redemption, the particular Sales Tax Bonds or portions of Sales Tax Bonds to be redeemed shall be selected by the Trustee by lot, or in such other manner as the Trustee in its discretion may deem fair and appropriate subject to any limitation with respect thereto contained in the

applicable Supplemental Trust Agreement. For purposes of the provisions under this heading, the minimum denomination of a Capital Appreciation Bond shall be the lowest Accreted Value authorized to be due at maturity on such Sales Tax Bonds, and the minimum denomination of a Deferred Income Bond shall be the lowest Appreciated Value on the Interest Commencement Date authorized for such Sales Tax Bonds.

Notice of the call for any redemption of Sales Tax Bonds prior to maturity shall be given as provided in the applicable Supplemental Trust Agreement. (*ARTICLE IV*).

***Establishment of Funds and Accounts***

The following Funds and Accounts, which shall be held and administered by the Trustee, are hereby established:

- (1) Pledged Revenue Fund;
- (2) Senior Debt Service Fund;
- (3) Senior Debt Service Reserve Fund;
- (4) Subordinated Debt Service Fund;
- (5) Subordinated Debt Service Reserve Fund;
- (6) General Fund.

Amounts held at any time by the Trustee in any of the Funds and Accounts established pursuant to the provisions under this heading or under the Bond Proceeds Fund pursuant to a Supplemental Trust Agreement shall be held in trust for the Owners of the Sales Tax Bonds separate and apart from all other funds of the Trustee, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes provided in the Sales Tax Bond Trust Agreement.

The following Funds and Accounts, which shall be held and administered by the Authority, are hereby established:

- (1) Bond Proceeds Fund, which shall include the Capital Account and such other Accounts as the Authority may create by Supplemental Trust Agreement; and
- (2) Rebate Fund.

Amounts held at any time by the Authority in any of the Funds and Accounts established pursuant to the provisions under this heading shall be held in trust separate and apart from all other funds of the Authority for the benefit of the Owners of Sales Tax Bonds, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes provided in the Sales Tax Bond Trust Agreement. Additional funds, accounts or subaccounts may be created for other purposes by any Supplemental Trust Agreement. Notwithstanding the foregoing, the Authority by Supplemental Trust Agreement authorizing a Series of Sales Tax Bonds may designate that one or more Accounts in the Bond Proceeds Fund created by such Supplemental Trust Agreement be held and administered by the Trustee and pledged to the Owners of the Sales Tax Bonds. (*Section 502 and Section 302 of the Fourth Supplemental Trust Agreement*).



### ***Bond Proceeds Fund***

The Authority shall deposit into the Bond Proceeds Fund the net proceeds of all Sales Tax Bonds, other than Refunding Bonds, issued for direct expenditures to be made by the Authority, which net proceeds shall be in the amount and applied as set forth in the applicable Supplemental Trust Agreement. (*Section 503*).

### ***Pledged Revenue Fund and Application Thereof***

The Authority shall, immediately following the execution of the Sales Tax Bond Trust Agreement, transfer to the Trustee for payment into the Pledged Revenue Fund all Pledged Revenues as received, except Investment Income required by the terms hereof to be deposited in another Fund or Account. Amounts in the Pledged Revenue Fund shall be deposited in, or credited to, as appropriate, on the last Business Day of the month in which the first such amounts are deposited in the Pledged Revenue Fund and on or before the last Business Day of each month thereafter, the following Funds and Accounts, in the amounts and in the order and priority, as follows:

(1) Into the Senior Debt Service Fund, the amount, if any, required so that the balance in said Fund shall equal the Senior Net Debt Service and the fees and charges related to Credit Facilities, Liquidity Facilities, and Qualified Hedge Agreements entered into in connection with Senior Sales Tax Bonds accrued or accruing prior to the last Business Day of the next succeeding month;

(2) Into the Senior Debt Service Reserve Fund, the amount, if any, required for such Fund, after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation deposited in such Fund pursuant to the Sales Tax Bond Trust Agreement and subject to the provisions of the Sales Tax Bond Trust Agreement, to equal the Senior Debt Service Reserve Requirement as of the last day of the then current month; provided, however, that the provisions of the sixth paragraph under the heading "Senior Debt Service Reserve Fund" shall govern any replenishment required after a withdrawal from such Fund;

(3) Into the Subordinated Debt Service Fund, the amount, if any, required so that the balance in said Fund shall equal the Subordinated Net Debt Service and the fees and charges related to Credit Facilities, Liquidity Facilities and Qualified Hedge Agreements entered into in connection with Subordinated Sales Tax Bonds accruing prior to the last Business Day of the next succeeding month;

(4) Into the Subordinated Debt Service Reserve Fund, the amounts, if any, after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation deposited in such Fund pursuant to the Sales Tax Bond Trust Agreement and subject to the provisions of the Sales Tax Bond Trust Agreement, to equal the Subordinated Debt Service Reserve Requirement as of the last day of the then current month; provided, however, that the provisions of the Sales Tax Bond Trust Agreement shall govern any replenishment required after a withdrawal from such Fund;

(5) To the Authority for credit to the Rebate Fund, notwithstanding any other provisions of the Sales Tax Bond Trust Agreement, such Pledged Revenues at such times and in such amounts as shall be set forth in a certificate of an Authorized Officer;

(6) If the Trustee shall have received a certificate from the trustee under the Assessment Bond Trust Agreement in accordance with the Assessment Bond Trust Agreement, to such trustee the amount set forth in such certificate;

(7) To the applicable trustee or custodian for Prior Obligations, the amount set forth in a certificate of an Authorized Officer for the payment of Prior Obligations;

(7A) To pay the provider of any surety bond, insurance policy, letter of credit or other similar obligation held on the Senior Debt Service Reserve Fund outstanding interest and expenses on amounts advanced under such obligation in accordance with the terms thereof;

(8) To the General Fund, the amount set forth in an certificate of an Authorized Officer; and

(9) To the Authority, the moneys remaining on deposit in the Pledged Revenue Fund after making the foregoing deposits.

Notwithstanding the foregoing, in the event that by April 1 of any year, commencing April 1, 2001, the Authority is otherwise unable to make the certification required under Section 35T that it has made provision in its annual budget under the Act for sufficient amounts to be available in the next Fiscal Year to meet the Prior Obligations without changing the priority of payment of the Prior Obligations in accordance with this sentence, the deposit required pursuant to clause (7) above shall be made prior to the deposit required pursuant to clause (1) during the following Fiscal Year; provided, however, that if during such Fiscal Year the Authority shall adopt a supplemental budget which would permit the Authority to be able to make such certification without changing such priority as aforesaid, the deposit required pursuant to clause (7) shall not be required to be paid prior to the deposit under clause (i) for the remainder of such Fiscal Year.

In determining the amounts to be transferred to the Authority for deposit in the Funds and Accounts held by the Authority, the Trustee may rely exclusively on a certificate of an Authorized Officer setting forth such amounts, which certificate shall be timely provided to the Trustee by the Authority. (*Section 504*).

### ***Rebate Fund***

Upon the issuance, sale and delivery of any Series of Sales Tax Bonds subject to the Rebate Fund Requirement, there shall be established in the Rebate Fund a separate account for such Series. Funds on deposit in the Rebate Fund shall be applied as set forth in the applicable Supplemental Trust Agreement or a certificate of an Authorized Officer. Unless otherwise specified in the applicable Supplemental Trust Agreement or certificate of an Authorized Officer, interest or other income derived from the investment or deposit of moneys in the Rebate Fund shall be retained in the Rebate Fund. (*Section 505*).

### ***Senior Debt Service Fund***

The Trustee shall pay out of the Senior Debt Service Fund to the respective Paying Agents (i) on or before each interest payment date for any of the Senior Sales Tax Bonds, the amount required for the interest payable on such date; (ii) on or before each Principal Installment due date, the amount required for the Principal Installment for Senior Sales Tax Bonds payable on such due date; and (iii) on or before any redemption date for the Senior Sales Tax Bonds, the amount required for the payment of the Redemption Price of and interest on the Senior Sales Tax Bonds then to be redeemed; provided, however, that if with respect to any Series of Senior Sales Tax Bonds or portions thereof the amounts due on any such interest payment date and/or Principal Installment due date and/or redemption date are intended to be paid from a source other than amounts in the Senior Debt Service Fund prior to any application of amounts in the Senior Debt Service Fund to such payments, the Trustee shall not pay any such amounts to the Paying Agent until such amounts have failed to be provided from such other source at the time required and, if any such amounts due are paid from such other source, the Trustee shall apply the

amounts in the Senior Debt Service Fund to provide reimbursement for such payment from such other source, as provided in the agreement governing reimbursement of such amounts to such other source. Such amounts shall be applied by the Paying Agents on and after the due dates thereof. The Trustee shall also pay out of the Senior Debt Service Fund (i) the accrued interest included in the purchase price of Senior Sales Tax Bonds purchased for retirement and (ii) upon written instruction of the Authority, any fees and charges related to Credit Facilities, Liquidity Facilities and Qualified Hedge Agreements with respect to Senior Sales Tax Bonds.

The amount, if any, deposited in the Senior Debt Service Fund from the proceeds of each Series of Senior Sales Tax Bonds shall be set aside in such Fund and applied to the payment of interest on Senior Sales Tax Bonds as provided in the Supplemental Trust Agreement relating to the issuance of such Series of Senior Sales Tax Bonds.

In the event the amount on deposit in the Senior Debt Service Fund shall be less than the requirement of such Fund pursuant to the Sales Tax Bond Trust Agreement, the Trustee shall provide a certificate to the Authority and the trustee under the Assessment Bond Trust Agreement setting forth the amount of the shortfall and shall receive such amount (to the extent available) from the Pledged Revenue Fund under the Assessment Bond Trust Agreement in accordance with the Sales Tax Bond Trust Agreement.

In the event of the refunding of any Senior Sales Tax Bonds, the Authority may direct the Trustee to withdraw from the Senior Debt Service Fund all, or any portion of, the amounts accumulated therein with respect to Debt Service on the Senior Sales Tax Bonds being refunded and deposit such amounts in a separate account with the Trustee to be held for the payment of the principal or Redemption Price, if applicable, of and interest on the Senior Sales Tax Bonds being refunded; provided that such withdrawal shall not be made unless (a) immediately thereafter Senior Sales Tax Bonds being refunded shall be deemed to have been paid pursuant to the Sales Tax Bond Trust Agreement, and (b) the amount remaining in the Senior Debt Service Fund, after giving effect to the issuance of Refunding Bonds and the disposition of the proceeds thereof, shall not be less than the requirement of such Fund pursuant to the Sales Tax Bond Trust Agreement. In the event of such refunding, the Authority may also direct the Trustee to withdraw from the Senior Debt Service Fund all, or any portion of, the amounts accumulated therein with respect to Debt Service on the Senior Sales Tax Bonds being refunded and deposit such amounts in any Fund or Account under the Sales Tax Bond Trust Agreement; provided, however, that such withdrawal shall not be made unless clauses (a) and (b) referred to hereinabove have been satisfied and provided, further, that, at the time of such withdrawal, there shall exist no deficiency in any Fund or Account held under the Sales Tax Bond Trust Agreement (other than the Fund or Account into which such amount is being transferred). (*Section 506*).

### ***Senior Debt Service Reserve Fund***

If on the last Business Day of any month the amount in the Senior Debt Service Fund shall be less than the amount required to be in such Fund pursuant to paragraph (1) under the heading “Pledged Revenue Fund and Application thereof”, after deposit of any funds received from the Assessment Bond Trust Agreement in accordance with the Sales Tax Bond Trust Agreement, the Trustee shall transfer to the Senior Debt Service Fund amounts from the Senior Debt Service Reserve Fund equal to the deficiency.

Whenever the moneys on deposit in the Senior Debt Service Reserve Fund shall exceed the Senior Debt Service Reserve Requirement, such excess may be, in the discretion of the Authority, transferred by the Trustee to the Senior Debt Service Fund or, if approved by an Opinion of Bond Counsel, to any Fund or Account specified by the Authority.

Whenever the amount in the Senior Debt Service Reserve Fund, together with the amount in the Senior Debt Service Fund, is sufficient to pay in full all Outstanding Senior Sales Tax Bonds in accordance with their terms (including principal or applicable Sinking Fund Installments thereof and interest thereon), the amounts on deposit in the Senior Debt Service Reserve Fund may, in the discretion of the Authority, be transferred to the Senior Debt Service Fund. Prior to said transfer, all investments held in the Senior Debt Service Reserve Fund shall be liquidated to the extent necessary in order to provide for the timely payment of principal or Redemption Price and interest on Senior Sales Tax Bonds.

In lieu of the required deposits and transfers to the Senior Debt Service Reserve Fund or as a replacement or substitution for any moneys or Investment Obligations then on deposit in the Senior Debt Service Reserve Fund, the Authority may at any time cause to be deposited into the Senior Debt Service Reserve Fund for the benefit of the Owners of the Senior Sales Tax Bonds a surety bond, an insurance policy, a letter of credit or other similar obligation (and may replace such surety bond, insurance policy, letter of credit or similar obligation from time to time) providing for payments in an amount equal to the difference between the Senior Debt Service Reserve Requirement and the sums, if any, then on deposit in the Senior Debt Service Reserve Fund or being deposited in the Senior Debt Service Reserve Fund concurrently with such surety bond, insurance policy, letter of credit or other similar obligation. The surety bond, insurance policy, letter of credit or other similar obligation shall be payable (upon the giving of notice as required thereunder) on any date on which moneys will be required to be withdrawn from the Senior Debt Service Reserve Fund and applied to the payment of a Principal Installment of or interest on any Senior Sales Tax Bonds and such withdrawal cannot be met by moneys and Investment Obligations on deposit in the Senior Debt Service Reserve Fund. To the extent there is on deposit in the Senior Debt Service Reserve Fund more than one surety bond, insurance policy, letter of credit or other similar obligation, the Trustee shall draw upon such obligations pro rata following the withdrawal of moneys and Investment Obligations on deposit therein. The insurer providing such surety bond or insurance policy shall be an insurer (i) whose municipal bond insurance policies, at the time of issue of such surety bond or insurance policy, insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in a category equal to or higher than its unenhanced, published rating on Outstanding Sales Tax Bonds by any Rating Agency or (ii) who holds the highest policy-holder rating accorded insurers by any Rating Agency. The letter of credit issuer shall be a bank or trust company which at the time of issuance of the letter of credit has an outstanding, unsecured, uninsured and unguaranteed debt issue rated in a category equal to or higher than its unenhanced, published rating on Outstanding Sales Tax Bonds by any Rating Agency. If a disbursement is made pursuant to a surety bond, an insurance policy, a letter of credit or other similar obligation provided pursuant to this paragraph, the Authority shall be obligated, but only from the sources of payment specified in the Sales Tax Bond Trust Agreement, either (i) to reinstate the maximum limits of such surety bond, insurance policy, letter of credit or other similar obligation, (ii) to deposit into the Senior Debt Service Reserve Fund, funds in the amount of the disbursement made under such surety bond, insurance policy, letter of credit or other similar obligation, (iii) to promptly deposit into the Senior Debt Service Reserve Fund a different surety bond, insurance policy, letter of credit or other similar obligations having a maximum limit equal to the amount of the disbursement made under the existing surety bond, insurance policy, letter of credit or other similar obligation, or (iv) to utilize any combination of the alternatives set forth in clauses (i), (ii) or (iii) above as shall provide that the amount in the Senior Debt Service Reserve Fund equals the Senior Debt Service Reserve Requirement. Subject to the provisions of the sixth paragraph under this heading, moneys and Investment Obligations on deposit in the Senior Debt Service Reserve Fund may, if required by the terms of any surety bond, letter of credit or other similar obligation, be utilized by the Authority to repay any drawings on such surety bond, letter of credit or other similar obligation, but only if such repayment will result in a reinstatement of the amount available to be drawn under such surety bond, letter of credit or other similar obligation in an amount at least equal to the amount of such repayment. Notwithstanding the foregoing and anything in the Sales Tax Bond Trust

Agreement to the contrary, any funds deposited to restore the Senior Debt Service Reserve Fund shall be applied to reinstate any surety bond, insurance policy, letter of credit or other similar obligation prior to depositing additional moneys and Investment Obligations therein.

In the event of the refunding of any Senior Sales Tax Bonds, the Authority may direct the Trustee to withdraw from the Senior Debt Service Reserve Fund all, or any portion of, the amounts accumulated therein with respect to the Senior Sales Tax Bonds being refunded and deposit such amounts with the Trustee in a separate account to be held for the payment of the principal or Redemption Price, if applicable, and interest on the Senior Sales Tax Bonds being refunded; provided that such withdrawal shall not be made unless (a) immediately thereafter the Senior Sales Tax Bonds being refunded shall be deemed to have been paid pursuant to the Sales Tax Bond Trust Agreement, and (b) the amount remaining in the Senior Debt Service Reserve Fund, after giving effect to the issuance of any Refunding Bonds and the disposition of the proceeds thereof and to any surety bond, insurance policy, letter of credit or other similar obligation deposited in such Fund pursuant to the Sales Tax Bond Trust Agreement, shall not be less than the Senior Debt Service Reserve Requirement. In the event of such refunding, the Authority may also direct the Trustee to withdraw from the Senior Debt Service Reserve Fund all, or any portion of, the amounts accumulated therein with respect to Senior Debt Service on the Senior Sales Tax Bonds being refunded and deposit such amounts in any Fund or Account under the Sales Tax Bond Trust Agreement; provided, however, that such withdrawal shall not be made unless items (a) and (b) referred to hereinabove have been satisfied.

Regardless of the provisions of the Sales Tax Bond Trust Agreement, in the event that at any time the amount on deposit in the Senior Debt Service Reserve Fund, after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation deposited in such Fund pursuant to the Sales Tax Bond Trust Agreement, shall be less than the Senior Debt Service Reserve Requirement as a result of any withdrawal from said Fund or as a result of the valuation of such Fund performed in accordance with the Sales Tax Bond Trust Agreement, the Authority shall restore the amount on deposit in the Senior Debt Service Reserve Fund, after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation deposited in said Fund pursuant to the Sales Tax Bond Trust Agreement, to the Senior Debt Service Reserve Requirement, in the case of restoration after a withdrawal in twelve (12) equal monthly installments commencing within ninety (90) days of such withdrawal, and in the case of restoration as a result of valuation in six (6) equal monthly installments commencing thirty (30) days after such valuation. (*Section 507*).

### ***Subordinated Debt Service Fund***

The Trustee shall pay out of the Subordinated Debt Service Fund to the respective Paying Agents (i) on or before each interest payment date for any of the Subordinated Sales Tax Bonds, the amount required for the interest payable on such date; (ii) on or before each Principal Installment due date, the amount required for the Principal Installment for Subordinated Sales Tax Bonds payable on such due date; and (iii) on or before any redemption date for the Subordinated Sales Tax Bonds, the amount required for the payment of the Redemption Price of and interest on the Subordinated Sales Tax Bonds then to be redeemed; provided, however, that if with respect to any Series of Subordinated Sales Tax Bonds or portions thereof the amounts due on any such interest payment date and/or Principal Installment due date and/or redemption date are intended to be paid from a source other than amounts in the Subordinated Debt Service Fund prior to any application of amounts in the Subordinated Debt Service Fund to such payments, the Trustee shall not pay any such amounts to the Paying Agent until such amounts have failed to be provided from such other source at the time required and, if any such amounts due are paid from such other source, the Trustee shall apply the amounts in the Subordinated Debt Service Fund to provide reimbursement for such payment from such other source, as provided in the agreement governing reimbursement of such amounts to such other source. Such amounts shall be applied by the

Paying Agents on and after the due dates thereof. The Trustee shall also pay out of the Subordinated Debt Service Fund (i) the accrued interest included in the purchase price of Subordinated Sales Tax Bonds purchased for retirement and (ii) upon written instruction of the Authority, any fees and charges related to Credit Facilities, Liquidity Facilities and Qualified Hedge Agreements with respect to Subordinated Sales Tax Bonds.

The amount, if any, deposited in the Subordinated Debt Service Fund from the proceeds of each Series of Subordinated Sales Tax Bonds shall be set aside in such Fund and applied to the payment of interest on Subordinated Sales Tax Bonds as provided in the Supplemental Trust Agreement relating to the issuance of such Series of Subordinated Sales Tax Bonds.

In the event the amount on deposit in the Subordinated Debt Service Fund shall be less than the requirement of such Fund pursuant to the Sales Tax Bond Trust Agreement, the Trustee shall provide a certificate to the Authority and the trustee under the Assessment Bond Trust Agreement setting forth the amount of the shortfall and shall receive such amount (to the extent available) from the Pledged Revenue Fund under the Assessment Bond Trust Agreement in accordance with the Sales Tax Bond Trust Agreement.

In the event of the refunding of any Subordinated Sales Tax Bonds, the Authority may direct the Trustee to withdraw from the Subordinated Debt Service Fund all, or any portion of, the amounts accumulated therein with respect to Subordinated Debt Service on the Subordinated Sales Tax Bonds being refunded and deposit such amounts in a separate account with the Trustee to be held for the payment of the principal or Redemption Price, if applicable, of and interest on the Subordinated Sales Tax Bonds being refunded; provided that such withdrawal shall not be made unless (a) immediately thereafter Subordinated Sales Tax Bonds being refunded shall be deemed to have been paid pursuant to the Sales Tax Bond Trust Agreement, and (b) the amount remaining in the Subordinated Debt Service Fund, after giving effect to the issuance of Refunding Bonds and the disposition of the proceeds thereof, shall not be less than the requirement of such Fund pursuant to the Sales Tax Bond Trust Agreement. In the event of such refunding, the Authority may also direct the Trustee to withdraw from the Subordinated Debt Service Fund all, or any portion of, the amounts accumulated therein with respect to Debt Service on the Subordinated Sales Tax Bonds being refunded and deposit such amounts in any Fund or Account under the Sales Tax Bond Trust Agreement; provided, however, that such withdrawal shall not be made unless clauses (a) and (b) referred to hereinabove have been satisfied and provided, further, that, at the time of such withdrawal, there shall exist no deficiency in any Fund or Account held under the Sales Tax Bond Trust Agreement (other than the Fund or Account into which such amount is being transferred). (*Section 508*).

#### ***Subordinated Debt Service Reserve Fund***

If on the last Business Day of any month the amount in the Subordinated Debt Service Fund shall be less than the amount required to be in such Fund pursuant to the Sales Tax Bond Trust Agreement, after deposit of any funds received from the Assessment Bond Trust Agreement in accordance with the Sales Tax Bond Trust Agreement, the Trustee shall transfer to the Subordinated Debt Service Fund amounts from the Subordinated Debt Service Reserve Fund equal to the deficiency.

Whenever the moneys on deposit in the Subordinated Debt Service Reserve Fund shall exceed the Subordinated Debt Service Reserve Requirement, such excess may, in the discretion of the Authority, be transferred by the Trustee to the credit of the Subordinated Debt Service Fund or, if approved by an Opinion of Bond Counsel, to any Fund or Account specified by the Authority.

Whenever the amount in the Subordinated Debt Service Reserve Fund, together with the amount in the Subordinated Debt Service Fund, is sufficient to pay in full all Outstanding Sales Tax Bonds in accordance with their terms (including principal or applicable Sinking Fund Installments thereof and interest thereon), the amounts on deposit in the Subordinated Debt Service Reserve Fund may in the Authority's discretion be transferred to the Subordinated Debt Service Fund. Prior to said transfer, all investments held in the Subordinated Debt Service Reserve Fund shall be liquidated to the extent necessary in order to provide for the timely payment of principal or Redemption Price and interest on Subordinated Sales Tax Bonds.

In lieu of the required deposits and transfers to the Subordinated Debt Service Reserve Fund or as a replacement or substitution for any moneys or Investment Obligations then on deposit in the Subordinated Debt Service Reserve Fund, the Authority may at any time cause to be deposited into the Subordinated Debt Service Reserve Fund for the benefit of the Owners of the Subordinated Sales Tax Bonds a surety bond, an insurance policy, a letter of credit or other similar obligation (and may replace such surety bond, insurance policy, letter of credit or similar obligation from time to time) providing for payments in an amount equal to the difference between the Subordinated Debt Service Reserve Requirement and the sums, if any, then on deposit in the Subordinated Debt Service Reserve Fund or being deposited in the Subordinated Debt Service Reserve Fund concurrently with such surety bond, insurance policy, letter of credit or other similar obligation. The surety bond, insurance policy, letter of credit or other similar obligation shall be payable (upon the giving of notice as required thereunder) on any date on which moneys will be required to be withdrawn from the Subordinated Debt Service Reserve Fund and applied to the payment of a Principal Installment of or interest on any Subordinated Sales Tax Bonds and such withdrawal cannot be met by moneys and Investment Obligations on deposit in the Subordinated Debt Service Reserve Fund. The insurer providing such surety bond or insurance policy shall be an insurer (i) whose municipal bond insurance policies, at the time of issue of such surety bond or insurance policy, insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in a category equal to or higher than its unenhanced, published rating on Outstanding Sales Tax Bonds by any Rating Agency or (ii) who holds the highest policy-owner rating accorded insurers by a nationally recognized insurance rating agency. The letter of credit issuer shall be a bank or trust company which at the time of issuance of the letter of credit has an outstanding, unsecured, uninsured and unguaranteed debt issue rated in a category equal to or higher than its unenhanced, published rating on Outstanding Sales Tax Bonds by any Rating Agency. If a disbursement is made pursuant to a surety bond, an insurance policy, a letter of credit or other similar obligation provided pursuant to this paragraph, the Authority shall be obligated, but only from the sources of payment specified in the Sales Tax Bond Trust Agreement, either (i) to reinstate the maximum limits of such surety bond, insurance policy, letter of credit or other similar obligation, (ii) to deposit into the Subordinated Debt Service Reserve Fund, funds in the amount of the disbursement made under such surety bond, insurance policy, letter of credit or other similar obligation, (iii) to promptly deposit into the Subordinated Debt Service Reserve Fund a different surety bond, insurance policy, letter of credit or other similar obligations having a maximum limit equal to the amount of the disbursement made under the existing surety bond, insurance policy, letter of credit or other similar obligation, or (iv) to utilize any combination of the alternatives set forth in clauses (i), (ii) or (iii) above as shall provide that the amount in the Subordinated Debt Service Reserve Fund equals the Subordinated Debt Service Reserve Requirement. Subject to the provisions of the last paragraph under this heading, moneys and Investment Obligations on deposit in the Subordinated Debt Service Reserve Fund may, if required by the terms of any surety bond, letter of credit or other similar obligation, be utilized by the Authority to repay any drawings on such surety bond, letter of credit or other similar obligation, but only if such repayment will result in a reinstatement of the amount available to be drawn under such surety bond, letter of credit or other similar obligation in an amount at least equal to the amount of such repayment.

In the event of the refunding of any Subordinated Sales Tax Bonds, the Authority may direct the Trustee to withdraw from the Subordinated Debt Service Reserve Fund all, or any portion of, the amounts accumulated therein with respect to the Subordinated Sales Tax Bonds being refunded and deposit such amounts with the Trustee in a separate account to be held for the payment of the principal or Redemption Price, if applicable, and interest on the Subordinated Sales Tax Bonds being refunded; provided that such withdrawal shall not be made unless (a) immediately thereafter the Subordinated Sales Tax Bonds being refunded shall be deemed to have been paid pursuant to the Sales Tax Bond Trust Agreement, and (b) the amount remaining in the Subordinated Debt Service Reserve Fund, after giving effect to the issuance of any Refunding Bonds and the disposition of the proceeds thereof and to any surety bond, insurance policy, letter of credit or other similar obligation deposited in such Fund pursuant to the Sales Tax Bond Trust Agreement, shall not be less than the Subordinated Debt Service Reserve Requirement. In the event of such refunding, the Authority may also direct the Trustee to withdraw from the Subordinated Debt Service Reserve Fund all, or any portion of, the amounts accumulated therein with respect to Subordinated Debt Service on the Subordinated Sales Tax Bonds being refunded and deposit such amounts in any Fund or Account under the Sales Tax Bond Trust Agreement; provided, however, that such withdrawal shall not be made unless items (a) and (b) referred to hereinabove have been satisfied.

Regardless of the provisions of the Sales Tax Bond Trust Agreement, in the event that at any time the amount on deposit in the Subordinated Debt Service Reserve Fund, after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation deposited in such Fund pursuant to the Sales Tax Bond Trust Agreement, shall be less than the Subordinated Debt Service Reserve Requirement as a result of any withdrawal from said Fund or as a result of the valuation of such Fund performed in accordance with the Sales Tax Bond Trust Agreement, the Authority shall restore the amount on deposit in the Subordinated Debt Service Reserve Fund, after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation deposited in said Fund pursuant to the Sales Tax Bond Trust Agreement, to the Subordinated Debt Service Reserve Requirement, in the case of restoration after withdrawal in twelve (12) equal monthly installments commencing within ninety (90) days of such withdrawal, and in the case of restoration as a result of valuation in six (6) equal monthly installments commencing thirty (30) days after such valuation. (*Section 509*).

### ***General Fund***

If, on the last Business Day of any month, the amount in the Senior Debt Service Fund shall be less than the amount required to be deposited therein on such date, the amount in the Senior Debt Service Reserve Fund shall be less than the Senior Debt Service Reserve Requirement, the amount in the Subordinated Debt Service Fund shall be less than the amount then required to be on deposit in such Fund pursuant to the Trust Agreement or the amount in the Subordinated Debt Service Reserve Fund shall be less than the Subordinated Debt Service Reserve Requirement, the Authority shall transfer from any or all accounts within the General Fund to the credit of the respective Funds the amount necessary (or all the moneys credited to the General Fund if less than the amount necessary) to make up such deficiency.

To the extent not required to make up any such deficiency, amounts in the General Fund may, upon the direction of an Authorized Officer of the Authority, be transferred to any Fund or Account, transferred to the Authority free and clear of the lien of this Trust Agreement for any of its corporate purposes consistent with the Act, or applied to the payment of debt service on General Fund Indebtedness or the payment of any General Fund Expenses. (*Section 302 of the Fourth Supplemental Trust Agreement*).



### ***Investment of Funds***

Amounts in the Funds and Accounts established by the Sales Tax Bond Trust Agreement may be invested by the Trustee at the written direction of the Authority or by the Authority, as the case may be, only in Investment Obligations. To the extent not used to meet the requirement of such Funds and Accounts, income from such Investment Obligations held in the Pledged Revenue Fund, the Senior Debt Service Fund, the Senior Debt Service Reserve Fund and in any Account of the Bond Proceeds Fund established by Supplemental Trust Agreement and held by the Trustee shall be credited to the Senior Debt Service Fund and income from such Investment Obligations held in the Subordinated Debt Service Fund and the Subordinated Debt Service Reserve Fund shall be credited to the Subordinated Debt Service Fund; provided, however, that in order to comply with the provisions under the heading "Tax Covenant" herein the Authority may provide in the Supplemental Trust Agreement authorizing a series of Sales Tax Bonds that earnings on the Senior Debt Service Fund, Senior Debt Service Reserve Fund, Subordinated Debt Service Fund and Subordinated Debt Service Reserve Fund, as applicable, shall be transferred to the Capital Account of the Bond Proceeds Fund, to the extent such earnings exceed the amount needed to meet the obligations under paragraphs (1) and (3) under the heading "Pledged Revenue Fund and Application Thereof," as applicable. The income from any Investment Obligations in the Rebate Fund and in the Bond Proceeds Fund or in a separate account or sub-account therein shall be held in such Fund, Account or sub-account for the purposes thereof. The Trustee and the Authority shall sell any Investment Obligations held in any Fund or Account to the extent required for payments from such Fund or Account. The proceeds of such sales, and of all payments at maturity or upon redemption of such investments, shall be held in the applicable Fund or Account to the extent required to meet the requirements of such Fund or Account. In computing the amount of such Funds and Accounts, investments shall be valued at par, or if purchased at other than par, shall be valued at Amortized Value. Accrued interest received upon the sale of any Investment Obligation shall be treated as income from such Investment Obligation for purposes of the provisions under this heading.

In making any investment in any Investment Obligations with moneys in any Fund or Account established under the Sales Tax Bond Trust Agreement, the Trustee and the Authority may combine such moneys with moneys in any other Fund or Account held by it, but solely for purposes of making such investment in such Investment Obligations.

Nothing in the Sales Tax Bond Trust Agreement shall prevent any Investment Obligations acquired as investments of or security for any Fund or Account held under the Sales Tax Bond Trust Agreement from being issued or held in book-entry form on the books of the Department of the Treasury of the United States.

Each investment of any moneys in any Fund or Account established under the Sales Tax Bond Trust Agreement shall permit the moneys so deposited or invested to be available for use at the times at which the Authority reasonably believes such moneys will be required for the purposes hereof.

The Trustee is hereby authorized, in making or disposing of any investment permitted by this Trust Agreement, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person dealing as principal for its own account. (*Section 510*).

### ***Satisfaction of Sinking Fund Installments***

Any amount accumulated in the Senior Debt Service Fund or Subordinated Debt Service Fund up to the unsatisfied balance of each respective Sinking Fund Installment may be applied (together with amounts accumulated in such Debt Service Funds with respect to interest on the Sales Tax Bonds for

which such Sinking Fund Installment was established) by the Trustee at the direction of the Authority prior to the forty-fifth day preceding the due date of such Sinking Fund Installment as follows:

(1) to the purchase of Sales Tax Bonds of the maturity for which such Sinking Fund Installment was established, at prices (including any brokerage and other charges) not exceeding the principal amount of such Sales Tax Bonds plus unpaid interest accrued to the date of purchase, such purchases to be made in such manner as the Authority shall determine; or

(2) to the redemption of such Sales Tax Bonds if then redeemable by their terms at the price referred to in clause (1) hereof.

All Sales Tax Bonds so purchased or redeemed shall be delivered to the Trustee for cancellation prior to the forty-fifth day preceding the due date of such Sinking Fund Installment. The principal amount of any Sales Tax Bonds so purchased or redeemed shall be deemed to constitute part of the Senior Debt Service Fund or Subordinated Debt Service Funds, as applicable, until such Sinking Fund Installment date, for the purpose of calculating the amount of such Fund.

Upon the purchase or redemption of any Sales Tax Bond pursuant to clause 1 under this heading, an amount equal to the principal amount of the Sales Tax Bonds so purchased or redeemed shall be credited toward the next Sinking Fund Installment thereafter to become due with respect to the Sales Tax Bonds of such maturity and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Installment shall be credited by the Trustee against future Sinking Fund Installments as specified in the applicable Supplemental Trust Agreement. Concurrently with the delivery of such Sales Tax Bonds the Authority shall deliver to the Paying Agent and to the Trustee a certificate of an Authorized Officer specifying (i) the principal amount, Series, maturity, interest rate and numbers of the Sales Tax Bonds so delivered, (ii) the date of the Sinking Fund Installment in satisfaction of which such Sales Tax Bonds are so delivered, (iii) the aggregate principal amount of the Sales Tax Bonds so delivered, and (iv) the unsatisfied balance of each such Sinking Fund Installment after giving effect to the delivery of such Sales Tax Bonds.

Upon the purchase or redemption of any Series of Sales Tax Bonds for which Sinking Fund Installments shall have been established, an amount equal to the principal amount of the Sales Tax Bonds so purchased or redeemed shall be credited toward future Sinking Fund Installments in such order as the Authority shall determine. In satisfaction, in whole or in part, of any Sinking Fund Installment, the Authority may deliver to the Trustee at least forty-five days prior to the date of such Sinking Fund Installment, for cancellation, Sales Tax Bonds purchased or redeemed, except Sales Tax Bonds purchased or redeemed pursuant to the provisions of clause 1 under this heading, of the Series and maturity entitled to such Sinking Fund Installment. All Sales Tax Bonds so delivered to the Trustee in satisfaction of a Sinking Fund Installment shall reduce the amount thereof by the amount of the aggregate principal amount of such Sales Tax Bonds. Concurrently with such delivery of such Sales Tax Bonds the Authority shall deliver to the Paying Agent and to the Trustee a certificate of an Authorized Officer specifying (i) the principal amount, Series, maturity, interest rate and numbers of the Sales Tax Bonds so delivered, (ii) the date of the Sinking Fund Installment in satisfaction of which such Sales Tax Bonds are so delivered, (iii) the aggregate principal amount of the Sales Tax Bonds so delivered, and (iv) the unsatisfied balance of each such Sinking Fund Installment after giving effect to the delivery of such Sales Tax Bonds.

The Trustee shall, upon receipt of the notice required by and in the manner provided in the Sales Tax Bond Trust Agreement or in the Supplemental Trust Agreement authorizing the Series of Sales Tax Bonds of which the Sales Tax Bonds to be redeemed are part, call for redemption on the date of each Sinking Fund Installment falling due prior to maturity Sales Tax Bonds of the Series, maturity and interest rate within each maturity for which such Sinking Fund Installment was established (except in the

case of Sales Tax Bonds maturing on a Sinking Fund Installment date) in such amount as is required to exhaust the unsatisfied balance of such Sinking Fund Installment.

The Trustee shall pay out of the Senior Debt Service Fund or Subordinated Debt Service Funds as applicable, to the appropriate Paying Agents, on or before such redemption date (or maturity date), the amount required for the redemption of the Sales Tax Bonds so called for redemption (or for the payment of such Sales Tax Bonds then maturing), and such amount shall be applied by such Paying Agents to such redemption (or payment). All expenses in connection with the purchase or redemption of Sales Tax Bonds shall be paid by the Authority.

Except as may be otherwise provided with respect to Put Bonds in the Supplemental Trust Agreement providing for the issuance thereof, all Sales Tax Bonds paid or redeemed, either at or before maturity, shall be delivered to the Trustee when such payment or redemption is made, and such Sales Tax Bonds, together with all Sales Tax Bonds purchased or redeemed which have been delivered to the Trustee for application as a credit against Sinking Fund Installments, and all Sales Tax Bonds purchased by the Trustee, shall thereupon be promptly canceled. (*Section 511*).

#### **Particular Covenants of the Authority:**

##### ***Payment of Sales Tax Bonds***

The Authority shall duly and punctually pay or cause to be paid the principal or Redemption Price of every Sales Tax Bond and the interest thereon, at the dates and places and in the manner mentioned in the Sales Tax Bonds, according to the true intent and meaning thereof, and shall duly and punctually satisfy all Sinking Fund Installments which may be established for any Series. Except as in the Sales Tax Bond Trust Agreement otherwise provided, the principal or Redemption Price of such Sales Tax Bonds and the interest thereon are payable solely from Pledged Revenues which Pledged Revenues are pledged thereunder to the payment thereof in the manner and to the extent particularly specified in the Sales Tax Bond Trust Agreement, and nothing in the Sales Tax Bonds or in the Sales Tax Bond Trust Agreement shall be construed as obligating the Commonwealth or any political subdivision thereof to pay the Sales Tax Bonds or the interest thereon except from such Pledged Revenues or as pledging the faith and credit or taxing power of the Commonwealth or of any such political subdivision. (*Section 601*).

##### ***Power to Issue Sales Tax Bonds and Pledge Pledged Revenues and Other Funds***

The Authority is duly authorized under all applicable laws to create and issue the Sales Tax Bonds and to adopt the Sales Tax Bond Trust Agreement and to pledge the Pledged Revenues and other moneys, securities and funds purported to be pledged by the Sales Tax Bond Trust Agreement in the manner and to the extent provided in the Sales Tax Bond Trust Agreement. Except to the extent otherwise provided in the Sales Tax Bond Trust Agreement, the Pledged Revenues and other moneys, securities, funds and accounts so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Sales Tax Bond Trust Agreement, and all corporate action on the part of the Authority to that end has been duly and validly taken. The Sales Tax Bonds and the provisions of the Trust Agreement are and will be the valid and legally enforceable obligations of the Authority in accordance with their terms and the terms of the Sales Tax Bond Trust Agreement. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Revenues and other moneys, securities, funds and accounts pledged under the Sales Tax Bond Trust Agreement and all the rights of the Bondowners under the Sales Tax Bond Trust Agreement against all claims and demands of all persons whomsoever. (*Section 604*).

### ***Dedicated Payments***

In the Authority's discretion, revenues of the Authority which are not Pledged Revenues as defined in the Sales Tax Bond Trust Agreement as initially adopted may be pledged and designated as Dedicated Payments by resolution of the Authority, provided the conditions in one of the three following sentences of this paragraph are satisfied. If such Dedicated Payments are to be received from the United States of America, (a) they must automatically recur without appropriation, approval or other similar action by the United States of America or any agency or instrumentality thereof for so long as the Authority is relying thereon for the purpose of issuing Sales Tax Bonds and (b) the manner of determining the amounts to be derived therefrom must not be subject to change or revision during such period. If such Dedicated Payments are to be received from the Commonwealth, they must consist of a payment obligation payable to the Authority pursuant to a statutory or contractual arrangement with the Commonwealth which, in the opinion of Bond Counsel, constitutes a general obligation of the Commonwealth; provided that at the time of entering into such arrangement (a) such arrangement, by its terms, will not terminate so long as the Authority is relying thereon for the purpose of issuing Sales Tax Bonds and (b) the manner of determining the amounts to be derived from such arrangement is not subject to change or revision during such period. Notwithstanding the source of funding, if the Authority has received a written confirmation from each Rating Agency that its published, unenhanced rating of Outstanding Sales Tax Bonds will not be adversely affected, the Authority may, in its sole discretion, designate any revenues which are not Pledged Revenues as Dedicated Payments.

All Dedicated Payments shall be deposited upon receipt in the Senior Debt Service Fund or the Subordinated Debt Service Fund, as determined by such Certificate of an Authorized Officer. The Authority may in its discretion reverse or modify any pledge and designation of Dedicated Revenues by a further resolution and any determination to deposit Dedicated Payments in the Senior Debt Service Fund or the Subordinated Debt Service Fund may be reversed or modified by Certificate of an Authorized Officer, provided that a Certificate of an Authorized Officer shall establish that following any such reversal or modification the Authority will meet the test for incurring \$1 (one dollar) of additional Senior Sales Tax Bonds set forth in the Sales Tax Bond Trust Agreement. (*Section 605*).

### ***Accounts and Reports***

The Authority shall keep proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of the Funds established by the Sales Tax Bond Trust Agreement, and which shall at all times be subject to the inspection of the Trustee and the Owners of an aggregate of not less than twenty-five percent (25%) in principal amount of the Senior Sales Tax Bonds then Outstanding and twenty-five percent (25%) in principal amount of Subordinated Sales Tax Bonds Outstanding or their representatives duly authorized in writing. The Authority shall cause such books and accounts to be audited annually after the end of its Fiscal Year by an independent public accountant selected by the Authority and shall furnish to the Trustee a copy of the report of such audit. Such report shall include at least: a statement of all funds (including investments thereof) held by such Trustee and the Authority pursuant to the provisions under the Sales Tax Bond Trust Agreement and of each Supplemental Trust Agreement; a statement of the Pledged Revenues collected in connection herewith and with each Supplemental Trust Agreement; a statement that the balance in the Senior Debt Service Reserve Fund and in the Subordinated Debt Service Reserve Fund meet the requirements under the Sales Tax Bond Trust Agreement and of any applicable Supplemental Trust Agreement; and a statement that, in making such audit, no knowledge of any default in the fulfillment of any of the terms, covenants or provisions under the Sales Tax Bond Trust Agreement and of each Supplemental Trust Agreement were obtained, or if knowledge of any such default was obtained, a statement thereof.

The reports, statements and other documents required to be furnished by the Authority to the Trustee pursuant to any provisions of the Sales Tax Bond Trust Agreement shall be available for the inspection of Bondowners at the office of the Trustee. (*Section 606*).

### ***Tax Covenant***

The Authority shall take, or require to be taken, such action as may from time to time be required to assure the continued exclusion from the federal gross income of holders of any Series of Sales Tax Bonds, the interest on which is not includable in the gross income of the holder thereof for Federal income tax purposes. The Authority shall not permit the investment or application of the proceeds of any Series of Sales Tax Bonds, the interest on which is not includable in the gross income of the holder thereof for Federal income tax purposes, including any funds considered proceeds within the meaning of section 148 of the Code, to be used to acquire any investment property the acquisition of which would cause such Sales Tax Bonds to be “arbitrage bonds” within the meaning of said section 148. (*Section 607*).

### ***Funding of Deficiency Fund and Capital Maintenance Fund***

The Authority shall fund the Deficiency Fund and the Capital Maintenance Fund as required under the Authority’s resolution establishing such Funds, and a copy of resolution, and any amendments thereto, shall be filed with the Trustee. (*Section 608*).

### ***General***

The Authority shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Authority under the provisions of the Act and the Sales Tax Bond Trust Agreement.

Upon the date of authentication and delivery of any of the Sales Tax Bonds, all conditions, acts and things required by law and the Sales Tax Bond Trust Agreement to exist, to have happened and to have been performed precedent to and in the issuance of such Sales Tax Bonds shall exist, shall have happened and shall have been performed and the issue of such Sales Tax Bonds, together with all other indebtedness of the Authority, shall be within every debt and other limit prescribed by the laws of the Commonwealth.

For the purpose of performing and carrying out the duties imposed on the Authority by the Sales Tax Bond Trust Agreement, the Authority may employ any individual, firm or corporation it deems necessary to fulfill its responsibilities under the Act and the Sales Tax Bond Trust Agreement. (*Section 609*).

### ***Trustee and Paying Agent***

State Street Bank and Trust Company is appointed Trustee under the Sales Tax Bond Trust Agreement. The Authority may appoint one or more Paying Agents for Sales Tax Bonds of any Series in the Supplemental Trust Agreement authorizing such Sales Tax Bonds, and may at any time or from time to time appoint one or more other Paying Agents having the qualifications set forth in the Sales Tax Bond Trust Agreement for a successor Paying Agent. The Trustee may be appointed as Paying Agent. The Trustee may at any time resign and be discharged of the duties and obligations created by the Sales Tax Bond Trust Agreement by giving not less than 30 days’ written notice to the Authority and the registered owners of the Sales Tax Bonds. The Trustee may be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Owners of a majority in principal amount

of the Senior Sales Tax Bonds and the Subordinated Sales Tax Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Sales Tax Bonds held by or for the account of the Authority. The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of the Sales Tax Bond Trust Agreement with respect to the duties and obligations of the Trustee, by any court of competent jurisdiction upon the application of the Authority or the holders of not less than 25% in aggregate principal amount of Senior Sales Tax Bonds Outstanding and not less than 25% in aggregate principal amount of Subordinated Sales Tax Bonds Outstanding. Notwithstanding the foregoing provisions, at the end of the fifth Fiscal Year following the Fiscal Year in which the first series of Sales Tax Bonds is issued under the Sales Tax Bond Trust Agreement, and at the end of every fifth Fiscal Year thereafter, the Authority may remove the Trustee, except during the existence of an Event of Default, upon 120 days' written notice to the trustee by filing with the Trustee an instrument signed by an Authorized Representative of the Authority. Any Successor Trustee shall be a bank or trust company organized under the laws of any state of the United States or a national banking association having a capital and surplus aggregating at least \$100,000,000. (*Sections 701, 702, 707, 708 and 709*).

### ***Supplemental Trust Agreements Not Requiring Consent of Bondowners***

The Authority and the Trustee to the Sales Tax Bond Trust Agreement may without the consent of, or notice to, any of the holders of the Sales Tax Bonds enter into agreements supplemental to the Sales Tax Bond Trust Agreement as shall not, in their opinion, be inconsistent with the terms and provisions of the Sales Tax Bond Trust Agreement for any one or more of the following purposes and at any time or from time to time:

(1) To authorize Sales Tax Bonds of a Series and, in connection therewith, (a) specify and determine the matters and things referred to in the Sales Tax Bond Trust Agreement, and also any other matters and things relative to such Sales Tax Bonds which are not contrary to or inconsistent with the Sales Tax Bond Trust Agreement as theretofore in effect or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Sales Tax Bonds, including without limiting the generality of the foregoing, provisions amending or modifying the Sales Tax Bond Trust Agreement to provide for the issuance of Sales Tax Bonds in book-entry form or in coupon form payable to bearer;

(2) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Sales Tax Bond Trust Agreement, of the Pledged Revenues or of any other moneys, securities or funds;

(3) to modify any of the provisions of the Sales Tax Bond Trust Agreement in any respect whatsoever, provided that (i) such modification shall be, and be expressed to be, effective only after all Sales Tax Bonds of any Series affected by the amendment Outstanding at the date of the execution and delivery of such Supplemental Trust Agreement shall cease to be Outstanding, and (ii) such Supplemental Trust Agreement shall be specifically referred to in the text of all Sales Tax Bonds of any Series authenticated and delivered after the date of the execution and delivery of such Supplemental Trust Agreement and of Sales Tax Bonds issued in exchange therefor or in place thereof;

(4) to modify the definition of Investment Obligations as directed by the Authority, provided that the Authority shall have provided evidence to the Trustee that the details of such modification have been provided in writing to each Rating Agency then assigning a rating on Outstanding Sales Tax Bonds and that each such Rating Agency has either (i) confirmed in writing that such modification will not adversely affect such ratings or (ii) issued a rating on a Series of Sales Tax Bonds to be issued which is not lower than the rating assigned by such Rating Agency to Outstanding Sales Tax Bonds prior to such

modification, or any other evidence satisfactory to the Trustee that modification will not adversely affect the then current ratings, if any, assigned to the Sales Tax Bonds by any Rating Agency;

(5) to subject to the lien of the Sales Tax Bond Trust Agreement additional revenues, security or collateral;

(6) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Sales Tax Bond Trust Agreement;

(7) to insert such provisions clarifying matters or questions arising under the Sales Tax Bond Trust Agreement as are necessary or desirable and are not contrary to or inconsistent with the Sales Tax Bond Trust Agreement as theretofore in effect;

(8) to authorize the issuance of bonds, notes or any other obligation entitled to a lien on Pledged Revenues or the Funds and Accounts under the Sales Tax Bond Trust Agreement in accordance with the Sales Tax Bond Trust Agreement; or

(9) to provide for additional duties of the Trustee. (*Section 801*).

### ***Supplemental Trust Agreements Effective with Consent of Bondowners***

At any time or from time to time, a Supplemental Trust Agreement may be adopted subject to consent by Bondowners in accordance with and subject to the provisions of the Sales Tax Bond Trust Agreement, which Supplemental Trust Agreement, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority and upon compliance with the provisions of said the Sales Tax Bond Trust Agreement, shall become fully effective in accordance with its terms as provided in said the Sales Tax Bond Trust Agreement. (*Section 802*).

### ***Amendments***

Any modification or amendment of the Sales Tax Bond Trust Agreement and of the rights and obligations of the Authority and of the Owners of the Sales Tax Bonds and coupons thereunder may be made by a Supplemental Trust Agreement, with the written consent given as provided in the Sales Tax Bond Trust Agreement, (i) of the Owners of at least a majority in principal amount of the Senior Sales Tax Bonds Outstanding or, if no Senior Sales Tax Bonds are Outstanding, at least a majority in principal amount of the Subordinated Sales Tax Bonds Outstanding at the time such consent is given, and (ii) in case less than all of the Senior Sales Tax Bonds, or if no Senior Sales Tax Bonds are Outstanding, less than all of the Subordinated Sales Tax Bonds, then Outstanding are affected by the modification or amendment, of the Owners of at least a majority in principal amount of the Senior Sales Tax Bonds, or if no Senior Sales Tax Bonds are Outstanding, Subordinated Sales Tax Bonds, of each Series so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Sales Tax Bonds remain Outstanding, the consent of the Owners of such Sales Tax Bonds shall not be required and such Sales Tax Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Sales Tax Bonds under this heading. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Senior Sales Tax Bond or any Outstanding Subordinated Sales Tax Bond or of any installment of interest thereon or a reduction in the principal amount, Accreted Value or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Sales Tax Bond, or shall reduce the percentages or otherwise affect the classes of Sales Tax Bonds the consent of the Owners of which is required to effect any such modification or amendment, or

shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purposes of this paragraph, a Series shall be deemed to be affected by a modification or amendment of the Sales Tax Bond Trust Agreement if the same adversely affects or diminishes the rights of the Owners of Sales Tax Bonds of such Series. The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment, Sales Tax Bonds of any particular Series or maturity would be affected by any modification or amendment of the Sales Tax Bond Trust Agreement. Any such determination may be based upon the written advice of Bond Counsel, if so requested by the Trustee, and shall be binding and conclusive on the Authority and all Owners of Sales Tax Bonds. For purposes of the provisions under this heading, the Owners of the Sales Tax Bonds may include the initial holders thereof, regardless of whether such Sales Tax Bonds are being held for immediate resale. (*Section 902*).

### ***Events of Default***

The occurrence of any one or more of the following events shall constitute an Event of Default under the Sales Tax Bond Trust Agreement:

- (1) The Authority shall fail to make payment of the principal of any Sales Tax Bond when the same shall become due and payable, either at maturity or scheduled redemption; or
- (2) The Authority shall fail to make payment of any installment of interest on any Sales Tax Bonds when the same shall become due and payable; or
- (3) The Authority shall default in the observance or performance of any other covenants or agreements on the part of the Authority contained in the Sales Tax Bond Trust Agreement, and such default shall continue for ninety (90) days after written notice specifying such default and requiring the same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Sales Tax Bonds then Outstanding. (*Section 1001*).

### ***Remedies***

Upon the occurrence and during the continuation of any Event of Default, then and in every such case the Trustee may proceed, and upon the written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of Senior Sales Tax Bonds or Subordinated Sales Tax Bonds then Outstanding under the Sales Tax Bond Trust Agreement shall proceed to protect and enforce its rights and the rights of the Bondowners under the laws of the Commonwealth or under the Sales Tax Bond Trust Agreement by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board of officer having jurisdiction, either for the specific performance of any covenant or agreement contained in Sales Tax Bond Trust Agreement or in aid or execution of any power therein granted or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights. The Trustee shall not be required to take any remedial action (other than the giving of notice) unless indemnity satisfactory to the Trustee is furnished for any liability to be incurred thereby. (*Section 1002*).

### ***Trustee for Subordinated Bondowners***

During any period in which an Event of Default shall have occurred and be continuing if there shall be Outstanding under the Sales Tax Bond Trust Agreement Subordinated Sales Tax Bonds and Senior Sales Tax Bonds, the registered owners of the Subordinated Sales Tax Bonds shall be entitled to the appointment of a trustee to act on their behalf in any suit, action or proceeding under the Sales Tax



Bond Trust Agreement and to otherwise exercise on their behalf any of their rights thereunder; provided, however, that such trustee shall not be entitled to hold any Funds or Accounts under the Sales Tax Bond Trust Agreement which shall continue to be held thereunder by the Trustee. During such period the Trustee under the Sales Tax Bond Trust Agreement shall then act exclusively on behalf of the registered owners of Senior Sales Tax Bonds Outstanding; provided, however, the Trustee shall continue to bear its fiduciary obligation to all Bondholders as provided in the Sales Tax Bond Trust Agreement with respect to any Funds or Accounts or any other amounts held in trust under the Sales Tax Bond Trust Agreement. Any such trustee may be appointed with the consent of a majority in principal amount Outstanding of Subordinated Sales Tax Bonds. Notice of the appointment of any such trustee shall be given to the Trustee and the Authority promptly upon such appointment and to all registered owners of Subordinated Sales Tax Bonds. (*Section 1003*).

### ***Application of Pledged Revenues and Other Moneys After Default***

The Authority covenants that if an Event of Default shall happen and shall not have been remedied, the Authority, upon demand of the Trustee, shall pay over or cause to be paid over to the Trustee (i) forthwith, any moneys, securities and funds then held by the Authority or a Depository in any Fund, Account or Subaccount under the Sales Tax Bond Trust Agreement (excluding the Rebate Fund) and (ii) as promptly as practicable after receipt thereof, the Pledged Revenues. To the extent that the allocation of such moneys, securities, funds and Pledged Revenues is not otherwise provided for in the Sales Tax Bond Trust Agreement, the Trustee shall establish and deposit the same into a separate Account in the Senior Debt Service Fund.

During the continuation of an Event of Default, all Pledged Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Sales Tax Bond Trust Agreement shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the registered holders of the Sales Tax Bonds (including without limitation deposits to the Rebate Fund sufficient to fund any unfunded anticipated liability of the Authority under section 148 of the Code relating to the Sales Tax Bonds) and payment of reasonable fees and charges and expenses of the Trustee (including without limitation reasonable fees and disbursements of its counsel) incurred in and in connection with the performance of its powers and duties under the Sales Tax Bond Trust Agreement.

(b) To the payment of the principal of and interest then due on the Sales Tax Bonds upon presentation of the Sales Tax Bonds to be paid (and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Sales Tax Bond Trust Agreement, as follows:

First: To the payment to the persons entitled thereto of all installments of interest then due on Senior Sales Tax Bonds in the order of the maturity of such installments, ratably, according to the amounts of interest due thereon, to the persons entitled thereto, without any discrimination or preference;

Second: To the payment to the persons entitled thereto of the unpaid principal of any Senior Sales Tax Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Senior Sales Tax Bonds, and, if the amount available shall not be sufficient to pay in full all the Senior Sales Tax Bonds, together with such interest, ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference;

Third: To the payment to the persons entitled thereto of all installments of interest then due on Subordinated Sales Tax Bonds in the order of the maturity of such installments, ratably, according to the amounts of interest due thereon, to the persons entitled thereto, without any discrimination or preference; and

Fourth: To the payment to the persons entitled thereto of the unpaid principal of any Subordinated Sales Tax Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Subordinated Sales Tax Bonds, and, if the amount available shall not be sufficient to pay in full all the Subordinated Sales Tax Bonds, together with such interest, ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference;

(c) If the Trustee shall have received a certificate from the trustee under the Assessment Bond Trust Agreement in accordance with the Sales Tax Bond Trust Agreement, to such trustee the amount set forth in such certificate.

(d) To the applicable trustee or custodian for Prior Obligations, the amount set forth in a certificate of an Authorized Officer for the payment of Prior Obligations.

(e) To the payment of General Fund Expenses and General Fund Indebtedness.

Notwithstanding the foregoing, in the event that by April 1 of any year, commencing April 1, 2001, the Authority is otherwise unable to make the certification required under Section 35T that it has made provision in its annual budget under the Act for sufficient amounts to be available in the next Fiscal Year to meet the Prior Obligations without changing the priority of payment of the Prior Obligations in accordance with this sentence, the deposit required pursuant to paragraph (d) above shall be made prior to the deposit required pursuant to clause (a) during the following Fiscal Year; provided, however, that if during such Fiscal Year the Authority shall adopt a supplemental budget which would permit the Authority to be able to make such certification without changing such priority as aforesaid, the deposit required pursuant to clause (d) shall not be required to be paid prior to the deposit under clause (b) for the remainder of such Fiscal Year. (*Section 1004*).

### ***Defeasance***

(1) If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Sales Tax Bonds then Outstanding, the principal and interest and Redemption Price to become due thereon, at the times and in the manner stipulated therein and in the Sales Tax Bond Trust Agreement, then, at the option of the Authority, expressed in an instrument in writing signed by an Authorized Officer and delivered to the Trustee, the covenants, agreements and other obligations of the Authority to the Bondowners shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Authority, execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Authority all money, securities and funds held by them pursuant to the Sales Tax Bond Trust Agreement which are not required for the payment or redemption of Sales Tax Bonds not theretofore surrendered for such payment or redemption. If the Authority shall pay or cause to be paid, to the Owners of any Outstanding Sales Tax Bonds the principal or Redemption Price and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Sales Tax Bond Trust Agreement, such Sales Tax Bonds shall cease to be entitled to any lien, benefit or security under the Sales Tax Bond Trust Agreement, and all covenants, agreements and obligations of the Authority to the Owners of such Sales Tax Bonds shall thereupon cease, terminate and become void and be discharged and satisfied. Notwithstanding any other provision of the Sales Tax Bond Trust Agreement, certain provisions, including those related to

redemption of Sales Tax Bonds, execution and authentication of Sales Tax Bonds, satisfaction of Sinking Fund Installments, appointment of Trustee and Paying Agents, and compensation of Fiduciaries, (in the case of each of the foregoing, such survival shall continue only until such Sales Tax Bonds are in fact paid), and shall, within limits survive the defeasance of the Sales Tax Bonds.

(2) Sales Tax Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Paying Agents (through deposit by the Authority of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be defeased. Subject to the provisions of paragraphs (3) through (7) under this heading, any Outstanding Sales Tax Bond shall prior to the maturity or redemption date thereof be defeased if (a) in case any of said Sales Tax Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee instructions accepted in writing by the Trustee to mail as provided in the Sales Tax Bond Trust Agreement notice of redemption of such Sales Tax Bonds (other than Sales Tax Bonds which have been purchased by the Trustee at the direction of the Authority or purchased or otherwise acquired by the Authority and delivered to the Trustee as hereinafter provided prior to the mailing of such notice of redemption) on said date, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Investment Obligations (as hereinafter defined) including any Investment Obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Sales Tax Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Sales Tax Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the Owners of such Sales Tax Bonds at their last addresses appearing upon the registry books at the close of business on the last Business Day on the month preceding the month for which notice is mailed that the deposit required by (b) above has been made with the Trustee and that said Sales Tax Bonds are deemed to have been defeased and stating such maturity or redemption date upon which moneys are expected, subject to the provisions of paragraphs (7) and (8) under this heading, to be available for the payment of the principal or Redemption Price, if applicable, on said Sales Tax Bonds (other than Sales Tax Bonds which have been purchased by the Trustee at the direction of the Authority or purchased or otherwise acquired by the Authority and delivered to the Trustee as hereinafter provided prior to the mailing of the notice of redemption referred to in clause (a) hereof). The Trustee shall, as and to the extent necessary, apply moneys held by it under this heading to the retirement of said Sales Tax Bonds in amounts equal to the unsatisfied balances of any Sinking Fund Installments with respect to such Sales Tax Bonds, all in the manner provided in the Sales Tax Bond Trust Agreement. The Trustee shall, if so directed by the Authority (i) prior to the maturity date of defeased Sales Tax Bonds which are not to be redeemed prior to their maturity date or (ii) prior to the time of the mailing of the notice referred to in clause (a) above with respect to any defeased Sales Tax Bonds which are to be redeemed on any date prior to their maturity, apply moneys deposited with the Trustee in respect to such Sales Tax Bonds and redeem or sell Investment Obligations so deposited with the Trustee and apply the proceeds thereof to the purchase of such Sales Tax Bonds as arranged and directed by the Authority and the Trustee shall immediately thereafter cancel all such Sales Tax Bonds so purchased; provided, however, that the moneys and Investment Obligations remaining on deposit with the Trustee after the purchase and cancellation of such Sales Tax Bonds shall be sufficient to pay when due the Principal Installment or Redemption Price, if applicable, and interest due or to become due on all remaining Sales Tax Bonds, in respect of which such moneys and Investment Obligations are being held by the Trustee on or prior to the redemption date or maturity date thereof, as the case may be.

If, at any time (i) prior to the maturity date of defeased Sales Tax Bonds which are not to be redeemed prior to their maturity date or (ii) prior to the mailing of the notice of redemption referred to in

clause (a) with respect to any defeased Sales Tax Bonds which are to be redeemed on any date prior to their maturity, the Authority shall purchase or otherwise acquire any such Sales Tax Bonds and deliver such Sales Tax Bonds to the Trustee prior to their maturity date or redemption date, as the case may be, the Trustee shall immediately cancel all such Sales Tax Bonds so delivered; such delivery of Sales Tax Bonds to the Trustee shall be accompanied by directions from the Authority to the Trustee as to the manner in which such Sales Tax Bonds are to be applied against the obligation of the Trustee to pay or redeem defeased Sales Tax Bonds; all in accordance with the Assessment Bond Trust Agreement.

In the event that on any date as a result of any purchases, acquisitions and cancellations of Sales Tax Bonds, the total amount of moneys and Investment Obligations remaining on deposit with the Trustee under this heading is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of the remaining Sales Tax Bonds in order to defease such Sales Tax Bond, the Trustee shall, if requested by the Authority, pay the amount of such excess to the Authority free and clear of any trust, lien, security, interest, pledge or assignment securing said Sales Tax Bonds or otherwise existing under the Sales Tax Bond Trust Agreement. Except as otherwise provided in paragraph (2) and paragraphs (3) through (8) under this heading, neither Investment Obligations nor moneys deposited with the Trustee pursuant to the provisions under this heading nor principal or interest payments on any such Investment Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Sales Tax Bonds; provided that any cash received from such principal or interest payment on such Investment Obligations deposited with the Trustee, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the Authority as received by the Trustee, free and clear of any trust, lien or pledge securing said Sales Tax Bonds or otherwise existing under the Sales Tax Bond Trust Agreement, and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Investment Obligations maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Sales Tax Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the Authority, as received by the Trustee, free and clear of any trust, lien, security interest, pledge or assignment securing said Sales Tax Bonds or otherwise existing under the Sales Tax Bond Trust Agreement. For the purposes of the provisions under this heading, Investment Obligations shall mean and include only (x) such securities as are described in clauses (i), (v) (to the extent rated at the time of investment in the highest rating category, without regard to any refinement or gradation of such rating, by any Rating Agency), (vi) and (viii) of the definition of "Investment Obligations" which shall not be subject to redemption prior to their maturity other than at the option of the Owner thereof, (y) such securities as are described in clause (ii) of the definition of Investment Obligations which shall not be subject to redemption prior to their maturity other than at the option of the Owner thereof or as to which an irrevocable notice of redemption of such securities on a specified redemption date has been given and such securities are not otherwise subject to redemption prior to such specified date other than at the option of the Owner thereof, or (z) upon compliance with the provisions of paragraph (5) under this heading, such securities as are described in clauses (i), (v) to the extent rated at the time of investment in the highest rating category, without regard to any refinement or gradation of such rating, by any Rating Agency, (vi) or (viii) of the definition of Investment Obligations which are subject to redemption prior to maturity at the option of the issuer thereof on a specified date or dates.

(3) For purposes of determining whether Variable Interest Rate Bonds are defeased, the interest to come due on such Variable Interest Rate Bonds on or prior to the maturity or redemption date thereof, as the case may be, shall be calculated at the maximum rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Variable Interest Rate Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys and Investment Obligations on deposit with the Trustee for the payment of interest on such Variable Interest Rate Bonds

is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Variable Interest Rate Bonds in order to satisfy the second sentence of paragraph (2) under this heading, the Trustee shall, if requested, by the Authority, pay the amount of such excess to the Authority free and clear of any trust, lien, security interest, pledge or assignment securing the Sales Tax Bonds or otherwise existing under the Sales Tax Bond Trust Agreement.

(4) Put Bonds shall be deemed to have been defeased only if, in addition to satisfying the other requirements, there shall have been deposited with the Trustee moneys in an amount which shall be sufficient to pay when due the maximum amount of principal of and premium, if any, and interest on such Sales Tax Bonds which could become payable to the Owners of such Sales Tax Bonds upon the exercise of any options provided to the Owner of such Sales Tax Bonds; provided, however, that if, at the time a deposit is made with the Trustee pursuant to paragraph (2) under this heading, the options originally exercisable by the Owner of a Put Bond are no longer exercisable, such Sales Tax Bond shall not be considered a Put Bond for purposes of this paragraph (4). If any portion of the moneys deposited with the Trustee for the payment of the principal of and premium, if any, and interest on Put Bonds is not required for such purpose, the Trustee shall, if requested by the Authority, pay the amount of such excess to the Authority free and clear of any trust, lien, security interest, pledge or assignment securing said Sales Tax Bonds or otherwise existing under the Sales Tax Bond Trust Agreement.

(5) Investment Obligations described in clause (z) of paragraph (2) under this heading may be included in the Investment Obligations deposited with the Trustee in order to satisfy the requirements of clause (b) of paragraph (2) under this heading only if the determination as to whether the moneys and Investment Obligations to be deposited with the Trustee in order to satisfy the requirements of such clause (b) would be sufficient to pay when due either on the maturity date thereof or, in the case of any Assessment Bonds to be redeemed prior to the maturity date thereof, on the redemption date or dates specified in any notice of redemption to be mailed by the Trustee or in the instructions to mail a notice of redemption provided to the Trustee in accordance with paragraph (2) under this heading, the principal and Redemption Price, if applicable, and interest on the Assessment Bonds which will be deemed to have been paid as provided in paragraph (2) under this heading is made both (i) on the assumption that the Investment Obligations described in clause (z) were not redeemed at the option of the issuer prior to the maturity date thereof and (ii) on the assumptions that such Investment Obligations would be redeemed by the issuer thereof at its option on each date on which such option could be exercised, that as of such date or dates interest ceased to accrue on such Investment Obligations and that the proceeds of such redemption would not be reinvested by the Trustee.

(6) In the event that after compliance with the provisions of paragraph (5) under this heading the Investment Obligations described in clause (z) of paragraph (2) under this heading are included in the Investment Obligations deposited with the Trustee in order to satisfy the requirements of clause (b) of paragraph (2) under this heading and any such Investment Obligations are actually redeemed by the issuer thereof prior to their maturity date, then the Trustee at the direction of the Authority, provided that the aggregate of the moneys and Investment Obligations to be held by the Trustee, taking into account any changes in redemption dates or instructions to give notice of redemption given to the Trustee by the Authority in accordance with paragraph (7) under this heading, shall at all times be sufficient to satisfy the requirements of clause (b) of paragraph (2) under this heading, shall reinvest the proceeds of such redemption in Investment Obligations.

(7) In the event that after compliance with the provisions of paragraph (5) under this heading the Investment Obligations described in clause (z) of paragraph (2) under this heading are included in the Investment Obligations deposited with the Trustee in order to satisfy the requirements of clause (b) of paragraph (2) the provisions under this heading, then any notice of redemption to be mailed by the Trustee and any set of instructions relating to a notice of redemption given to the Trustee may provide, at

the option of the Authority, that any redemption date or dates in respect of all or any portion of the Sales Tax Bonds to be redeemed on such date or dates may at the option of the Authority be changed to any other permissible redemption date or dates and that redemption dates may be established for any Sales Tax Bonds deemed to have been paid in accordance with the provisions under this heading upon their maturity date or dates at any time prior to the actual mailing of any applicable notice of redemption in the event that all or any portion of any Investment Obligations described in clause (z) of paragraph (2) under this heading have been called for redemption pursuant to an irrevocable notice of redemption or have been redeemed by the issuer thereof prior to the maturity date thereof; no such change of redemption date or dates or establishment of redemption date or dates may be made unless taking into account such changed redemption date or dates or newly established redemption date or dates the moneys and Investment Obligations on deposit with the Trustee including any Investment Obligations deposited with the Trustee in connection with any reinvestment of redemption proceeds in accordance with paragraph (6) pursuant to clause (b) of paragraph (2) under this heading would be sufficient to pay when due the principal and Redemption Price, if applicable, and interest on all Sales Tax Bonds deemed to have been paid in accordance with the provisions under this heading which have not as yet been paid.

(8) Unless waived by the Authority at the time Sales Tax Bonds are defeased, at any time prior to the actual mailing of any applicable notice of redemption any redemption date or dates in respect of all or any portion of the Sales Tax Bonds to be redeemed on such date or dates may at the option of the Authority be changed to any other permissible redemption date or dates and redemption dates may be established for any Sales Tax Bonds deemed to have been defeased upon their maturity date or dates in both cases in accordance with the Assessment Bond Trust Agreement.

(9) The Authority agrees that it will take no action in connection with any of the transactions referred to under this heading which will cause any Sales Tax Bonds to be "Arbitrage Bonds" within the meaning of Section 148(a) of the Code and the regulations thereunder in effect on the date of the transaction and applicable to the transaction.

(10) Anything in the Sales Tax Bond Trust Agreement to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Sales Tax Bonds which remain unclaimed for three years (or such other period as may from time to time be prescribed by the laws of the Commonwealth, provided that if no period is so prescribed, such period shall be three years) after the date when such Sales Tax Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for three years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Sales Tax Bonds became due and payable, shall automatically revert from the Fiduciary to the Commonwealth once the Fiduciary has complied with the publication and reporting requirements as prescribed in accordance with the laws of the Commonwealth; provided, however, if no provision of Commonwealth law shall require that such funds be paid to the Commonwealth, such moneys shall, at the written request of the Authority, be repaid by the Fiduciary to the Authority, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondowners shall look only to the Commonwealth, if paid to the Commonwealth, or the Authority, if paid to the Authority, for the payment of such Sales Tax Bonds; provided, however, that before being required to make any such payment to the Authority, the Fiduciary shall, at the expense of the Authority, cause to be published at least twice, at an interval of not less than 7 days between publications, in an Authorized Newspaper, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the Authority.

(11) Anything in the Sales Tax Bond Trust Agreement to the contrary notwithstanding, agreements and obligations of the Authority under the Sales Tax Bond Trust Agreement shall not be

discharged and satisfied until all outstanding payment obligations to the provider of any surety bond, insurance policy, letter of credit or other similar obligation held in the Senior Debt Service Reserve Fund shall have been satisfied. (*Section 1005*).

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**SUMMARY OF CERTAIN PROVISIONS OF THE  
ASSESSMENT BOND TRUST AGREEMENT**

*The following is a summary of certain provisions of the Assessment Bond Trust Agreement including certain terms used in the Assessment Bond Trust Agreement not used elsewhere in this Official Statement. This summary does not purport to be complete and reference is made to the Assessment Bond Trust Agreement for full and complete statements of its terms and provisions.*

***Definitions***

The following are definitions in summary form of certain terms contained in the Assessment Bond Trust Agreement and used in this Official Statement:

*Account or Accounts* shall mean each account or all of the accounts established by or pursuant to the Assessment Bond Trust Agreement.

*Accreted Value* shall mean with respect to any Capital Appreciation Bond (i) as of any Valuation Date, the amount set forth in a Supplemental Agreement authorizing the issuance of such Assessment Bond and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Accreted Values for such Valuation Dates. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date and the number of days from the preceding Valuation Date to the next succeeding Valuation Date shall be calculated on the basis of a three hundred sixty (360) day year of twelve (12) thirty (30) day months.

*Act* shall mean Chapter 161A of the Massachusetts General Laws, as from time to time in effect.

*Aggregate Debt Service* for any period shall mean, as of any date of calculation, the sum of the amounts of Debt Service for such period with respect to all Outstanding Assessment Bonds; provided, however, that for purposes of estimating Aggregate Debt Service for any future period, (i) any Variable Interest Rate Bonds shall be deemed to bear at all times (for which the interest rate is not yet determined) to the maturity thereof the Estimated Average Interest Rate applicable thereto; and (ii) any Put Bonds Outstanding during such period shall be assumed to mature on the stated maturity date thereof, unless the Credit Facility or Liquidity Facility securing such Put Bonds expires within three months or less of the date of calculation and has not been renewed or replaced in which case such Put Bonds shall be assumed to mature on the expiration date of such Credit Facility or Liquidity Facility. For purposes of this definition, the principal and interest portions of the Accreted Value of any Capital Appreciation Bonds becoming due at maturity or by virtue of a Sinking Fund Installment and the principal and interest portions of the Appreciated Value of any Deferred Income Bonds becoming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of accrued and unpaid and accruing interest or Principal Installments only during the year such amounts become due for payment unless otherwise provided in the applicable Supplemental Agreement authorizing Assessment Bonds which are Capital Appreciation Bonds or Deferred Income Bonds, as the case may be.

*Alternate Revenues* shall mean any revenues of the Authority (other than Assessments) legally available and pledged by resolution of the Authority for its obligations under the Assessment Bond Trust Agreement and deposited to the Pledged Revenue Fund, provided that (i) if such Alternate Revenues are to be received from the United States of America or the Commonwealth, they must automatically recur



without appropriation, approval or other similar action for so long as the Authority is relying thereon for the purpose of issuing Assessment Bonds or they constitute a general obligation of the Commonwealth and the manner of determining the amounts to be derived therefrom must not be subject to change or revision during such period, (ii) such Alternate Revenues consist of obligations with a rating by each Rating Agency in a category equal to or higher than its unenhanced, published rating on Outstanding Assessment Bonds or (iii) the Authority has received a written confirmation from each Rating Agency that its unenhanced, published rating of Outstanding Assessment Bonds will not be adversely affected by the designation of such revenues as Alternate Revenues.

*Amortized Value*, when used with respect to Investment Obligations purchased at a premium above or a discount below par, shall mean the value as of any given time obtained by dividing the total premium or discount at which such Investment Obligation was purchased by the number of days remaining to maturity on such Investment Obligation at the date of such purchase and by multiplying the amount thus calculated by the number of days having passed since such purchase, and (1) in the case of an Investment Obligation purchased at a premium by deducting the product thus obtained from the purchase price, and (2) in the case of an Investment Obligation purchased at a discount by adding the product thus obtained to the purchased price.

*Appreciated Value* shall mean with respect to any Deferred Income Bond (i) as of any Valuation Date, the amount set forth for such date in the applicable Supplemental Trust Agreement, (ii) as of any date prior to the Interest Commencement Date, other than a Valuation Date, the sum of (a) the Appreciated Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Appreciated Values for such Valuation Dates, and (iii) as of any date on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date shall be calculated on the basis of a three hundred sixty (360) day year of twelve (12) thirty (30) day months.

*Assessment Bond or Bonds* shall mean any bond or bonds and any Bond Anticipation Notes authenticated and delivered under the Assessment Bond Trust Agreement.

*Assessment Floor Amount* shall mean the amount below which the amount assessed on cities and towns pursuant to the Act shall not be reduced in accordance with Section 35T.

*Assessments* shall mean all assessments on cities and towns received by the Authority pursuant to the Act.

*Authority* shall mean the Massachusetts Bay Transportation Authority.

*Authorized Newspaper* shall mean The Bond Buyer or a newspaper customarily published at least once a day for at least five days (other than legal holidays) in each week, printed in the English language and of general circulation in the City or in the Borough of Manhattan, City and State of New York.

*Authorized Officer* shall mean the General Manager, the Chief Financial Officer, the Director of Financial Planning, the Treasurer-Controller or the General Counsel of the Authority, and when used with reference to an act or document of the Authority also means any other person authorized by resolution of the Authority to perform the act or sign the document in question.

*Bank Bonds* shall mean any Assessment Bonds issued to or acquired or held by any bank, insurance company or other provider of credit and/or liquidity support or any designee thereof for any Assessment Bonds or for any Bond Anticipation Notes as evidence of the obligations of the Authority arising under any letter of credit, revolving credit agreement, insurance policy, reimbursement agreement or any other agreement, instrument or document relating to such credit and/or liquidity support; provided, however, that Bank Bonds do not include any Assessment Bonds issued to or held by any such party or its designee in any other capacity.

*Base Revenue Floor Amount* shall mean (as of the date of computation) the base revenue amount (as defined in Section 35T), as most recently certified by the Comptroller of the Commonwealth in accordance with Section 35T.

*Bond Anticipation Note* shall mean a note issued pursuant to the Assessment Bond Trust Agreement.

*Bond Counsel* shall mean Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. or any other lawyer or firm of lawyers nationally recognized in the field of municipal finance and satisfactory to the Authority.

*Bondowner or Owner, or Owner of Assessment Bonds*, or any similar terms, shall mean any person who shall be the registered owner of any Outstanding Assessment Bond or Bonds.

*Bond Proceeds Fund* shall mean the Fund by that name established by the Assessment Bond Trust Agreement.

*Business Day* shall mean any day that is not a Saturday, Sunday or legal holiday in the Commonwealth or a day on which banks in the City are authorized or required by law or executive order to close.

*Capital Appreciation Bond* shall mean any Assessment Bond as to which interest is payable only at the maturity or prior redemption of such Assessment Bond. For the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity or (ii) computing the principal amount of Assessment Bonds held by the registered owner of a Capital Appreciation Bond in giving to the Authority or the Trustee any notice, consent, request, or demand pursuant to the Assessment Bond Trust Agreement for any purpose whatsoever, unless otherwise provided in the Supplemental Agreement authorizing such Capital Appreciation Bonds, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

*Capital Maintenance Fund* shall mean the fund of such name created and held by the Authority pursuant to Authority resolution, which fund shall be used to pay a portion of the ongoing schedule of maintaining the equipment and mass transportation facilities of the Authority.

*City* shall mean the City of Boston in the Commonwealth.

*Code* shall mean the Internal Revenue Code of 1986, as amended to the date of adoption of the Assessment Bond Trust Agreement, unless a later day shall be specified in a Supplemental Agreement to be applicable to one or more Series of Assessment Bonds, and the applicable regulations thereunder, and any reference in the Assessment Bond Trust Agreement to any section thereof shall, to the extent the provisions of the Internal Revenue Code of 1986, as amended to the date of adoption of the Assessment Bond Trust Agreement, unless a later date shall be specified in a Supplemental Agreement to be applicable to one or more Series of Assessment Bonds, are included in a successor code or in an

equivalent section or sections of such a successor code, be deemed to include such successor code and the applicable regulations thereunder.

*Commonwealth* shall mean The Commonwealth of Massachusetts.

*Counsel's Opinion or Opinion of Counsel* shall mean an opinion signed by Bond Counsel or an attorney or firm of attorneys of recognized standing (who may be counsel to the Authority) selected by the Authority.

*Credit Facility* shall mean an irrevocable letter of credit, surety bond, loan agreement, Standby Purchase Agreement or other agreement, facility or insurance or guaranty arrangement issued or extended by a Qualified Institution, pursuant to which the Authority is entitled to obtain moneys to pay the principal, purchase price or Redemption Price of Assessment Bonds due in accordance with their terms or tendered for purchase or redemption, plus accrued interest thereon to the date of payment, purchase or redemption thereof, in accordance with the Assessment Bond Trust Agreement, whether or not the Authority is in default under the Assessment Bond Trust Agreement.

*Debt Service* for any period shall mean, as of any date of calculation and with respect to the Outstanding Assessment Bonds of any Series, an amount equal to the sum of (i) interest accruing during such period on Outstanding Assessment Bonds of such Series and (ii) that portion of each Principal Installment for such Series which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series or, if (a) there shall be no such preceding Principal Installment due date or (b) such preceding Principal Installment due date is more than one year prior to the due date of such Principal Installment, then, from a date one year preceding the due date of such Principal Installment or from the date of issuance of the Assessment Bonds of such Series, whichever date is later. Such interest and Principal Installments for such Series shall be calculated on the assumption that (1) no Assessment Bonds (except for Put Bonds actually tendered for payment and not purchased in lieu of redemption prior to the redemption date thereof) of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof and (2) the principal amount of Put Bonds tendered for payment and not purchased in lieu of redemption prior to the redemption date thereof shall be deemed to accrue on the date required to be paid pursuant to such tender. For purposes of this definition, the principal and interest portions of the Accreted Value of a Capital Appreciation Bond and the Appreciated Value of a Deferred Income Bond becoming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of accrued and unpaid and accruing interest or Principal Installments only during the year such amounts become due for payment unless otherwise provided in the applicable Supplemental Agreement. Debt Service on Assessment Bonds with respect to which there is a Qualified Hedge Agreement shall be calculated consistent with the Assessment Bond Trust Agreement. Debt Service shall include costs of Credit Facilities and Liquidity Facilities and reimbursement to Providers of Credit Enhancement, in each case if and to the extent payable from the Debt Service Fund. Debt Service on Bond Anticipation Notes shall not include any Principal Installments thereon.

*Debt Service Fund* shall mean the Fund by that name established by the Assessment Bond Trust Agreement.

*Debt Service Reserve Fund* shall mean the Fund by that name established by the Assessment Bond Trust Agreement.

*Debt Service Reserve Requirement* shall mean as of any date of calculation for each Series of Assessment Bonds, an amount equal to the least of (i) 10% of the original net proceeds from the sale of such Series, (ii) 125% of average annual Debt Service for such Series and (iii) the maximum amount of

Debt Service due on the Bonds of such Series in any future Fiscal Year; provided that in the case that two or more Series of Bonds are treated as one issue for federal tax purposes, (a) the aggregate Debt Service Reserve Requirement for such Series shall not exceed the amount which would be applicable if such Series were treated as a single Series for purposes of calculating such requirement and (b) any reduction in the aggregate Debt Service Reserve Requirement resulting from the limitation in clause (a) of this proviso shall be allocated pro rata among the affected Series in accordance with the ratio of the initial principal amounts of such Series. The Estimated Average Interest Rate as of the date of issue for any Variable Interest Rate Bonds shall be used to establish Debt Service on such Assessment Bonds for the purpose of the Debt Service Reserve Requirement.

*Dedicated Payments* shall mean any revenues of the Authority which are not Pledged Revenues, as defined in the Trust Agreement as initially entered into which the Authority subsequently pledges as additional security for its payment obligations on the Assessment Bonds pursuant to a resolution of the Authority and which are specifically designated as Dedicated Payments by the Authority in accordance with the limitations of the Assessment Bond Trust Agreement and, accordingly, are to be deposited in the Debt Service Fund upon receipt.

*Dedicated Sales Tax* shall mean the base revenue amount or the dedicated sales tax revenue amount (as defined in Section 35T).

*Deferred Income Bond* shall mean any Assessment Bond (i) as to which interest accruing thereon prior to the Interest Commencement Date of such Assessment Bond is (a) compounded on each Valuation Date for such Deferred Income Bond and (b) payable only at the maturity or prior redemption of such Assessment Bonds and (ii) as to which interest accruing after the Interest Commencement Date is payable on the first interest payment date immediately succeeding the Interest Commencement Date and periodically thereafter on the dates set forth in the applicable Supplemental Agreement. For the purposes of (i) receiving payment of the Redemption Price if a Deferred Income Bond is redeemed prior to maturity or (ii) computing the principal amount of Assessment Bonds held by the registered owner of a Deferred Income Bond in giving to the Authority or the Trustee any notice, consent, request, or demand pursuant to the Assessment Bond Trust Agreement for any purposes whatsoever, unless otherwise provided in the applicable Supplemental Agreement, the principal amount of a Deferred Income Bond shall be deemed to be its Appreciated Value.

*Deficiency Fund* shall mean the fund by such name created and held by the Authority pursuant to Authority resolution, which fund may be used to pay debt service on Authority bonds, notes and other obligations and other expenses of the Authority.

*Estimated Average Interest Rate* shall mean, as to any Variable Interest Rate Bond and as of any date of calculation, the “25-year revenue bond index” most recently published in The Bond Buyer or, if such index is no longer published, such other substantially comparable index as determined by the Authority.

*Fiduciary or Fiduciaries* shall mean the Trustee, any Paying Agent, or any or all of them, as may be appropriate.

*Fiscal Year* shall mean that period beginning on the first day of July of any year and ending on the last day of June of the subsequent year or, at the option of the Authority, any other period of twelve consecutive calendar months selected by the Authority in a written instrument delivered to the Trustee as the Fiscal Year of the Authority.

*Fund or Funds* shall mean each fund or all of the funds established by the Assessment Bond Trust Agreement, as the case may be.

*Hedge Agreement* shall mean a payment exchange agreement, swap agreement, forward purchase agreement or any other hedge agreement entered into by the Authority providing for payments between the parties based on levels of, or changes in interest rates, stock or other indices or contracts to exchange cash flows or a series of payments or contracts, including without limitation, interest rate floors, or caps, options, puts or calls, which allows the Authority to manage or hedge payment, rate, spread or similar risk with respect to any Series of Assessment Bonds.

*Historic Dedicated Sales Tax Revenue Amount* shall mean (as of any date of computation) the dedicated sales tax revenue amount, as defined in Section 35T, for any consecutive 12 of the last 24 months, as determined by an Authorized Officer.

*Indebtedness* shall mean Assessment Bonds or Bond Anticipation Notes.

*Interest Commencement Date* shall mean, with respect to any particular Deferred Income Bond, the date prior to the maturity date thereof specified in the applicable Supplemental Agreement after which interest accruing on such Assessment Bond shall be payable on the first interest payment date immediately succeeding such Interest Commencement Date and periodically thereafter on the dates specified in the Supplemental Agreement authorizing such Deferred Income Bond.

*Investment Agreement* shall mean an agreement for the investment of moneys with, or unconditionally guaranteed by, a Qualified Institution but shall not mean an obligation of the type described in clause (ix) of the definition of Investment Obligation herein.

*Investment Income* shall mean income from Investment Obligations held in the Funds and Accounts established in the Assessment Bond Trust Agreement, other than (i) if so determined in a Supplemental Agreement, income from Investment Obligations purchased from the proceeds of such Assessment Bonds held in the Bond Proceeds Fund and (ii) income from Investment Obligations held in the Rebate Fund.

*Investment Obligation* shall mean and include any of the following securities, to the extent investment in such securities by the Authority is authorized under applicable law:

(i) a bond or other obligation which as to principal and interest constitutes a direct obligation of, or is unconditionally guaranteed by, the United States of America, including an obligation of any of the Federal Agencies described in clause (iii) below to the extent unconditionally guaranteed by the United States of America;

(ii) a bond or other obligation of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (a) which is not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of such bond or other obligation by the obligor to give due notice of redemption and to call such bond or other obligation for redemption on the date or dates specified in such instructions, (b) which is secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (i) above which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bond or other obligation on the maturity date thereof or the redemption date specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate, and (c) as to which the principal of and interest on the bonds and obligations of the character described in clause (i) above which have been deposited in such fund, together with any cash on deposit in such fund are sufficient to pay principal of and interest and redemption premium, if any, on the bond or other obligation described in this clause (ii) on the maturity date thereof or on the redemption date specified in the irrevocable instructions referred to in subclause (a) of this clause (ii), as appropriate;

(iii) a bond, debenture, or other evidence of indebtedness issued or guaranteed at the time of the investment by the Student Loan Marketing Association, Federal National Mortgage Association, Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, the Tennessee Valley Authority, the United States Postal Service, Federal Farm Credit System Obligations, the Export Import Bank, the World Bank, the International Bank for Reconstruction and Developments, the Federal Home Loan Mortgage Corporation, the Resolution Funding Corporation, the U.S. Agency for International Development and the Inter-American Development Bank or any other agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America;

(iv) an obligation of any state of the United States of America or any political subdivision thereof or any agency, instrumentality or local government unit of any such state or political subdivision which shall be rated at the time of the investment in a category equal to or higher than its unenhanced, published rating on Outstanding Assessment Bonds by each Rating Agency;

(v) a certificate or other instrument that evidences ownership of the right to payment of the principal of or interest on obligations of any state of the United States of America or any political subdivision thereof or any agency or instrumentality of any state or political subdivision, provided that such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a successor Trustee under the Assessment Bond Trust Agreement, and provided further that the payment of all principal of and interest on such certificate or such instrument shall be fully insured or unconditionally guaranteed by, or otherwise unconditionally payable pursuant to a credit support arrangement provided by, one or more financial institutions or insurance companies or associations which at the date of investment shall have an outstanding, unsecured, uninsured and unguaranteed debt issue rated in a category equal to or higher than its unenhanced, published rating on Outstanding Assessment Bonds by any Rating Agency, or, in the case of an insurer providing municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bonds, such insurance policy shall result in such municipal bonds being rated in the highest rating category by any Rating Agency, without regard to any refinement or gradation of such rating;

(vi) time deposits, certificates of deposit or any other deposit with a bank, trust company, national banking association, savings bank, federal mutual savings bank, savings and loan association, federal savings and loan association or any other institution chartered or licensed by any state or the U.S. Comptroller of the Currency to accept deposits in such state (as used herein, "deposits" shall mean obligations evidencing deposit liability which rank at least on a parity with the claims of general creditors in liquidation), which are (a) fully secured, to the extent not insured by the Federal Deposit Insurance Corporation, by any of the obligations described in clauses (i) or (iii) above having a market value (exclusive of accrued interest) of not less than the uninsured amount of such deposit or (b) (1) unsecured or (2) secured to the extent, if any, required by the Authority and in either case made with a Qualified Institution;

(vii) a certificate that evidences ownership of the right to payments of principal of or interest on obligations described in clause (i), provided that such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a successor Trustee under the Assessment Bond Trust Agreement;

(viii) a time deposit, certificate of deposit, whether negotiable or non-negotiable, and a banker's acceptance of one or more of the 50 largest banks in the United States or commercial paper issued by the parent holding company of any such bank which at the time of investment has an outstanding unsecured, uninsured and unguaranteed debt issue rated in a category equal to or higher than

its unenhanced, published rating on Outstanding Assessment Bonds by any Rating Agency, (including the Trustee and its parent holding company, if any, if it otherwise qualifies);

(ix) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York which at the time of investment has an outstanding unsecured, uninsured and unguaranteed long-term debt issue or commercial paper issue rated in a category equal to or higher than its unenhanced, published rating on Outstanding Assessment Bonds by any Rating Agency (including the Trustee and its parent holding company, if any, if it otherwise qualifies), which agreement is secured by any one or more of the securities described in clause (i), (iii) or (vii) above which securities shall at all times have a market value (exclusive of accrued interest) of not less than the full amount of the repurchase agreement and be delivered to another bank or trust company organized under the laws of any state of the United States of America or any national banking association, as custodian;

(x) an Investment Agreement;

(xi) money market funds registered under the Federal Investment Company Act of 1940, as amended, whose shares are registered under the Federal Securities Act of 1933, and having a rating in a category equal to or higher than its unenhanced, published rating on Outstanding Assessment Bonds by any Rating Agency;

(xii) commercial paper, notes, bonds or other obligations of any corporation rated, at the time of investment, in a category equal to or higher than its unenhanced, published rating on Outstanding Assessment Bonds by any Rating Agency, without regard to refinement or gradation of such rating; and

(xiii) any other investment in which moneys of the Authority may be legally invested provided that at the time of such investment the Authority obtains written confirmation from each Rating Agency that such investment will not result in the reduction or suspension of the then existing rating on the Assessment Bonds by each such Rating Agency.

*Liquidity Facility* shall mean an irrevocable letter of credit, surety bond, loan agreement, Standby Purchase Agreement, line of credit or other agreement or arrangement issued or extended by a Qualified Institution, pursuant to which the Authority is entitled to obtain moneys upon the terms and conditions contained therein for the purchase or redemption of Assessment Bonds tendered for purchase or redemption in accordance with the terms of the Assessment Bond Trust Agreement.

*Net Debt Service* shall mean Debt Service payable on Assessment Bonds less (i) the sum of (a) interest accrued or to accrue on such Assessment Bonds which is to be paid from deposits in the Debt Service Fund from the proceeds of Assessment Bonds in accordance with a certificate of an Authorized Officer to the Trustee, (b) additional amounts transferred to the Debt Service Fund at the Authority's direction, (c) Investment Income from the Pledged Revenue Fund and any Account of the Bond Proceeds Fund established by Supplemental Agreement and held by the Trustee transferred or to be transferred in the current Fiscal Year to or retained in the Debt Service Fund and (d) Dedicated Payments deposited in the Debt Service Fund pursuant to the Assessment Bond Trust Agreement plus (ii) Debt Service payable on Bond Anticipation Notes issued in anticipation of Assessment Bonds net of any amounts deposited from the proceeds of such notes available in the Debt Service Fund or in another account established in connection with the issuance of such notes for the payment of such Debt Service.

*Opinion of Bond Counsel* shall mean a legal opinion signed by Bond Counsel.

*Outstanding*, when used with reference to Assessment Bonds of a Series, shall mean, as of any date, Assessment Bonds or Bonds of such Series, theretofore or thereupon being authenticated and delivered, issued under the Assessment Bond Trust Agreement except:

- (i) any Assessment Bonds canceled by any Fiduciary at or prior to such date,
- (ii) Assessment Bonds (or portions of Assessment Bonds) for the payment or redemption of which moneys, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held in trust under the Assessment Bond Trust Agreement and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such Assessment Bonds (or portions of Assessment Bonds) are to be redeemed, notice of such redemption shall have been given or provision satisfactory to the Trustee shall have been made for the giving of such notice as provided in the Assessment Bond Trust Agreement;
- (iii) Assessment Bonds in lieu of or in substitution for which other Assessment Bonds shall have been authenticated and delivered pursuant to the Assessment Bond Trust Agreement unless proof satisfactory to the Trustee is presented that any such Assessment Bonds are held by a bona fide purchaser in due course;
- (iv) Assessment Bonds deemed to have been paid as provided in the Assessment Bond Trust Agreement; and
- (v) Put Bonds deemed tendered in accordance with the provisions of the applicable Supplemental Agreement on the applicable adjustment or conversion date, if the purchase price thereof and interest thereon shall have been paid or amounts are available for such payment as provided in the Assessment Bond Trust Agreement.

For purposes of the foregoing definition, any Assessment Bonds which are Bank Bonds shall be deemed Outstanding only in a principal amount equal to the principal amount of the obligation then owed by the Authority thereunder regardless of the face amount of such Bank Bond.

*Paying Agent* shall mean any paying agent for the Assessment Bonds of any Series, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Assessment Bond Trust Agreement.

*Pledged Revenue Fund* shall mean the Fund by that name established by the Assessment Bond Trust Agreement.

*Pledged Revenues* shall mean Assessments, payments received by the Authority from a Provider of a Hedge Agreement that is not a Qualified Hedge and Alternate Revenues, if any.

*Principal Installment* shall mean, as of any date of calculation and with respect to the Assessment Bonds of any Series, so long as any Assessment Bonds thereof are Outstanding, (i) the principal amount of Assessment Bonds (including the principal amount of any Put Bonds tendered for payment and not purchased in lieu of redemption prior to the redemption date thereof) of such Series due on a future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance of any Sinking Fund Installments due on a future date for Assessment Bonds of such Series, plus the amount of the premium, if any, which would be applicable upon redemption of such Assessment Bonds on such future date in a principal amount equal to said unsatisfied balance of such Sinking Fund Installments, or (iii) if such future dates coincide as to different Assessment Bonds of such Series, the sum of such principal amount of Assessment Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date, plus such applicable redemption premium, if any.



*Provider* shall mean any person or entity providing a Credit Facility, a Liquidity Facility or a Qualified Hedge Agreement with respect to any one or more Series of Assessment Bonds, pursuant to agreement with or upon the request of the Authority.

*Put Bond* shall mean an Assessment Bond which by its terms may be tendered by and at the option of the Owner thereof for payment by the Authority prior to the stated maturity or redemption date thereof.

*Qualified Hedge Agreement* shall mean a Hedge Agreement which meets the tests of the Assessment Bond Trust Agreement.

*Qualified Institution* shall mean (i) a bank, a trust company, a national banking association, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America, a corporation, a trust, a partnership, an unincorporated organization, or a government or an agency, instrumentality, program, account, fund, political subdivision or corporation thereof, in each case the unsecured or uncollateralized long-term debt obligations of which, or obligations secured or supported by a letter of credit, contract, agreement or surety bond issued by any such organization, at the time an Investment Agreement, Qualified Hedge Agreement, Credit Facility or Liquidity Facility is entered into by the Authority are rated in a category equal to or higher than its unenhanced, published rating on Outstanding Assessment Bonds by each Rating Agency or (ii) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality.

*Qualified Reserve Fund* shall mean any reserve fund that is held by the Trustee or the Authority and is designated by the Authority as a Qualified Reserve Fund; provided that the Authority has received a written confirmation from each Rating Agency that its published, unenhanced rating of the Assessment Bonds will not be adversely affected by such designation.

*Qualified Reserve Fund Requirement* shall mean such amount established in a certificate of an Authorized Officer delivered to the Trustee, provided that the Authority has received a written confirmation from each Rating Agency that its published, unenhanced rating of the Assessment Bonds will not be adversely affected by the Qualified Reserve Fund Requirement being equal to such amount.

*Rating Agency* shall mean each recognized rating service which maintains a published, unenhanced rating on any Outstanding Assessment Bonds at the request of the Authority.

*Rebate Fund* shall mean the Fund by that name established by the Assessment Bond Trust Agreement.

*Rebate Fund Requirement* shall mean, as of any date of calculation, an amount equal to the aggregate of the amounts, if any, specified in a certificate from an Authorized Officer of the Authority or the applicable Supplemental Agreement, as the amount required to be maintained in the Rebate Fund with respect to such Assessment Bonds.

*Redemption Price* shall mean, with respect to any Assessment Bond, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the Assessment Bond Trust Agreement, but excluding accrued interest.

*Refunding Bonds* shall mean all Assessment Bonds authenticated and delivered on original issuance pursuant to the provisions under the heading “Special Provisions for Refunding Bonds.”

*Residual Sales Tax* shall mean for any year the greater of the Base Revenue Floor Amount and the Historic Dedicated Sales Tax Revenue Amount less the sum of (i) the estimated debt service on Prior Obligations, (ii) Senior Net Debt Service (as defined in the Sales Tax Bond Trust Agreement), (iii) Subordinated Net Debt Service (as defined in the Sales Tax Bond Trust Agreement) and (iv) debt service on other indebtedness (other than Indebtedness) secured by a pledge of or a security interest in and payable from the Dedicated Sales Tax.

*Sales Tax Bonds* shall mean any bond or bonds, any bond anticipation notes or other evidences of indebtedness and delivered under the Sales Tax Bond Trust Agreement.

*Sales Tax Bond Trust Agreement* shall mean the Massachusetts Bay Transportation Authority Sales Tax Bond Trust Agreement dated as of July 1, 2000 by and between the Authority and State Street Bank and Trust Company, as Trustee, as amended and supplemented from time to time.

*Section 35T* shall have the meaning provided in the Recitals to the Assessment Bond Trust Agreement.

*Series* shall mean all of the Assessment Bonds authenticated and delivered on original issuance and designated as such by the Authority in a simultaneous transaction pursuant to the Assessment Bond Trust Agreement and any Assessment Bonds thereafter authenticated and delivered in lieu of or in substitution therefor pursuant to the Assessment Bond Trust Agreement, regardless of variations in maturity, interest rate, sinking fund, or other provisions.

*Sinking Fund Installment* shall mean, as of any date of calculation and with respect to any Assessment Bonds of a Series, so long as any Assessment Bonds thereof are Outstanding, the amount of money required by the applicable Supplemental Agreement, to be paid on a single future date for the retirement of any Outstanding Assessment Bonds of said Series which mature after said date, but does not include any amount payable by the Authority by reason only of the maturity of an Assessment Bond.

*Standby Purchase Agreement* shall mean an agreement by and between the Authority and another entity pursuant to which such entity is obligated to purchase Put Bonds tendered for purchase or redeemed in lieu of purchase upon such tender.

*State and Local Contribution Fund* shall have the meaning provided in the Recitals to the Assessment Bond Trust Agreement.

*Supplemental Agreement* shall mean any trust agreement supplemental to or amendatory of the Trust Agreement, adopted by the Authority in accordance with the Assessment Bond Trust Agreement.

*Trustee* shall mean the trustee appointed under the Assessment Bond Trust Agreement, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Assessment Bond Trust Agreement.

*Valuation Date* shall mean (i) with respect to any Capital Appreciation Bond the date or dates set forth in the applicable Supplemental Agreement on which specific Accreted Values are assigned to the Capital Appreciation Bond and (ii) with respect to any Deferred Income Bond, the date or dates on or prior to the Interest Commencement Date set forth in the applicable Supplemental Agreement on which specific Appreciated Values are assigned to the Deferred Income Bond.

*Variable Interest Rate* shall mean a variable interest rate to be borne by any Variable Interest Rate Bond. The method of computing such variable interest rate shall be specified in the applicable Supplemental Agreement. Such Supplemental Agreement shall also specify either (i) the particular period or periods of time for which each value of such variable interest rate shall remain in effect or (ii) the time or times upon which any change in such variable interest rate shall become effective.

*Variable Interest Rate Bond* shall mean an Assessment Bond which bears interest at a Variable Interest Rate.

### ***The Pledge Effected by the Assessment Bond Trust Agreement***

The Assessment Bonds are special obligations payable solely from the items pledged to the payment thereof pursuant to the terms of the Assessment Bond Trust Agreement.

The Assessment Bond Trust Agreement provides that there is pledged for the payment, first, of the Assessment Bonds and, as the respective interests of the holders thereof may appear, in accordance with the respective terms of such Bonds and the provisions of the Assessment Bond Trust Agreement, subject only to the provisions of the Assessment Bond Trust Agreement permitting the application thereof for or to the purposes and on the terms and conditions in the Assessment Bond Trust Agreement and therein set forth: (i) all Pledged Revenues, (ii) Dedicated Payments allocated to Assessment Bonds and interest earnings thereon, (iii) amounts received from the trustee under the Sales Tax Bond Trust Agreement in accordance with the Assessment Bond Trust Agreement, (iv) the Deficiency Fund and the Capital Maintenance Fund including the investments, if any, thereof, and (v) all Funds and Accounts established by the Assessment Bond Trust Agreement (other than the Bond Proceeds Fund while it is held and administered by the Authority and the Rebate Fund) including the investments, if any, thereof. (*Section 201, 501*).

### ***Provisions for Issuance of Assessment Bonds***

Assessment Bonds of one or more Series may at any time or from time to time be authenticated and delivered upon original issuance (i) to pay or provide for the payment of other Authority bonds, notes or other obligations, (ii) to refund Outstanding Assessment Bonds, (iii) to pay costs of the Authority in accordance with the Act, (iv) to make a deposit to the Bond Proceeds Fund, the Debt Service Fund, the Debt Service Reserve Fund, the Deficiency Fund, the Capital Maintenance Fund or any Qualified Reserve Fund including any Accounts therein, and (v) to pay or provide for the payment of the costs incurred in connection with the issuance of Assessment Bonds.

The Assessment Bonds of a Series authorized to be issued shall be executed by the Authority and delivered to the Trustee. Such Assessment Bonds shall from time to time and in such amounts as directed by the Authority be authenticated and delivered by the Trustee to or upon the order of the Authority upon receipt of the consideration therefor and upon delivery to the Trustee of:

(1) An Opinion of Bond Counsel to the effect that (i) the Authority has the right and power under the Act to enter into the Assessment Bond Trust Agreement, and the Trust Agreement has been duly and lawfully approved by the Authority, and, assuming due authorization, execution and delivery by the Trustee, is in full force and effect and is valid and binding upon the Authority and enforceable in accordance with its terms, and no other authorization for the Trust Agreement is required; (ii) the Trust Agreement creates the valid pledge of the items which it purports to pledge to the payment of the Assessment Bonds pursuant to the Assessment Bond Trust Agreement, subject to the application thereof to the purposes and on the conditions permitted by the Trust Agreement; and (iii) the Assessment Bonds of such Series are valid and binding special obligations of the Authority as provided in the Trust Agreement, enforceable in accordance with their terms and the terms of the Trust Agreement, and entitled to the

benefit of the Trust Agreement and of the Act and such Assessment Bonds have been duly and validly authorized and issued in accordance with law, including the Act, and in accordance with the Trust Agreement; provided, that such Opinion may take exception as to the effect of, or for restrictions or limitations imposed by or resulting from, bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws affecting creditors' rights generally and judicial discretion and may state that no opinion is being rendered as to the availability of any particular remedy;

(2) A written order as to the delivery of the Assessment Bonds of such Series, signed by an Authorized Officer;

(3) Copies of the Trust Agreement as amended and supplemented and of the Supplemental Agreement authorizing such Series, each certified by an Authorized Officer;

(4) If any Assessment Bonds of such Series are Put Bonds, a Credit Facility or Liquidity Facility in such an amount as would provide sufficient moneys for the purchase or redemption of all Put Bonds of such Series if Owners thereof elected to tender for purchase or redemption the entire aggregate Outstanding principal amount of the Put Bonds of such Series;

(5) A certificate of an Authorized Officer:

(i) setting forth (a) the Net Debt Service for Outstanding Assessment Bonds after the issuance of such Series of Assessment Bonds for the then current and each future Fiscal Year during which such Series of Assessment Bonds shall be Outstanding; and (b) the Residual Sales Tax for the then current and each future Fiscal Year during which such Series of Assessment Bonds shall be Outstanding;

(ii) stating that the amount on deposit in the Debt Service Reserve Fund (after taking into account any surety bond, insurance policy, letter of credit or other similar obligation on deposit therein) immediately after the authentication and delivery of the Assessment Bonds of such Series (and in the event that any Outstanding Assessment Bonds are then being redeemed, after such redemption) will be at least equal to the Debt Service Reserve Requirement and

(iii) demonstrating that:

(a) (1) for each year, the Assessment Floor Amount divided by the amount set forth in clause (5)(i)(a) is (A) at least equal to 1.00 and (B) so long as Outstanding Assessment Bonds are rated by Moody's Investors Service, Inc., at least equal to 1.20 or such lesser amount as shall be acceptable to Moody's Investors Service, Inc; and

(2) for each year, the sum of the Assessment Floor Amount plus the Residual Sales Tax set forth in 5(i)(b) divided by the amount set forth in 5(i)(a) is at least equal to 1.50; or

(b) the aggregate of the amounts on deposit in each Qualified Reserve Fund shall equal the Qualified Reserve Fund Requirement.

In the event that at the time of delivery of such certificate, any Bond Anticipation Notes are Outstanding, such certificate shall assume that there are Assessment Bonds Outstanding in a principal amount equal to Outstanding principal amount of such Bond Anticipation Notes, which Assessment Bonds mature in 40 years, bear interest at the Estimated Average Rate, and the Principal Installments and interest due on such Assessment Bonds come due in substantially equal annual payments.

(6) A certificate of an Authorized Officer to the effect that, upon the authentication and delivery of the Assessment Bonds of such Series, the Authority will not be in default in the performance of the terms and provisions of the Trust Agreement or of any of the Assessment Bonds. (*Section 202*).

### ***Special Provisions for Refunding Bonds***

One or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all or any portion of the Outstanding Assessment Bonds of a Series, in an aggregate principal amount which will provide funds, together with other moneys available therefor, to accomplish such refunding.

The Refunding Bonds of such Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the documents required by the Assessment Bond Trust Agreement of:

(1) If the Assessment Bonds to be refunded are to be redeemed, instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Assessment Bonds so to be refunded on a redemption date specified in such instructions, subject to the provisions of the Assessment Bond Trust Agreement;

(2) If the Assessment Bonds to be refunded are to be deemed paid within the meaning and with the effect expressed in the Assessment Bond Trust Agreement relating to defeasance of Assessment Bonds, instructions to the Trustee, satisfactory to it; and

(3) If the Assessment Bonds to be refunded are to be deemed paid within the meaning and with the effect expressed in the Assessment Bond Trust Agreement relating to defeasance of Assessment Bonds, (i) moneys and/or (ii) Investment Obligations (as defined in the Assessment Bond Trust Agreement) as shall be necessary to comply with the provision of the Assessment Bond Trust Agreement, which Investment Obligations and moneys shall be held in trust and used only as provided the Assessment Bond Trust Agreement;

(4) If the proceeds of such Series of Refunding Bonds are to be utilized by the Authority to purchase Assessment Bonds to be delivered to the Trustee in satisfaction of a Sinking Fund Installment or to defease a portion of the Assessment Bonds which are the subject of a Sinking Fund Installment in accordance with the Assessment Bond Trust Agreement, a certificate of an Authorized Officer of the Authority specifying (i) the principal amount, Series, maturity, interest rate and number of the Assessment Bonds to be so delivered, (ii) the date and Series of the Sinking Fund Installment in satisfaction of which such Assessment Bonds are to be so delivered, (iii) the aggregate principal amount of the Assessment Bonds to be so delivered, and (iv) the unsatisfied balance of each such Sinking Fund Installment after giving effect to the delivery of the Assessment Bonds to be so delivered; and

(5) Either (a) a certificate of an Authorized Officer of the Authority stating that (i) the final maturity of the Refunding Bonds is no later than the final maturity of the Assessment Bonds to be refunded and (ii) as a result of the issuance of the Refunding Bonds there shall be no increase in the amount of Debt Service in any Fiscal Year; or (b) the certificate provided for in the Assessment Bond Trust Agreement with respect to such Series of Refunding Bonds, considering for all purposes of such certificate that (i) such Series of Refunding Bonds is a Series of Assessment Bonds issued pursuant to the Assessment Bond Trust Agreement and (ii) that the Assessment Bonds to be refunded are no longer Outstanding.

The proceeds, including accrued interest, of the Refunding Bonds of each such Series shall be applied simultaneously with the delivery of such Assessment Bonds in the manner provided in the Supplemental Agreement authorizing such Assessment Bonds. (*Section 204*).

### ***Bond Anticipation Notes***

Whenever the Authority shall authorize the issuance of a Series of Assessment Bonds (without necessity for the Authority to have entered into a Supplemental Agreement providing for such issue or to have satisfied the conditions set forth in the Assessment Bond Trust Agreement, the Authority may by resolution authorize the issuance of notes (and renewals thereof) in anticipation of the sale of such authorized Series of Assessment Bonds. The principal of and interest on such notes and renewals thereof shall be payable from the proceeds of such notes, from the proceeds of the sale of the Series of Assessment Bonds in anticipation of which such Notes are issued or from funds of the Authority. The proceeds of such Assessment Bonds may be pledged for the payment of the principal of and interest on such notes and any such pledge shall have a priority over any other pledge of such proceeds created by the Assessment Bond Trust Agreement. The Authority may secure the payment of the interest on such notes by a pledge that is on a parity with the pledge under the Assessment Bond Trust Agreement securing all Assessment Bonds, in which event such interest shall be payable from the Debt Service Fund. The Authority may also pledge the Pledged Revenues and other Authority funds to the payment of the principal of such notes, but such pledge shall be subordinate to the pledge securing the payment of the Assessment Bonds. A copy of the resolution of the Authority authorizing such notes, certified by an Authorized Representative of the Authority, shall be delivered to the Trustee following its adoption. The aggregate principal amount of notes issued under this heading which may be Outstanding at any time shall be limited as and to the extent provided in the Act. (*Section 205*).

### ***Additional Obligations***

The Authority reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness or to enter into a hedge agreement pursuant to other and separate resolutions or agreements of the Authority, so long as such bonds, notes or other obligations are not, or such other indebtedness or provider of the hedge agreement is not, except as provided in the Assessment Bond Trust Agreement, entitled to a charge or lien or right with respect to the Pledged Revenues or the Funds and Accounts created hereby or pursuant hereto. Notwithstanding the foregoing, the Authority may by Supplemental Resolution issue bonds, notes or any other obligations or enter into a hedge agreement entitled to a charge or lien or right with respect to the Pledged Revenue or the Funds and Accounts under the Assessment Bond Trust Agreement, so long as amounts payable on such obligations or under such agreement shall be payable after the deposits set forth in the Assessment Bond Trust Agreement. (*Section 206*).

### ***Hedging Transactions***

A Hedge Agreement is a Qualified Hedge Agreement if (i) the Provider of the Hedge Agreement is a Qualified Institution or the Provider's obligations under the Hedge Agreement are unconditionally guaranteed by a Qualified Institution and (ii) the Authority designates it as such by Certificate of an Authorized Officer.

If the Authority shall enter into any Qualified Hedge Agreement with respect to any Assessment Bonds and the Authority has made a determination that the Qualified Hedge Agreement was entered into for the purpose of hedging or managing the interest due with respect to those Assessment Bonds then during the term of the Qualified Hedge Agreement and so long as the Provider of the Qualified Hedge Agreement is not in default:

(1) for purposes of any calculation of Debt Service, the interest rate on the Assessment Bonds with respect to which the Qualified Hedge Agreement applies shall be determined as if such Assessment Bonds had interest payments equal to the interest payable on those Assessment Bonds less any payments reasonably expected to be made to the Authority by the Provider and plus any payments reasonably expected to be made by the Authority to the Provider in accordance with the terms of the Qualified Hedge Agreement (other than fees or termination payments payable to such Provider for providing the Qualified Hedge Agreement);

(2) any such payments (other than fees and termination payments) required to be made by the Authority to the Provider pursuant to such Qualified Hedge Agreement shall be made from amounts on deposit in the Debt Service Fund;

(3) any such payments received by or for the account of the Authority from the Provider pursuant to such Qualified Hedge Agreement shall be deposited in the Debt Service Fund; and

(4) fees and termination payments, if any, payable to the Provider may be deemed to be Debt Service and paid from amounts on deposit in the Debt Service Fund if and to the extent expressly provided in the Qualified Hedge Agreement (otherwise such fees and termination payments shall be payable solely from general funds of the Authority).

If the Authority shall enter into a Hedge Agreement that is not a Qualified Hedge Agreement, then:

(1) the interest rate adjustments or assumptions referred to in clause (1) under this heading shall not be made;

(2) any and all payments required to be made by the Authority to the Provider pursuant to such Hedge Agreement (including any fee and termination payments) shall be made only from general funds of the Authority; and

(3) any payments received by the Authority from the Provider pursuant to such Hedge Agreement shall be treated as Pledged Revenues and shall be deposited in the Pledged Revenue Fund. (*Section 104*).

### ***Redemption Of Assessment Bonds***

Assessment Bonds subject to redemption prior to maturity pursuant to a Supplemental Agreement shall be redeemable, upon notice as provided in the Assessment Bond Trust Agreement, at such times, at such Redemption Prices and upon such terms as may be specified in the Assessment Bond Trust Agreement or in the Supplemental Agreement authorizing such Series.

In the case of any redemption of Assessment Bonds otherwise than as provided in the third paragraph under this heading, the Authority shall give written notice to the Trustee of its election so to redeem, of the redemption date, of the Series, of the principal amounts of the Assessment Bonds of each maturity of such Series to be redeemed and, if applicable, of the amount of each Sinking Fund Installment within each such maturity to be redeemed (which Series, maturities and principal amounts thereof to be redeemed and Sinking Fund Installments shall be determined by the Authority in its sole discretion, subject to any limitations with respect thereto contained in any Supplemental Agreement). Such notice shall be given at least 45 days prior to the redemption date or such shorter period as shall be acceptable to the Trustee.

Whenever by the terms of the Assessment Bond Trust Agreement or a Supplemental Agreement, Assessment Bonds are required to be redeemed otherwise than at the election of the Authority, the Authority may subject to the provision of any related Supplemental Agreement select the Series of Assessment Bonds, the principal amounts of the Assessment Bonds of each maturity of such Series to be redeemed and, except in the case of mandatory sinking fund redemption, of the amount of such Sinking Fund Installment, if applicable, within such maturity to be redeemed (which Series, maturities and principal amounts thereof to be redeemed and Sinking Fund Installments shall be determined by the Authority in its sole discretion, subject to any limitations with respect thereto contained in the Assessment Bond Trust Agreement or a Supplemental Agreement) and in the event the Authority does not notify the Trustee of such Series, maturities and principal amounts to be redeemed on or before the 45th day preceding the redemption date, the Trustee shall select the Assessment Bonds to be redeemed, give the notice of redemption and apply the moneys available therefor to redeem on the redemption date at the Redemption Price therefor, together with accrued interest to the redemption date, all of the Assessment Bonds to be redeemed.

In the event of redemption of less than all of the Outstanding Assessment Bonds of like maturity of any Series shall be called for prior redemption, the particular Assessment Bonds or portions of Assessment Bonds to be redeemed shall be selected by the Trustee by lot, or in such other manner as the Trustee in its discretion may deem fair and appropriate subject to any limitation with respect thereto contained in the applicable Supplemental Agreement. For purposes of the provisions under this heading, the minimum denomination of a Capital Appreciation Bond shall be the lowest Accreted Value authorized to be due at maturity on such Assessment Bonds, and the minimum denomination of a Deferred Income Bond shall be the lowest Appreciated Value on the Interest Commencement Date authorized for such Assessment Bonds.

Notice of the call for any redemption of Assessment Bonds prior to maturity shall be given as provided in the applicable Supplemental Agreement. (*ARTICLE IV*).

#### ***Establishment of Funds and Accounts***

The following Funds and Accounts, which shall be held and administered by the Trustee, are hereby established:

- (1) Pledged Revenue Fund;
- (2) Debt Service Fund; and
- (3) Debt Service Reserve Fund.

Amounts held at any time by the Trustee in any of the Funds and Accounts established pursuant to the Assessment Bond Trust Agreement or under the Bond Proceeds Fund pursuant to a Supplemental Agreement shall be held in trust for the Owners of the Assessment Bonds separate and apart from all other funds of the Trustee, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes provided in the Assessment Bond Trust Agreement.

The following Funds and Accounts, which shall be held and administered by the Authority, are hereby established:

- (1) Bond Proceeds Fund, which shall include the Capital Account and such other Accounts created by Supplemental Agreement; and
- (2) Rebate Fund.



Amounts held at any time by the Authority in any of the Funds and Accounts established pursuant to the Assessment Bond Trust Agreement shall not be held in trust for the benefit of the Owners of Assessment Bonds, but shall be disbursed, allocated and applied solely for the uses and purposes provided in the Assessment Bond Trust Agreement. Additional funds, accounts or subaccounts may be created for other purposes by any Supplemental Agreement. Notwithstanding the foregoing, the Authority by Supplemental Agreement authorizing a Series of Assessment Bonds may designate that one or more Accounts in the Bond Proceeds Fund created by such Supplemental Agreement be held and administered by the Trustee and pledged to the Owners of the Assessment Bonds. (*Section 502*).

### ***Bond Proceeds Fund***

The Authority shall deposit into the Bond Proceeds Fund the net proceeds of all Assessment Bonds, other than Refunding Bonds, issued for direct expenditures to be made by the Authority, which net proceeds shall be in the amount and applied as set forth in the applicable Supplemental Agreement. (*Section 503*).

### ***Pledged Revenue Fund and Application Thereof***

The Authority shall, immediately following the issuance and delivery of any Assessment Bonds under the Assessment Bond Trust Agreement, transfer to the Trustee for payment into the Pledged Revenue Fund all Pledged Revenues as received, except Investment Income required by the terms of the Assessment Bond Trust Agreement to be deposited in another Fund or Account. Amounts in the Pledged Revenue Fund shall be deposited in, or credited to, as appropriate, on the last Business Day of each of March, June, September and December, the following Funds and Accounts, in the amounts and in the order and priority, as follows:

(1) Into the Debt Service Fund, the amount, if any, required so that the balance in said Fund shall equal the Net Debt Service (less Investment Income from the Debt Service Fund and the Debt Service Reserve Fund transferred or to be transferred in the current Fiscal Year or retained in the Debt Service Fund) and the fees and charges related to Credit Facilities, Liquidity Facilities, and Qualified Hedge Agreements accrued or accruing through the next succeeding quarter, provided that if amounts in the Pledged Revenue Fund are insufficient to meet such required balance, the Trustee shall draw amounts from the Sales Tax Bond Trust Agreement in accordance with the Assessment Bond Trust Agreement;

(2) Into the Debt Service Reserve Fund, the amount, if any, required for such Fund, after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation deposited in such Fund pursuant to the Assessment Bond Trust Agreement and subject to the provisions of thereto to, equal the Debt Service Reserve Requirement as of the last day of the then current quarter; provided, however, that the provisions in the sixth paragraph under the heading "Debt Service Reserve Fund" shall govern any replenishment required after a withdrawal from such Fund;

(3) To the Authority for credit to the Rebate Fund, notwithstanding any other provisions of under this heading, such Pledged Revenues at such times and in such amounts as shall be set forth in a certificate of an Authorized Officer;

(4) If the Trustee shall have received a certificate from the trustee under the Sales Tax Bond Trust Agreement in accordance with the Sales Tax Bond Trust Agreement, to such trustee the amount set forth in such certificate; and

(5) To the Authority, the moneys remaining on deposit in the Pledged Revenue Fund after making the foregoing deposits.

In determining the amounts to be transferred to the Authority for deposit in the Funds and Accounts held by the Authority, the Trustee may rely exclusively on a certificate of an Authorized Officer setting forth such amounts, which certificate shall be timely provided to the Trustee by the Authority. (*Section 504*).

### ***Rebate Fund***

Upon the issuance, sale and delivery of any Series of Assessment Bonds subject to the Rebate Fund Requirement, there shall be established in the Rebate Fund a separate account for such Series. Funds on deposit in the Rebate Fund shall be applied, as set forth in the applicable Supplemental Agreement or a certificate of an Authorized Officer. Unless otherwise specified in the applicable Supplemental Agreement or certificate of an Authorized Officer, interest or other income derived from the investment or deposit of moneys in the Rebate Fund shall be retained in the Rebate Fund. (*Section 505*).

### ***Debt Service Fund***

The Trustee shall pay out of the Debt Service Fund to the respective Paying Agents (i) on or before each interest payment date for any of the Assessment Bonds, the amount required for the interest payable on such date; (ii) on or before each Principal Installment due date, the amount required for the Principal Installment for Assessment Bonds payable on such due date; and (iii) on or before any redemption date for the Assessment Bonds, the amount required for the payment of the Redemption Price of and interest on the Assessment Bonds then to be redeemed; provided, however, that if with respect to any Series of Assessment Bonds or portions thereof the amounts due on any such interest payment date and/or Principal Installment due date and/or redemption date are intended to be paid from a source other than amounts in the Debt Service Fund prior to any application of amounts in the Debt Service Fund to such payments, the Trustee shall not pay any such amounts to the Paying Agent until such amounts have failed to be provided from such other source at the time required and, if any such amounts due are paid from such other source, the Trustee shall apply the amounts in the Debt Service Fund to provide reimbursement for such payment from such other source, as provided in the agreement governing reimbursement of such amounts to such other source. Such amounts shall be applied by the Paying Agents on and after the due dates thereof. The Trustee shall also pay out of the Debt Service Fund (i) the accrued interest included in the purchase price of Assessment Bonds purchased for retirement and (ii) upon written instructions of the Authority, any fees and charges related to Credit Facilities, Liquidity Facilities and Qualified Hedge Agreements.

The amount, if any, deposited in the Debt Service Fund from the proceeds of each Series of Assessment Bonds shall be set aside in such Fund and applied to the payment of interest on Assessment Bonds as provided and the Supplemental Agreement relating to the issuance of such Series of Assessment Bonds.

In the event the amount on deposit in the Debt Service Fund shall be less than the requirement of such Fund pursuant to the Assessment Bond Trust Agreement, the Trustee shall provide a certificate to the Authority and the trustee under the Sales Tax Bond Trust Agreement setting forth the amount of the shortfall and shall receive such amount (to the extent available) from the Pledged Revenue Fund under the Sales Tax Bond Trust Agreement in accordance with the Sales Tax Bond Trust Agreement.

In the event of the refunding of any Assessment Bonds, the Authority may direct the Trustee to withdraw from the Debt Service Fund all, or any portion of, the amounts accumulated therein with respect to Debt Service on the Assessment Bonds being refunded and deposit such amounts in a separate account with the Trustee to be held for the payment of the principal or Redemption Price, if applicable, of and interest on the Assessment Bonds being refunded; provided that such withdrawal shall not be made unless (a) immediately thereafter Assessment Bonds being refunded shall be deemed to have been paid pursuant

to the Assessment Bond Trust Agreement, and (b) the amount remaining in the Debt Service Fund, after giving effect to the issuance of Refunding Bonds and the disposition of the proceeds thereof, shall not be less than the requirement of such Fund pursuant to the Assessment Bond Trust Agreement. In the event of such refunding, the Authority may also direct the Trustee to withdraw from the Debt Service Fund all, or any portion of, the amounts accumulated therein with respect to Debt Service on the Assessment Bonds being refunded and deposit such amounts in any Fund or Account under the Assessment Bond Trust Agreement; provided, however, that such withdrawal shall not be made unless clauses (a) and (b) referred to hereinabove have been satisfied and provided, further, that, at the time of such withdrawal, there shall exist no deficiency in any Fund or Account held under the Assessment Bond Trust Agreement (other than the Fund or Account into which such amount is being transferred). (*Section 506*).

### ***Debt Service Reserve Fund***

If on the last Business Day of each quarter the amount in the Debt Service Fund shall be less than the amount required to be in such Fund pursuant to the Assessment Bond Trust Agreement, after deposit of any Funds received from the Sales Tax Bond Trust Agreement in accordance with the Assessment Bond Trust Agreement, the Trustee shall transfer to the Debt Service Fund (in such order) amounts from the Debt Service Reserve Fund equal to the deficiency.

Whenever the moneys on deposit in the Debt Service Reserve Fund shall exceed the Debt Service Reserve Requirement, such excess may be, in the discretion of the Authority, transferred by the Trustee to the Debt Service Fund or, if approved by an Opinion of Bond Counsel, to any Fund or Account specified by the Authority.

Whenever the amount in the Debt Service Reserve Fund, together with the amount in the Debt Service Fund, is sufficient to pay in full all Outstanding Assessment Bonds in accordance with their terms (including principal or applicable Sinking Fund Installments thereof and interest thereon), the amounts on deposit in the Debt Service Reserve Fund may, in the discretion of the Authority, be transferred to the Debt Service Fund. Prior to said transfer, all investments held in the Debt Service Reserve Fund shall be liquidated to the extent necessary in order to provide for the timely payment of principal or Redemption Price and interest on Assessment Bonds.

In lieu of the required deposits and transfers to the Debt Service Reserve Fund or as a replacement or substitution for any moneys or Investment Obligations then on deposit in the Debt Service Reserve Fund, the Authority may at any time cause to be deposited into the Debt Service Reserve Fund for the benefit of the Owners of the Assessment Bonds a surety bond, an insurance policy, a letter of credit or other similar obligation (and may replace such surety bond, insurance policy, letter of credit or other similar obligation from time to time) providing for payments in an amount equal to the difference between the Debt Service Reserve Requirement and the sums, if any, then on deposit in the Debt Service Reserve Fund or being deposited in the Debt Service Reserve Fund concurrently with such surety bond, insurance policy, letter of credit or other similar obligation. The surety bond, insurance policy, letter of credit or other similar obligation shall be payable (upon the giving of notice as required thereunder) on any date on which moneys will be required to be withdrawn from the Debt Service Reserve Fund and applied to the payment of a Principal Installment of or interest on any Assessment Bonds and such withdrawal cannot be met by moneys and Investment Obligations on deposit in the Debt Service Reserve Fund. The insurer providing such surety bond or insurance policy shall be an insurer (i) whose municipal bond insurance policies, at the time of issue of such surety bond or insurance policy, insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in a category equal to or higher than its unenhanced, published rating on Outstanding Assessment Bonds, by any Rating Agency or (ii) who holds the highest policy-holder rating accorded Insurers by any Rating Agency. The letter of credit issuer shall be a bank or trust company which at the time of issuance of the letter of credit has an outstanding, unsecured, uninsured and unguaranteed debt issue rated in a

category equal to or higher than its unenhanced, published rating on Outstanding Assessment Bonds, by any Rating Agency. If a disbursement is made pursuant to a surety bond, an insurance policy, a letter of credit or other similar obligation provided pursuant to this paragraph, the Authority shall be obligated, but only from the sources of payment specified in the Assessment Bond Trust Agreement, either (i) to reinstate the maximum limits of such surety bond, insurance policy, letter of credit or other similar obligation, (ii) to deposit into the Debt Service Reserve Fund, funds in the amount of the disbursement made under such surety bond, insurance policy, letter of credit or other similar obligation, (iii) to promptly deposit into the Debt Service Reserve Fund a different surety bond, insurance policy, letter of credit or other similar obligations having a maximum limit equal to the amount of the disbursement made under the existing surety bond, insurance policy, letter of credit or other similar obligation, or (iv) to utilize any combination of the alternatives set forth in clauses (i), (ii) or (iii) above as shall provide that the amount in the Debt Service Reserve Fund equals the Debt Service Reserve Requirement. Subject to the provisions of the last paragraph under this heading, moneys and Investment Obligations on deposit in the Debt Service Reserve Fund may, if required by the terms of any surety bond, letter of credit or other similar obligation, be utilized by the Authority to repay any drawings on such surety bond, letter of credit or other similar obligation, but only if such repayment will result in a reinstatement of the amount available to be drawn under such surety bond, letter of credit or other similar obligation in an amount at least equal to the amount of such repayment.

In the event of the refunding of any Assessment Bonds, the Authority may direct the Trustee to withdraw from the Debt Service Reserve Fund all, or any portion of, the amounts accumulated therein with respect to the Assessment Bonds being refunded and deposit such amounts with the Trustee in a separate account to be held for the payment of the principal or Redemption Price, if applicable, and interest on the Assessment Bonds being refunded; provided that such withdrawal shall not be made unless (a) immediately thereafter the Assessment Bonds being refunded shall be deemed to have been defeased, and (b) the amount remaining in the Debt Service Reserve Fund, after giving effect to the issuance of any Refunding Bonds and the disposition of the proceeds thereof and to any surety bond, insurance policy, letter of credit or other similar obligation deposited in such Fund pursuant to the fourth paragraph under this heading, shall not be less than the Debt Service Reserve Requirement. In the event of such refunding, the Authority may also direct the Trustee to withdraw from the Debt Service Reserve Fund all, or any portion of, the amounts accumulated therein with respect to Debt Service on the Assessment Bonds being refunded and deposit such amounts in any Fund or Account under the Assessment Bond Trust Agreement; provided, however, that such withdrawal shall not be made unless items (a) and (b) referred to hereinabove have been satisfied.

Regardless of the provisions under the heading “Pledged Revenues and Application Thereof,” in the event that at any time the amount on deposit in the Debt Service Reserve Fund, after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation deposited in such Fund pursuant to the provisions in the Assessment Bond Trust Agreement, shall be less than the Debt Service Reserve Requirement as a result of any withdrawal from said Fund or as a result of the valuation of such Fund performed in accordance with the Assessment Bond Trust Agreement, the Authority shall restore the amount on deposit in the Debt Service Reserve Fund, after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation deposited in said Fund pursuant to the Assessment Bond Trust Agreement, to the Debt Service Reserve Requirement, in the case of restoration after a withdrawal in twelve (12) equal monthly installments commencing within ninety (90) days of such withdrawal, and in the case of restoration as a result of valuation in six (6) equal monthly installments commencing thirty (30) days after such valuation. (*Section 507*).

### ***Investment of Funds***

Amounts in the Funds and Accounts established by the Assessment Bond Trust Agreement may be invested by the Trustee at the written direction of the Authority or by the Authority, as the case may be, only in Investment Obligations. To the extent not used to meet the requirement of such Funds and Accounts, income from such Investment Obligations held in the Pledged Revenue Fund, the Debt Service Fund, the Debt Service Reserve Fund and in any Account of the Bond Proceeds Fund established by Supplemental Agreement and held by the Trustee shall be credited to the Debt Service Fund; provided, however, that in order to comply with the provisions under the heading "Tax Covenant" herein the Authority may provide in the Supplemental Agreement authorizing a series of Assessment Bonds that earnings on the Debt Service Fund and Debt Service Reserve Fund, as applicable, shall be transferred to the Capital Account of the Bond Proceeds Fund, to the extent such earnings exceed the amount needed to meet the obligations under paragraph (1) under the heading "Pledged Revenue Fund and Application Thereof." The income from any Investment Obligations in the Rebate Fund and in the Bond Proceeds Fund or in a separate account or sub-account therein shall be held in such Fund, Account or sub-account for the purposes thereof. The Trustee and the Authority shall sell any Investment Obligations held in any Fund or Account to the extent required for payments from such Fund or Account. The proceeds of such sales, and of all payments at maturity or upon redemption of such investments, shall be held in the applicable Fund or Account to the extent required to meet the requirements of such Fund or Account. In computing the amount of such Funds and Accounts, investments shall be valued at par, or if purchased at other than par, shall be valued at Amortized Value. Accrued interest received upon the sale of any Investment Obligation shall be treated as income from such Investment Obligation for purposes of the provisions under this heading.

In making any investment in any Investment Obligations with moneys in any Fund or Account established under the Assessment Bond Trust Agreement, the Trustee and the Authority may combine such moneys with moneys in any other Fund or Account held by it, but solely for purposes of making such investment in such Investment Obligations.

Nothing in the Assessment Bond Trust Agreement shall prevent any Investment Obligations acquired as investments of or security for any Fund or Account held under the Assessment Bond Trust Agreement from being issued or held in book-entry form on the books of the Department of the Treasury of the United States.

Each investment of any moneys in any Fund or Account established under the Assessment Bond Trust Agreement shall permit the moneys so deposited or invested to be available for use at the times at which the Authority reasonably believes such moneys will be required for the purposes above.

The Trustee is hereby authorized, in making or disposing of any investment permitted by this Trust Agreement, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person dealing as principal for its own account. (*Section 508*).

### ***Satisfaction of Sinking Fund Installments***

Any amount accumulated in the Debt Service Fund up to the unsatisfied balance of each respective Sinking Fund Installment may be applied (together with amounts accumulated in such Debt Service Fund with respect to interest on the Assessment Bonds for which such Sinking Fund Installment was established) by the Trustee at the direction of the Authority prior to the forty-fifth day preceding the due date of such Sinking Fund Installment as follows:

(1) to the purchase of Assessment Bonds of the maturity for which such Sinking Fund Installment was established, at prices (including any brokerage and other charges) not exceeding the principal amount of such Assessment Bonds plus unpaid interest accrued to the date of purchase, such purchases to be made in such manner as the Authority shall determine; or

(2) to the redemption of such Assessment Bonds if then redeemable by their terms at the price referred to in clause (1) above.

All Assessment Bonds so purchased or redeemed shall be delivered to the Trustee for cancellation prior to the forty-fifth day preceding the due date of such Sinking Fund Installment. The principal amount of any Assessment Bonds so purchased or redeemed shall be deemed to constitute part of the Debt Service Fund until such Sinking Fund Installment date, for the purpose of calculating the amount of such Fund.

Upon the purchase or redemption of any Assessment Bond pursuant to clause (1) under this heading, an amount equal to the principal amount of the Assessment Bonds so purchased or redeemed shall be credited toward the next Sinking Fund Installment thereafter to become due with respect to the Assessment Bonds of such maturity and the amount of any excess of the amounts so credited over the amount of such Sinking Fund Installment shall be credited by the Trustee against future Sinking Fund Installments as specified in a Supplemental Agreement. Concurrently with the delivery of such Assessment Bonds the Authority shall deliver to the Paying Agent and to the Trustee a certificate of an Authorized Officer specifying (i) the principal amount, Series, maturity, interest rate and numbers of the Assessment Bonds so delivered, (ii) the date of the Sinking Fund Installment in satisfaction of which such Assessment Bonds are so delivered, (iii) the aggregate principal amount of the Assessment Bonds so delivered, and (iv) the unsatisfied balance of each such Sinking Fund Installment after giving effect to the delivery of such Assessment Bonds.

Upon the purchase or redemption of any Series of Assessment Bonds for which Sinking Fund Installments shall have been established, an amount equal to the principal amount of the Assessment Bonds so purchased or redeemed shall be credited toward future Sinking Fund Installments in such order as the Authority shall determine. In satisfaction, in whole or in part, of any Sinking Fund Installment, the Authority may deliver to the Trustee at least forty-five days prior to the date of such Sinking Fund Installment, for cancellation, Assessment Bonds purchased or redeemed, except Assessment Bonds purchased or redeemed pursuant to the provisions of clause (1) under this heading, of the Series and maturity entitled to such Sinking Fund Installment. All Assessment Bonds so delivered to the Trustee in satisfaction of a Sinking Fund Installment shall reduce the amount thereof by the amount of the aggregate principal amount of such Assessment Bonds. Concurrently with such delivery of such Assessment Bonds the Authority shall deliver to the Paying Agent and to the Trustee a certificate of an Authorized Officer specifying (i) the principal amount, Series, maturity, interest rate and numbers of the Assessment Bonds so delivered, (ii) the date of the Sinking Fund Installment in satisfaction of which such Assessment Bonds are so delivered, (iii) the aggregate principal amount of the Assessment Bonds so delivered, and (iv) the unsatisfied balance of each such Sinking Fund Installment after giving effect to the delivery of such Assessment Bonds.

The Trustee shall, upon receipt of the notice required by the Assessment Bond Trust Agreement and in the manner provided in the Assessment Bond Trust Agreement or in the Supplemental Agreement authorizing the Series of Assessment Bonds of which the Assessment Bonds to be redeemed are part, call for redemption on the date of each Sinking Fund Installment falling due prior to maturity Assessment Bonds of the Series, maturity and interest rate within each maturity for which such Sinking Fund Installment was established (except in the case of Assessment Bonds maturing on a Sinking Fund Installment date) in such amount as is required to exhaust the unsatisfied balance of such Sinking Fund Installment.

The Trustee shall pay out of the Debt Service Fund as applicable, to the appropriate Paying Agents, on or before such redemption date (or maturity date), the amount required for the redemption of the Assessment Bonds so called for redemption (or for the payment of such Assessment Bonds then maturing), and such amount shall be applied by such Paying Agents to such redemption (or payment). All expenses in connection with the purchase or redemption of Assessment Bonds shall be paid by the Authority.

Except as may be otherwise provided with respect to Put Bonds in the Supplemental Agreement providing for the issuance thereof, all Assessment Bonds paid or redeemed, either at or before maturity, shall be delivered to the Trustee when such payment or redemption is made, and such Assessment Bonds, together with all Assessment Bonds purchased or redeemed which have been delivered to the Trustee for application as a credit against Sinking Fund Installments, and all Assessment Bonds purchased by the Trustee, shall thereupon be promptly canceled. (*Section 509*).

### **Particular Covenants of the Authority:**

#### ***Payment of Assessment Bonds***

The Authority shall duly and punctually pay or cause to be paid the principal or Redemption Price of every Assessment Bond and the interest thereon, at the dates and places and in the manner mentioned in the Assessment Bonds, according to the true intent and meaning thereof, and shall duly and punctually satisfy all Sinking Fund Installments which may be established for any Series. Except as in the Assessment Bond Trust Agreement otherwise provided, the principal or Redemption Price of such Assessment Bonds and the interest thereon are payable solely from Pledged Revenues which Pledged Revenues are pledged thereunder to the payment thereof in the manner and to the extent particularly specified in the Assessment Bond Trust Agreement, and nothing in the Assessment Bonds or in the Assessment Bond Trust Agreement shall be construed as obligating the Commonwealth or any political subdivision thereof to pay the Assessment Bonds or the interest thereon except from such Pledged Revenues or as pledging the faith and credit or taxing power of the Commonwealth or of any such political subdivision. (*Section 601*).

#### ***Power to Issue Assessment Bonds and Pledge Pledged Revenues and Other Funds***

The Authority is duly authorized under all applicable laws to create and issue the Assessment Bonds and to adopt the Assessment Bond Trust Agreement and to pledge the Pledged Revenues and other moneys, securities and funds purported to be pledged by the Assessment Bond Trust Agreement in the manner and to the extent provided in the Assessment Bond Trust Agreement. Except to the extent otherwise provided in the Assessment Bond Trust Agreement, the Pledged Revenues and other moneys, securities, funds and accounts so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Assessment Bond Trust Agreement, and all corporate action on the part of the Authority to that end has been duly and validly taken. The Assessment Bonds and the provisions of the Trust Agreement are and will be the valid and legally enforceable obligations of the Authority in accordance with their terms and the terms of the Assessment Bond Trust Agreement. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Revenues and other moneys, securities, funds and accounts pledged under the Assessment Bond Trust Agreement and all the rights of the Bondowners under the Assessment Bond Trust Agreement against all claims and demands of all persons whomsoever. (*Section 604*).

### ***Dedicated Payments***

In the Authority's discretion, revenues of the Authority which are not Pledged Revenues as defined in the Assessment Bond Trust Agreement as initially adopted may be pledged and designated as Dedicated Payments by resolution of the Authority, provided the conditions in one of the three following sentences of this paragraph are satisfied. If such Dedicated Payments are to be received from the United States of America, (a) they must automatically recur without appropriation, approval or other similar action by the United States of America or any agency or instrumentality thereof for so long as the Authority is relying thereon for the purpose of issuing Assessment Bonds and (b) the manner of determining the amounts to be derived therefrom must not be subject to change or revision during such period. If such Dedicated Payments are to be received from the Commonwealth, they must consist of a payment obligation payable to the Authority pursuant to a statutory or contractual arrangement with the Commonwealth which, in the opinion of Bond Counsel, constitutes a general obligation of the Commonwealth; provided that at the time of entering into such arrangement (a) such arrangement, by its terms, will not terminate so long as the Authority is relying thereon for the purpose of issuing Assessment Bonds and (b) the manner of determining the amounts to be derived from such arrangement is not subject to change or revision during such period. Notwithstanding the source of funding, if the Authority has received a written confirmation from each Rating Agency that its published unenhanced rating of Outstanding Assessment Bonds will not be adversely affected, the Authority may, in its sole discretion, designate any revenues which are not Pledged Revenues as Dedicated Payments.

All Dedicated Payments shall be deposited upon receipt in the Debt Service Fund, as determined by such Certificate of an Authorized Officer. The Authority may in its discretion reverse or modify any pledge and designation of Dedicated Revenues by a further resolution and any determination to deposit Dedicated Payments in the Debt Service Fund may be reversed or modified by Certificate of an Authorized Officer, provided that a Certificate of an Authorized Officer shall establish that following any such reversal or modification the Authority will meet the test for incurring \$1 (one dollar) of additional Assessment Bonds set forth in the Assessment Bond Trust Agreement. (*Section 605*).

### ***Accounts and Reports***

The Authority shall keep proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of the Funds established by the Assessment Bond Trust Agreement, and which shall at all times be subject to the inspection of the Trustee and the Owners of an aggregate of not less than twenty-five percent (25%) in principal amount of the Assessment Bonds then Outstanding or their representatives duly authorized in writing. The Authority shall cause such books and accounts to be audited annually after the end of its Fiscal Year by an independent public accountant selected by the Authority and shall furnish a copy of the report of such audit to the Trustee. Such report shall include at least: a statement of all funds (including investments thereof) held by such Trustee and the Authority pursuant to the provisions under this heading and of each Supplemental Agreement; a statement of the Pledged Revenues collected in connection herewith and with each Supplemental Agreement; a statement that the balance in the Debt Service Reserve Fund meet the requirements under the Assessment Bond Trust Agreement and of any applicable Supplemental Agreement; and a statement that, in making such audit, no knowledge of any default in the fulfillment of any of the terms, covenants or provisions under the Assessment Bond Trust Agreement and of each Supplemental Agreement were obtained, or if knowledge of any such default was obtained, a statement thereof.

The reports, statements and other documents required to be furnished by the Authority to the Trustee pursuant to any provisions of the Assessment Bond Trust Agreement shall be available for the inspection of Bondowners at the office of the Trustee. (*Section 606*).



### ***Tax Covenant***

The Authority shall take, or require to be taken, such action as may from time to time be required to assure the continued exclusion from the federal gross income of holders of any Series of Assessment Bonds, the interest on which is not includable in the gross income of the holder thereof for Federal income tax purposes. The Authority shall not permit the investment or application of the proceeds of any Series of Assessment Bonds, the interest on which is not includable in the gross income of the holder thereof for Federal income tax purposes, including any funds considered proceeds within the meaning of section 148 of the Code, to be used to acquire any investment property the acquisition of which would cause such Assessment Bonds to be “arbitrage bonds” within the meaning of said section 148. (*Section 607*).

### ***Funding of Deficiency Fund and Capital Maintenance Fund***

The Authority shall fund the Deficiency Fund and the Capital Maintenance Fund as required under the Authority’s resolution establishing such Funds, and a copy of resolution, and any amendments thereto, shall be filed with the Trustee. (*Section 608*).

### ***Condition to Issuance of Bonds Secured by Dedicated Sales Tax***

So long as there are Assessment Bonds Outstanding under the Assessment Bond Trust Agreement, the issuance by the Authority of Sales Tax Bonds or other Authority indebtedness (other than Indebtedness) secured by a pledge of or security interest in and payable from the Dedicated Sales Tax shall be conditioned upon the Authority demonstrating that the issuance of such indebtedness shall not cause the sum of the Assessment Floor Amount plus the Residual Sales Tax divided by the Net Debt Service for Outstanding Assessment Bonds in the then current or any future Fiscal Year to be less than 1.50 for any such Fiscal Year. (*Section 609*).

### ***General***

The Authority shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Authority under the provisions of the Act and the Assessment Bond Trust Agreement.

Upon the date of authentication and delivery of any of the Assessment Bonds, all conditions, acts and things required by law and the Assessment Bond Trust Agreement to exist, to have happened and to have been performed precedent to and in the issuance of such Assessment Bonds shall exist, shall have happened and shall have been performed and the issue of such Assessment Bonds, together with all other indebtedness of the Authority, shall be within every debt and other limit prescribed by the laws of the Commonwealth.

For the purpose of performing and carrying out the duties imposed on the Authority by the Assessment Bond Trust Agreement, the Authority may employ any individual, firm or corporation it deems necessary to fulfill its responsibilities under the Act and the Assessment Bond Trust Agreement. (*Section 610*).

### ***Trustee and Paying Agents***

State Street Bank and Trust Company is appointed Trustee under the Assessment Bond Trust Agreement. The Authority may appoint one or more Paying Agents for Assessment Bonds of any Series in the applicable Supplemental Agreement, and the Authority may at any time or from time to time

appoint one or more other Paying Agents having the qualifications set forth in the Assessment Bond Trust Agreement for a successor Paying Agent. The Trustee may be appointed as Paying Agent.

The Trustee may at any time resign and be discharged of the duties and obligations created by the Assessment Bond Trust Agreement by giving not less than 30 days' written notice to the Authority and the registered owners of the Assessment Bonds.

The Trustee may be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Owners of a majority in principal amount of the Assessment Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Assessment Bonds held by or for the account of the Authority. The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of the Assessment Bond Trust Agreement with respect to the duties and obligations of the Trustee, by any court of competent jurisdiction upon the application of the Authority or the holders of not less than 25% in aggregate principal amount of Assessment Bonds Outstanding. Notwithstanding the foregoing provisions, at the end of the fifth Fiscal Year following the Fiscal Year in which the first series of Assessment Bonds is issued under the Assessment Bond Trust Agreement, and at the end of every fifth Fiscal Year thereafter, the Authority may remove the Trustee, except during the existence of an Event of Default, upon 120 days' written notice to the trustee by filing with the Trustee an instrument signed by an Authorized Representative of the Authority.

Any Successor shall be a bank or trust company organized under the laws of any state of the United States or a national banking association having a capital and surplus aggregating at least \$100,000,000. (*Sections 701, 702, 707, 708, 709*).

### ***Supplemental Agreements Not Requiring Consent of Bondowners***

The Authority and the Trustee may without the consent of, or notice to, any of the holders of the Assessment Bonds enter into agreements supplemental to the Assessment Bond Trust Agreement as shall not, in their opinion, be inconsistent with the terms and provisions of the Assessment Bond Trust Agreement for, among other things, and at any time or from time to time:

(a) to authorize Assessment Bonds of a Series and, in connection therewith specify and determine the matters and things referred to in the Assessment Bond Trust Agreement, and also any other matters and things relative to such Assessment Bonds which are not contrary to or inconsistent with the Assessment Bond Trust Agreement as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Assessment Bonds including, without limiting the generality of the foregoing, provisions amending or modifying the Assessment Bond Trust Agreement to provide for the issuance of Assessment Bonds in book-entry form or in coupon form payable to bearer;

(b) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Assessment Bond Trust Agreement, of the Pledged Revenues or of any other moneys, securities or funds;

(c) to modify any of the provisions of the Assessment Bond Trust Agreement in any respect whatsoever, provided that (i) such modification shall be, and be expressed to be, effective only after all Assessments Bonds of any Series affected by the amendment Outstanding at the date of the execution and delivery of such Supplemental Agreement shall cease to be Outstanding, and (ii) such Supplemental Agreement shall be specifically referred to in the text of all Assessment Bonds of any Series authenticated and delivered after the date of the execution and delivery of such Supplemental Agreement and of Assessment Bonds issued in exchange therefor or in place thereof;

(d) to modify the definition of Investment Obligations as directed by the Authority, provided that the Authority shall have provided evidence to the Trustee that the details of such modification have been provided in writing to each Rating Agency then assigning a rating on Outstanding Assessment Bonds and that each such Rating Agency has either (i) confirmed in writing that such modification will not adversely affect such ratings or (ii) issued a rating on a Series of Assessment Bonds to be issued which is not lower than the rating assigned by such Rating Agency to Outstanding Assessment Bonds prior to such modification, or any other evidence satisfactory to the Trustee that modification will not adversely affect the then current ratings, if any, assigned to the Assessment Bonds by any Rating Agency;

(e) to subject to the lien of the Assessment Bond Trust Agreement additional revenues, security or collateral;

(f) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Assessment Bond Trust Agreement;

(g) to insert such provisions clarifying matters or questions arising under the Assessment Bond Trust Agreement as are necessary or desirable and are not contrary to or inconsistent with the Assessment Bond Trust Agreement as theretofore in effect;

(h) to authorize the issuance of bonds, notes or any other obligation entitled to a lien on Pledged Revenues or the Funds and Accounts under the Assessment Bond Trust Agreement in accordance with the Assessment Bond Trust Agreement; or

(i) to provide for additional duties of the Trustee. (*Section 801*).

#### ***Supplemental Agreements Effective with Consent of Bondowners***

At any time or from time to time, a Supplemental Agreement may be adopted subject to consent by Bondowners in accordance with and subject to the provisions of the Assessment Bond Trust Agreement, which Supplemental Agreement, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority and upon compliance with the provisions of the Assessment Bond Trust Agreement, shall become fully effective in accordance with its terms as provided in said Assessment Bond Trust Agreement. (*Section 802*).

#### ***Amendments***

Any modification or amendment of the Assessment Bond Trust Agreement and of the rights and obligations of the Authority and of the Owners of the Assessment Bonds thereunder may be made by a Supplemental Agreement, with the written consent given as provided in the Assessment Bond Trust Agreement, (i) of the Owners of at least a majority in principal amount of the Assessment Bonds Outstanding at the time such consent is given, and (ii) in case less than all of the several Series of Assessment Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least a majority in aggregate principal amount of the Assessment Bonds of the several Series so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Assessment Bonds of any specified like Series and maturity remain Outstanding, the consent of the Owners of such Assessment Bonds shall not be required and such Assessment Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Assessment Bonds under this heading. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Assessment Bond or of any installment of interest thereon or a reduction in the principal amount, Accreted Value or the Redemption Price thereof or in the rate of interest thereon without the consent of

the Owner of such Assessment Bond, or shall reduce the percentages or otherwise affect the classes of Assessment Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purposes of this paragraph, a Series shall be deemed to be affected by a modification or amendment of the Assessment Bond Trust Agreement if the same adversely affects or diminishes the rights of the Owners of Assessment Bonds of such Series. The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment, Assessment Bonds of any particular Series or maturity would be affected by any modification or amendment of the Assessment Bond Trust Agreement. Any such determination may be based upon the written advice of Bond Counsel, if so requested by the Trustee, and shall be binding and conclusive on the Authority and all Owners of Assessment Bonds. For purposes of the provisions under this heading, the Owners of the Assessment Bonds may include the initial holders thereof, regardless of whether such Assessment Bonds are being held for immediate resale. (*Section 902*).

### ***Events of Default***

The occurrence of any one or more of the following events shall constitute an Event of Default under the Assessment Bond Trust Agreement:

(1) The Authority shall fail to make payment of the principal and of any Assessment Bonds when the same shall become due and payable, either at maturity or scheduled redemption; or

(2) The Authority shall fail to make payment of any installment of interest on any Assessment Bonds when the same shall become due and payable; or

(3) The Authority shall default in the observance or performance of any other covenants or agreements on the part of the Authority contained in the Assessment Bond Trust Agreement, and such default shall continue for ninety (90) days after written notice specifying such default and requiring the same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Assessment Bonds then Outstanding. (*Section 1001*).

### ***Remedies***

Upon the occurrence and during the continuation of any Event of Default, then and in every such case the Trustee may proceed, and upon the written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of Assessment Bonds then Outstanding under the Assessment Bond Trust Agreement shall proceed to protect and enforce its rights and the rights of the Bondowners under the laws of the Commonwealth or under the Assessment Bond Trust Agreement by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board of officer having jurisdiction, either for the specific performance of any covenant or agreement contained in the Assessment Bond Trust Agreement or in aid or execution of any power therein granted or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights. The Trustee shall not be required to take any remedial action (other than the giving of notice) unless indemnity satisfactory to the Trustee is furnished for any liability to be incurred thereby. (*Section 1002*).

### ***Application of Pledged Revenues and Other Moneys After Default***

The Authority covenants that if an Event of Default shall happen and shall not have been remedied, the Authority, upon demand of the Trustee, shall pay over to cause to be paid over to the Trustee (i) forthwith, any moneys, securities and funds then held by the Authority or a Depository in any

Fund, Account or Subaccount under the Assessment Bond Trust Agreement (excluding the Rebate Fund) and (ii) as promptly as practicable after receipt thereof, the Pledged Revenues. To the extent that the allocation of such moneys, securities, funds and Pledged Revenues is not otherwise provided for in the Assessment Bond Trust Agreement, the Trustee shall establish and deposit the same into a separate Account in the Debt Service Fund.

During the continuation of an Event of Default, all Pledged Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Assessment Bond Trust Agreement shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the registered holders of the Assessment Bonds (including without limitation deposits to the Rebate Fund sufficient to fund any unfunded anticipated liability of the Authority under section 148 of the Code relating to the Assessment Bonds) and payment of reasonable fees and charges and expenses of the Trustee (including without limitation reasonable fees and disbursements of its counsel) incurred in and in connection with the performance of its powers and duties under the Assessment Bond Trust Agreement.

(b) To the payment of the principal of and interest then due on the Assessment Bonds upon presentation of the Assessment Bonds to be paid (and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Assessment Bond Trust Agreement, as follows:

(i) Unless the principal of all of the Assessment Bonds shall have become due and payable,

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, ratably, according to the amounts of interest due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Assessment Bonds which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Assessment Bonds, and, if the amount available shall not be sufficient to pay in full all the Assessment Bonds, together with such interest, ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference;

(ii) If the principal of all of the Assessment Bonds shall have become due and payable (but without implying any right to accelerate the payment of such principal as a remedy upon the occurrence of an Event of Default), to the payment of the principal and interest then due and unpaid upon the Assessment Bonds, with interest on the overdue principal at the rate borne by the Assessment Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference. (*Section 1003*).

### ***Defeasance***

(1) If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Assessment Bonds then Outstanding, the principal and interest and Redemption Price to become due thereon, at the times and in the manner stipulated therein and in the Assessment Bond Trust

Agreement, then, at the option of the Authority, expressed in an instrument in writing signed by an Authorized Officer and delivered to the Trustee, the covenants, agreements and other obligations of the Authority to the Bondowners shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Authority, execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Authority all money, securities and funds held by them pursuant to the Assessment Bond Trust Agreement which are not required for the payment or redemption of Assessment Bonds not theretofore surrendered for such payment or redemption. If the Authority shall pay or cause to be paid, to the Owners of any Outstanding Assessment Bonds the principal or Redemption Price and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Assessment Bond Trust Agreement, such Assessment Bonds shall cease to be entitled to any lien, benefit or security under the Assessment Bond Trust Agreement, and all covenants, agreements and obligations of the Authority to the Owners of such Assessment Bonds shall thereupon cease, terminate and become void and be discharged and satisfied. Notwithstanding any other provision of the Assessment Bond Trust Agreement, certain provisions, including those related to redemption of Assessment Bonds, execution and authentication of Assessment Bonds, satisfaction of Sinking Fund Installments, appointment of Trustee and Paying Agents, appointment of Successor Trustee and Paying Agents, and compensation of Fiduciaries, (in the case of each of the foregoing, such survival shall continue only until such Assessment Bonds are in fact paid), and shall, within limits survive the defeasance of the Assessment Bonds.

(2) Assessment Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Paying Agents (through deposit by the Authority of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be defeased. Subject to the provisions of paragraph (3) through (7) under this heading, any Outstanding Assessment Bond shall prior to the maturity or redemption date thereof be defeased if (a) in case any of said Assessment Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee instructions accepted in writing by the Trustee to mail as provided in the Assessment Bond Trust Agreement notice of redemption of such Assessment Bonds (other than Assessment Bonds which have been purchased by the Trustee at the direction of the Authority or purchased or otherwise acquired by the Authority and delivered to the Trustee as hereinafter provided prior to the mailing of such notice of redemption) on said date, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Investment Obligations (as hereinafter defined) including any Investment Obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Assessment Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Assessment Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the Owners of such Assessment Bonds at their last addresses appearing upon the registry books at the close of business on the last Business Day on the month preceding the month for which notice is mailed that the deposit required by (b) above has been made with the Trustee and that said Assessment Bonds are defeased and stating such maturity or redemption date upon which moneys are expected, subject to the provisions of paragraphs (7) and (8) under this heading, to be available for the payment of the principal or Redemption Price, if applicable, on said Assessment Bonds (other than Assessment Bonds which have been purchased by the Trustee at the direction of the Authority or purchased or otherwise acquired by the Authority and delivered to the Trustee as hereinafter provided prior to the mailing of the notice of redemption referred to in clause (a) hereof). The Trustee shall, as and to the extent necessary, apply moneys held by it under this heading to the retirement of said Assessment Bonds in amounts equal to the unsatisfied balances of any Sinking Fund Installments with respect to such Assessment Bonds, all in the manner provided in the Assessment Bond Trust Agreement. The Trustee shall, if so directed by the Authority (i) prior to the

maturity date of defeased Assessment Bonds which are not to be redeemed prior to their maturity date or (ii) prior to the time of the mailing of the notice referred to in clause (a) above with respect to any defeased Assessment Bonds which are to be redeemed on any date prior to their maturity, apply moneys deposited with the Trustee in respect to such Assessment Bonds and redeem or sell Investment Obligations so deposited with the Trustee and apply the proceeds thereof to the purchase of such Assessment Bonds as arranged and directed by the Authority and the Trustee shall immediately thereafter cancel all such Assessment Bonds so purchased; provided, however, that the moneys and Investment Obligations remaining on deposit with the Trustee after the purchase and cancellation of such Assessment Bonds shall be sufficient to pay when due the Principal Installment or Redemption Price, if applicable, and interest due or to become due on all remaining Assessment Bonds, in respect of which such moneys and Investment Obligations are being held by the Trustee on or prior to the redemption date or maturity date thereof, as the case may be.

If, at any time (i) prior to the maturity date of defeased Assessment Bonds which are not to be redeemed prior to their maturity date or (ii) prior to the mailing of the notice of redemption referred to in clause (a) with respect to any defeased Assessment Bonds which are to be redeemed on any date prior to their maturity, the Authority shall purchase or otherwise acquire any such Assessment Bonds and deliver such Assessment Bonds to the Trustee prior to their maturity date or redemption date, as the case may be, the Trustee shall immediately cancel all such Assessment Bonds so delivered; such delivery of Assessment Bonds to the Trustee shall be accompanied by directions from the Authority to the Trustee as to the manner in which such Assessment Bonds are to be applied against the obligation of the Trustee to pay or redeem defeased Assessment Bonds; all in accordance with the Assessment Bond Trust Agreement.

In the event that on any date as a result of any purchases, acquisitions and cancellations of Assessment Bonds, the total amount of moneys and Investment Obligations remaining on deposit with the Trustee is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of the remaining Assessment Bonds in order to defease such Assessment Bonds, the Trustee shall, if requested by the Authority, pay the amount of such excess to the Authority free and clear of any trust, lien, security, interest, pledge or assignment securing said Assessment Bonds or otherwise existing under the Assessment Bond Trust Agreement. Except as otherwise provided in paragraph (2) and paragraphs (3) through (8) under this heading, neither Investment Obligations nor moneys deposited with the Trustee pursuant to the provisions under this heading nor principal or interest payments on any such Investment Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Assessment Bonds; provided that any cash received from such principal or interest payment on such Investment Obligations deposited with the Trustee, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the Authority as received by the Trustee, free and clear of any trust, lien or pledge securing said Assessment Bonds or otherwise existing under the Assessment Bond Trust Agreement, and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Investment Obligations maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Assessment Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the Authority, as received by the Trustee, free and clear of any trust, lien, security interest, pledge or assignment securing said Assessment Bonds or otherwise existing under the Assessment Bond Trust Agreement. For the purposes of the provisions under this heading, Investment Obligations shall mean and include only (x) such securities as are described in clauses (i), (iv) (to the extent rated at the time of investment in the highest rating category, without regard to any refinement or gradation of such rating, by any Rating Agency), (v) and (vii) of the definition of "Investment Obligations" which shall not be subject to redemption prior to their maturity other than at the option of the Owner thereof, (y) such securities as are described in clause (ii) of the definition of Investment Obligations which shall not be subject to redemption prior to their maturity other

than at the option of the Owner thereof or as to which an irrevocable notice of redemption of such securities on a specified redemption date has been given and such securities are not otherwise subject to redemption prior to such specified date other than at the option of the Owner thereof, or (z) upon compliance with the provisions of paragraph (5) under this heading, such securities as are described in clauses (i), (iv) to the extent rated at the time of investment in the highest rating category, without regard to any refinement or gradation of such rating, by any Rating Agency, (v) or (vii) of the definition of Investment Obligations which are subject to redemption prior to maturity at the option of the issuer thereof on a specified date or dates.

(3) For purposes of determining whether Variable Interest Rate Bonds are defeased, the interest to come due on such Variable Interest Rate Bonds on or prior to the maturity or redemption date thereof, as the case may be, shall be calculated at the maximum rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Variable Interest Rate Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys and Investment Obligations on deposit with the Trustee for the payment of interest on such Variable Interest Rate Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Variable Interest Rate Bonds in order to satisfy the second sentence of paragraph (2) under this heading the Trustee shall, if requested, by the Authority, pay the amount of such excess to the Authority free and clear of any trust, lien, security interest, pledge or assignment securing the Assessment Bonds or otherwise existing under the Assessment Bond Trust Agreement.

(4) Put Bonds shall be deemed to have been defeased only if, in addition to satisfying the other requirements there shall have been deposited with the Trustee moneys in an amount which shall be sufficient to pay when due the maximum amount of principal of and premium, if any, and interest on such Assessment Bonds which could become payable to the Owners of such Assessment Bonds upon the exercise of any options provided to the Owner of such Assessment Bonds; provided, however, that if, at the time a deposit is made with the Trustee pursuant to paragraph (2) under this heading, the options originally exercisable by the Owner of a Put Bond are no longer exercisable, such Assessment Bond shall not be considered a Put Bond for purposes of this paragraph (4). If any portion of the moneys deposited with the Trustee for the payment of the principal of and premium, if any, and interest on Put Bonds is not required for such purpose, the Trustee shall, if requested by the Authority, pay the amount of such excess to the Authority free and clear of any trust, lien, security interest, pledge or assignment securing said Assessment Bonds or otherwise existing under the Assessment Bond Trust Agreement.

(5) Investment Obligations described in clause (z) of paragraph (2) under this heading may be included in the Investment Obligations deposited with the Trustee in order to satisfy the requirements of clause (b) of paragraph (2) under this heading only if the determination as to whether the moneys and Investment Obligations to be deposited with the Trustee in order to satisfy the requirements of such clause (b) would be sufficient to pay when due either on the maturity date thereof or, in the case of any Assessment Bonds to be redeemed prior to the maturity date thereof, on the redemption date or dates specified in any notice of redemption to be mailed by the Trustee or in the instructions to mail a notice of redemption provided to the Trustee in accordance with paragraph (2) under this heading, the principal and Redemption Price, if applicable, and interest on the Assessment Bonds which will be deemed to have been paid as provided in paragraph (2) under this heading is made both (i) on the assumption that the Investment Obligations described in clause (z) were not redeemed at the option of the issuer prior to the maturity date thereof and (ii) on the assumptions that such Investment Obligations would be redeemed by the issuer thereof at its option on each date on which such option could be exercised, that as of such date or dates interest ceased to accrue on such Investment Obligations and that the proceeds of such redemption would not be reinvested by the Trustee.



(6) In the event that after compliance with the provisions of paragraph (5) under this heading the Investment Obligations described in clause (z) of paragraph (2) under this heading are included in the Investment Obligations deposited with the Trustee in order to satisfy the requirements of clause (b) of paragraph (2) under this heading and any such Investment Obligations are actually redeemed by the issuer thereof prior to their maturity date, then the Trustee at the direction of the Authority, provided that the aggregate of the moneys and Investment Obligations to be held by the Trustee, taking into account any changes in redemption dates or instructions to give notice of redemption given to the Trustee by the Authority in accordance with paragraph (7) under this heading, shall at all times be sufficient to satisfy the requirements of clause (b) of paragraph (2) under this heading, shall reinvest the proceeds of such redemption in Investment Obligations.

(7) In the event that after compliance with the provisions of paragraph (5) under this heading the Investment Obligations described in clause (z) of paragraph (2) under this heading are included in the Investment Obligations deposited with the Trustee in order to satisfy the requirements of the clause (b) of paragraph (2) under this heading, then any notice of redemption to be mailed by the Trustee and any set of instructions relating to a notice of redemption given to the Trustee may provide, at the option of the Authority, that any redemption date or dates in respect of all or any portion of the Assessment Bonds to be redeemed on such date or dates may at the option of the Authority be changed to any other permissible redemption date or dates and that redemption dates may be established for any Assessment Bonds deemed to have been paid in accordance with the provisions under this heading upon their maturity date or dates at any time prior to the actual mailing of any applicable notice of redemption in the event that all or any portion of any Investment Obligations described in clause (z) of paragraph 2 under this heading have been called for redemption pursuant to an irrevocable notice of redemption or have been redeemed by the issuer thereof prior to the maturity date thereof; no such change of redemption date or dates or establishment of redemption date or dates may be made unless taking into account such changed redemption date or dates or newly established redemption date or dates the moneys and Investment Obligations on deposit with the Trustee including any Investment Obligations deposited with the Trustee in connection with any reinvestment of redemption proceeds in accordance with paragraph (6) pursuant to clause (b) of paragraph (2) under this heading would be sufficient to pay when due the principal and Redemption Price, if applicable, and interest on all Assessment Bonds deemed to have been paid in accordance with the provisions under this heading which have not as yet been paid.

(8) Unless waived by the Authority at the time Assessment Bonds are defeased, at any time prior to the actual mailing of any applicable notice of redemption any redemption date or dates in respect of all or any portion of the Assessment Bonds to be redeemed on such date or dates may at the option of the Authority be changed to any other permissible redemption date or dates and redemption dates may be established for any Assessment Bonds deemed to have been defeased upon their maturity date or dates; in both cases in accordance with the Assessment Bond Trust Agreement.

(9) The Authority agrees that it will take no action in connection with any of the transactions referred to under this heading which will cause any Assessment Bonds to be "Arbitrage Bonds" within the meaning of Section 148(a) of the Code and the regulations thereunder in effect on the date of the transaction and applicable to the transaction.

(10) Anything in the Assessment Bond Trust Agreement to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Assessment Bonds which remain unclaimed for three years (or such other period as may from time to time be prescribed by the laws of the Commonwealth, provided that if no period is so prescribed, such period shall be three years) after the date when such Assessment Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for three years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Assessment Bonds became due and payable, shall automatically revert from the Fiduciary to

the Commonwealth once the Fiduciary has complied with the publication and reporting requirements as prescribed in accordance with the laws of the Commonwealth; provided, however, if no provision of Commonwealth law shall require that such funds be paid to the Commonwealth, such moneys shall, at the written request of the Authority, be repaid by the Fiduciary to the Authority, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondowners shall look only to the Commonwealth, if paid to the Commonwealth, or the Authority, if paid to the Authority, for the payment of such Assessment Bonds; provided, however, that before being required to make any such payment to the Authority, the Fiduciary shall, at the expense of the Authority, cause to be published at least twice, at an interval of not less than 7 days between publications, in an Authorized Newspaper, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the Authority. (*Section 1004*).

TRA 1915270v1

*Upon the delivery of the 2004 Series C Bonds, Bond Counsel proposes to deliver to the Underwriters an opinion in substantially the following form:*

MINTZ LEVIN  
COHN FERRIS  
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We have acted as bond counsel to the Massachusetts Bay Transportation Authority (the “Authority”) in connection with the issuance by the Authority of Senior Sales Tax Bonds, 2004 Series C, dated the date of initial delivery thereof (the “Bonds”). The Bonds are being issued pursuant to Chapter 161A of the Massachusetts General Laws, as amended (the “Act”), and the Sales Tax Bond Trust Agreement dated as of July 1, 2000 by and between the Authority and U.S. Bank National Association, as successor trustee (the “Trustee”), as supplemented by the Tenth Supplemental Trust Agreement dated as of October 1, 2004 by and between the Authority and the Trustee (as supplemented, the “Trust Agreement”). In such capacity, we have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation. Unless otherwise defined herein, certain capitalized terms used herein shall have the meanings set forth in the Trust Agreement.

Based upon the foregoing, we are of the opinion that, under existing law:

(a) The Authority is duly created and validly existing as a body politic and corporate and a political subdivision of the Commonwealth of Massachusetts (the “Commonwealth”) with the corporate power to enter into the Trust Agreement, perform the agreements on its part contained therein and issue the Bonds.

(b) The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding special obligations of the Authority enforceable in accordance with their terms. The Bonds are secured by the Trust Agreement and a pledge of the Pledged Revenues (as defined therein) received by or for the account of the Authority and amounts on deposit in the funds and accounts pledged as security therefor under the Trust Agreement. The Trust Agreement creates the valid pledge and lien which it purports to create for the benefit of the holders of the Bonds, subject to the application of such Pledged Revenues and amounts to the purposes and on the conditions permitted by the Trust Agreement.

(c) The Trust Agreement and the Assessment Bond Trust Agreement have been duly and lawfully authorized, executed and delivered, are in full force and effect and are valid and binding agreements of the Authority enforceable upon the Authority in accordance with their respective terms.

(d) Interest on the Bonds will not be included in the gross income of the holders of the Bonds for federal income tax purposes. This opinion is rendered subject to the condition that the Authority comply with certain requirements of the Internal Revenue Code of 1986, as amended, which must be satisfied subsequent to the issuance of the Bonds in order that interest thereon is and continues to be excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be included in the gross income of holders of the Bonds retroactive to the date of issuance of the Bonds. While interest on the Bonds will not constitute a preference item for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations, interest on the Bonds will be included in the “adjusted current earnings” of corporate holders of the Bonds and therefore will be taken into account in the computation of the alternative minimum tax applicable to certain corporations. We express no opinion as to other federal tax consequences resulting from holding the Bonds.

(e) Interest on the Bonds, and any profit made on sale thereof are exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion as to other Massachusetts tax consequences arising with respect to the Bonds nor as to the taxability of the Bonds or the income therefrom under the laws of any state other than Massachusetts.

(f) For federal and Massachusetts tax purposes, interest includes original issue discount. Original issue discount with respect to the Bonds is equal to the excess, if any, of the stated redemption price at maturity of such Bonds over the initial offering price thereof to the public, excluding underwriters and other intermediaries, at which price a substantial amount of all Bonds with the same maturity were sold. Original issue discount accrues actuarially over the term of the Bonds. Holders should consult their own tax advisers with respect to the computation of original issue discount on such accruals of interest during the period in which any such Bond is held.

It should be understood that the rights of the holders of the Bonds, and the enforceability of the Bonds, the Trust Agreement and the Assessment Bond Trust Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases. This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.

Massachusetts Bay Transportation Authority  
Senior Sales Tax Bonds,  
2004 Series C  
(the “Bonds”)

Continuing Disclosure Undertaking

Prior to the issuance of the Bonds, the Authority and the Trustee will enter into a continuing disclosure agreement (the “Authority Disclosure Agreement”) setting forth the undertakings of the Authority regarding continuing disclosure with respect to the Bonds. In the Authority Disclosure Agreement, the Authority will undertake for the benefit of the registered owners and beneficial owners (the “owners”) of the Bonds to provide to the Trustee, no later than 335 days after the end of each fiscal year, (i) the quantitative information for the preceding fiscal year of the type presented in the Official Statement for the Bonds regarding (a) the Dedicated Sales Tax, (b) Assessments, (c) outstanding indebtedness, (d) capital plan, (e) total revenues and operating expenses and (ii) audited financial statements of the Authority for such fiscal year (or unaudited financial statements if such audited financial statements are not then available), or (iii) notice of the Authority’s failure, if any, to provide such information. The Trustee agrees to forward the information set forth above, no later than 350 days after the end of each fiscal year, to each nationally recognized municipal securities information repository (each, a “NRMSIR”) within the meaning of Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”) and to the state information depository for the Commonwealth of Massachusetts, if any (the “SID”), within the meaning of the Rule. If audited financial statements are not available from the Authority within the 335 day period described above, the Authority agrees to deliver to the Trustee such audited financial statements as soon as practicable after the audited financial statements become available and the Trustee undertakes to forward the audited financial statements to each NRMSIR and the SID as soon as practicable after the audited financial statements become available.

All of the information described above may be included by reference to other documents, including official statements pertaining to debt issued by the Authority, which have been submitted to each NRMSIR. If the document incorporated by reference is a Final Official Statement within the meaning of the Rule, it will also be available from the Municipal Securities Rulemaking Board (“MSRB”). The Authority’s annual financial statements for each fiscal year shall consist of the balance sheet of the Authority and the related statements of revenue and expenses and cash flows prepared in accordance with generally accepted accounting principles in effect from time to time. Such financial statements shall be audited by a firm of certified public accountants appointed by the Authority.

In the Authority Disclosure Agreement, the Authority also will undertake for the benefit of the owners of the Bonds to provide in a timely manner to the MSRB and to the SID notice of any of the following events with respect to the Bonds (numbered in accordance with the provisions of the Rule), if material:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;

- (vi) adverse tax opinions or events affecting the tax-exempt status of the security;
- (vii) modifications to rights of security holders;
- (viii) bond calls;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the securities; and
- (xi) rating changes.

Nothing in the Authority Disclosure Agreement shall preclude the Authority from disseminating any information in addition to that required under the Authority Disclosure Agreement. If the Authority disseminates any such additional information, nothing in the Authority Disclosure Agreement shall obligate the Authority to update such information or include it in any future materials disseminated.

To the extent permitted by law, the provisions of the Authority Disclosure Agreement shall be enforceable against the Authority in accordance with the terms thereof by any owner of a Bond, including any beneficial owner acting as a third-party beneficiary (upon proof of its status as a beneficial owner reasonably satisfactory to the Trustee). To the extent permitted by law, any such owner shall have the right, for the equal benefit and protection of all owners of the Bonds, by mandamus or other suit or proceeding at law or in equity, to enforce its rights against the Authority and to compel the Authority and any of its officers, agents or employees to perform and carry out their duties under the foregoing provisions as aforesaid, provided, however, that the sole remedy in connection with such undertakings shall be limited to an action to compel specific performance of the obligations of the Authority in connection with such undertakings and shall not include any rights to monetary damages. The Authority's obligations in respect of the Authority Disclosure Agreement shall terminate if no Bonds remain outstanding (without regard to an economic defeasance) or if the provisions of the Rule concerning continuing disclosure are no longer effective, whichever occurs first. The provisions of the Authority Disclosure Agreement may be amended by the Authority and the Trustee, without the consent of, or notice to, any owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Authority for the benefit of the owners of the Bonds, (d) to modify the contents, presentation and format of the annual financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the undertakings in a manner consistent with the provisions of state legislation establishing the SID or otherwise responding to the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the owners of the Bonds, as determined either by a party unaffiliated with the Authority (such as Authority bond counsel) or by the vote or consent of owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment.

The table beginning on the following page contains a listing of the 175 assessed cities and towns and historical information about Local Aid and assessments (including Assessments) in Fiscal Years 1985, 1990 and 1998 through 2005. Beginning in Fiscal Year 2005 Local Aid as shown in the table does not include school building assistance grants, which are now payable by the Massachusetts School Building Authority rather than the Commonwealth. The amount of such grants in Fiscal Year 2005 is approximately \$396 million.

Under the Prior Act, specified cities and towns were assessed to reimburse the Commonwealth for cash advances made to pay the Authority's Net Cost of Service on account of prior fiscal periods. The amount of assessments for any particular period varied, depending on the amount of the Net Cost of Service for that period and offsetting state appropriations, among other things. The Enabling Act increased the number of assessed cities and towns from 78 to 175 commencing in Fiscal Year 2002. Total Assessments shall be not less than \$136,026,868 in Fiscal Year 2006, as adjusted in each year thereafter for inflation, provided that such amount shall not increase by more than 2.5% per year. Under a transition provision, the Assessments paid by the previously assessed 78 cities or towns for Fiscal Year 2001 are frozen at the Fiscal Year 2000 level (\$144,578,734). Beginning in Fiscal Year 2002 and each Fiscal Year thereafter through Fiscal Year 2006, Assessments are reduced in five equal installments, while, commencing with Fiscal Year 2002, the additional cities and towns (labeled "Other Served Communities" in the following table) are assessed and their portion of the Assessments are increased through Fiscal Year 2006 in five equal installments. In each case, individual Assessments are determined according to a weighted population formula. Total Assessments for Fiscal Year 2005 are \$137,732,242. Beginning in Fiscal Year 2002, cities and towns that are also assessed for regional transit authority expenses received a dollar-for-dollar credit against the Assessments, but this will have no effect on the total amount assessed for the Authority, because the credited amounts will be re-assessed on the 14 cities and towns and the 51 cities and towns. See "ASSESSMENTS."





Data Provided by Massachusetts Department of Revenue - Division of Local Services - Local Aid Section

Code	Municipality	FY2005				FY2004				FY2003			
		Total Local Aid	All Other Assessments	Assessment	Net Local Aid	Total Local Aid	All Other Assessments	Assessment	Net Local Aid	Total Local Aid	All Other Assessments	Assessment	Net Local Aid
3	CHELMSFORD	12,430	1,138	0	11,671	12,721	1,245	0	11,476	15,684	247	0	15,437
3	DRACUT	18,009	466	111	19,210	19,194	302	77	18,815	19,936	56	44	19,836
3	DUXBURY	3,654	171	129	3,488	3,743	162	172	3,409	4,706	126	216	4,364
3	EAST BRIDGEWATER	10,565	105	47	11,063	11,191	96	32	11,063	11,325	74	17	11,234
3	EASTON	9,790	555	106	10,374	10,804	476	79	10,250	10,930	316	52	10,562
3	ESSEX	281	7	14	260	273	7	10	256	310	4	6	301
3	FITCHBURG	46,155	3,653	0	45,946	49,059	3,095	0	45,964	50,471	551	0	49,921
3	FOXBOROUGH	7,741	1,381	77	6,448	7,668	1,344	57	6,267	8,977	151	38	8,787
3	FRANKLIN	25,372	3,954	141	22,723	25,322	3,219	104	21,998	24,953	855	70	24,028
3	FREETOWN	1,931	164	41	1,726	1,883	144	30	1,710	2,327	124	20	2,183
3	GEORGETOWN	4,385	208	24	5,384	5,571	199	26	5,346	5,399	43	17	5,339
3	GLOUCESTER	10,239	2,557	0	9,157	11,729	2,356	0	9,373	13,539	1,267	0	12,273
3	GRAFTON	7,183	203	70	7,210	7,381	197	49	7,136	7,229	31	28	7,170
3	GROTON	765	24	29	712	693	23	16	653	817	20	5	792
3	GROVELAND	678	56	29	781	842	54	21	766	1,040	26	14	1,000
3	HALIFAX	3,000	64	36	3,359	3,409	48	26	3,334	3,817	38	18	3,761
3	HANOVER	6,789	216	121	6,452	6,541	108	161	6,272	6,958	78	203	6,676
3	HANSON	1,204	58	46	1,209	1,306	54	34	1,219	1,446	47	22	1,377
3	HARVARD	3,286	443	22	2,821	3,242	360	9	2,873	4,495	182	5	4,308
3	HAVERTHILL	42,887	2,615	0	43,705	45,798	1,549	0	44,249	50,042	421	0	49,621
3	HOLDEN	1,630	101	10	1,870	2,060	98	0	1,963	2,354	92	0	2,262
3	HOLLISTON	8,235	147	66	9,857	9,964	100	49	9,816	11,125	52	32	11,040
3	HOPKINTON	5,438	170	65	8,577	8,287	172	47	8,068	8,474	51	31	8,391
3	IPSWICH	4,432	210	58	6,175	6,225	283	42	5,900	6,876	97	27	6,752
3	KINGSTON	4,311	140	38	5,664	5,777	114	27	5,636	5,894	84	13	5,797
3	LAKEVILLE	2,968	90	41	3,230	2,964	118	27	2,819	3,302	74	16	3,212
3	LANCASTER	894	32	17	845	861	33	15	813	1,030	21	9	1,000
3	LAWRENCE	134,392	12,085	0	130,166	138,303	11,086	0	127,217	141,930	1,717	0	140,213
3	LEICESTER	10,248	307	0	10,909	11,002	198	0	10,804	11,957	69	0	11,888
3	LEOMINSTER	37,494	2,321	0	36,684	37,318	2,357	0	34,961	37,572	545	0	37,027
3	LITTLETON	2,547	768	28	3,134	3,728	522	14	3,192	2,896	43	6	2,848
3	LOWELL	136,576	8,476	0	144,592	146,530	6,680	0	139,849	156,088	828	0	155,261
3	LUNENBURG	5,233	751	24	4,458	5,069	682	13	4,374	4,957	61	3	4,893
3	MANSFIELD	13,115	1,564	68	13,516	14,410	1,345	49	13,015	15,163	356	32	14,775
3	MARLBOROUGH	11,908	397	133	13,042	13,512	450	82	12,980	15,506	88	44	15,373
3	MARSHFIELD	14,219	547	219	14,960	15,546	408	291	14,847	16,256	137	364	15,755
3	MAYNARD	4,049	112	49	5,389	5,451	64	37	5,350	5,066	13	25	5,029
3	MEDWAY	7,503	426	60	7,579	8,050	365	44	7,641	8,118	102	29	7,986
3	MERRIMAC	701	76	0	1,075	1,114	56	0	1,058	1,234	29	0	1,205
3	METHUEN	34,397	897	0	38,481	36,367	905	0	35,463	36,924	332	0	36,592
3	MIDDLEBOROUGH	17,504	202	65	18,851	19,074	287	42	18,744	18,472	145	24	18,303
3	MILLBURY	7,555	319	21	7,216	7,316	338	5	6,973	7,427	94	0	7,333
3	MILLIS	3,182	668	68	3,074	3,759	594	99	3,065	4,223	320	139	3,765
3	NEWBURY	516	123	32	1,232	1,349	111	24	1,214	1,442	101	16	1,326
3	NEWBURYPORT	7,702	2,061	0	5,641	7,483	1,666	0	5,817	7,093	124	0	6,968
3	NORTH ANDOVER	6,234	1,282	67	7,004	8,203	1,013	34	7,156	9,773	741	4	9,029
3	NORTH ATTLEBOROUGH	20,636	2,330	49	19,958	21,818	1,910	17	19,891	21,657	961	0	20,696
3	NORTH READING	5,388	14	127	5,750	5,727	30	171	5,526	6,095	9	216	5,869
3	NORTHBOROUGH	3,685	133	45	4,184	4,310	120	30	4,160	5,200	88	12	5,100
3	NORTHBRIDGE	14,792	574	63	16,045	15,974	530	47	15,398	16,105	43	31	16,031
3	NORTON	13,807	1,304	50	13,935	14,639	899	32	13,708	14,696	244	21	14,431
3	NORWELL	3,072	685	93	3,341	4,108	679	126	3,303	3,814	560	160	3,094
3	PAXTON	574	31	21	521	551	34	15	501	583	38	10	536
3	PEMBROKE	9,429	200	149	9,533	9,718	125	196	9,397	12,081	90	257	11,734
3	PLYMOUTH	21,275	2,565	179	21,804	23,815	1,866	117	21,832	28,047	382	65	28,600
3	PLYMPTON	704	36	13	655	700	39	9	651	885	24	6	856
3	PRINCETON	421	9	16	783	754	9	11	734	851	8	7	836
3	RAYNHAM	1,785	204	53	1,527	1,769	209	37	1,523	1,763	178	24	1,561
3	REHOBOTH	1,005	258	39	708	930	259	25	646	1,104	239	14	851
3	ROCHESTER	1,714	52	23	2,123	2,086	50	16	2,019	2,102	48	11	2,043
3	ROCKLAND	11,730	983	157	10,590	11,555	645	208	10,702	13,296	525	260	12,512
3	ROCKPORT	1,920	512	0	2,544	3,020	448	0	2,573	3,142	200	0	2,942
3	ROWLEY	592	72	26	832	892	59	19	814	1,055	49	13	993
3	SALISBURY	651	184	0	467	643	150	28	465	756	62	18	676
3	SCITUATE	5,715	361	161	5,193	5,600	299	216	5,085	6,916	116	271	6,529
3	SEEKONK	4,161	250	31	4,919	5,199	256	27	4,917	6,282	237	11	6,034
3	SHERBORN	553	35	40	756	819	35	54	730	954	30	69	854
3	SHIRLEY	5,778	768	15	4,994	5,685	777	7	4,901	5,905	17	0	5,888
3	SHREWSBURY	14,919	603	91	17,928	16,746	392	42	16,312	12,680	184	0	12,496
3	SOUTHBOROUGH	2,975	65	40	3,857	3,952	73	29	3,850	3,882	57	19	3,806
3	STERLING	651	30	23	599	645	29	11	605	752	28	4	721
3	STOUGHTON	11,991	1,524	43	10,675	12,089	1,225	17	10,847	13,656	961	0	12,695
3	STOW	395	36	29	331	392	35	21	335	457	30	14	413
3	SUDBURY	5,265	25	150	7,907	8,340	20	198	8,122	8,529	11	247	8,270
3	SUTTON	5,787	171	26	6,736	6,643	132	8	6,504	6,946	38	0	6,908
3	TAUNTON	47,994	904	39	50,596	51,154	896	0	50,258	49,911	792	0	49,119
3	TEWKSBURY	14,849	432	0	15,328	15,188	399	0	14,789	16,154	254	0	15,900
3	TOWNSEND	1,197	17	33	1,146	1,142	18	22	1,102	1,326	13	11	1,302
3	TYNGSBOROUGH	7,248	128	43	7,954	7,723	82	29	7,611	8,452	14	17	8,422
3	UPTON	566	15	28	523	523	15	20	488	612	13	13	586
3	WAREHAM	13,233	942	35	13,427	14,283	769	18	13,496	15,524	622	2	14,900
3	WAYLAND	3,882	32	120	4,100	4,170	12	162	3,996	5,022	13	205	4,804
3	WEST BOYLSTON	3,764	104	9	4,352	4,426	114	0	4,312	4,310	28	0	4,282
3	WEST BRIDGEWATER	2,318	445	25	2,215	2,666	366	19	2,281	3,220	302	11	2,907
3	WEST NEWBURY	312	40	20	252	307	30	15	263	350	1	10	339
3	WESTBOROUGH	3,825	127	79	4,310	4,477	153	55	4,269	5,446	103	34	5,308
3	WESTFORD	13,487	207	86	16,115	14,537	178	60	14,298	16,274	72	36	16,167
3	WESTMINSTER	724	39	12	674	680	39	2	639	795	35	0	760
3	WHITMAN	2,194	71	59	2,063	2,151	63	41	2,047	2,442	52	27	2,363
3	WORCESTER	204,920	16,235	0	203,181	213,862	14,618	0	199,244	220,381	2,042	0	218,339
3	WRENTHAM	4,649	327	51	4,756	4,978	288	37	4,653	5,044	111	25	4,908
<b>3 Total</b>	<i>Total Other Served Communities</i>	1,457,908	100,982	5,282	1,493,826	1,557,706	87,363	4,594	1,465,747	1,644,021	27,336	4,179	1,612,512
<b>Grand Total</b>	<b>Total</b>	2,831,508	223,827	137,725	2,716,295	2,994,250	192,829	139,433	2,661,983	3,241,739	53,432	141,168	3,047,151

Data Provided by Massachusetts Department of Revenue - Division of Local Services - Local Aid Section

Municipality	FY2002				FY2001				FY2000			
	Total Local Aid	All Other Assessments	Assessment	Net Local Aid	Total Local Aid	All Other Assessments	Assessment	Net Local Aid	Total Local Aid	All Other Assessments	Assessment	Net Local Aid
<b><u>FOURTEEN CITIES AND TOWNS</u></b>												
ARLINGTON	18,617	28	2,824	15,765	18,170	38	2,883	15,249	16,969	112	2,825	14,032
BELMONT	8,346	30	1,394	6,922	8,097	41	1,388	6,668	7,234	110	1,422	5,702
BOSTON	569,975	1,549	63,056	505,369	550,204	1,517	62,238	486,450	532,599	1,675	61,978	468,947
BROOKLINE	19,727	557	5,055	14,115	18,954	486	5,251	13,217	15,162	475	5,074	9,613
CAMBRIDGE	43,956	128	6,909	36,920	45,566	114	6,785	38,668	44,010	310	6,781	36,919
CHELSEA	62,144	251	1,515	60,378	58,138	262	1,484	56,392	55,371	282	1,470	53,619
EVERETT	29,875	951	2,111	26,813	31,659	840	2,119	28,700	23,855	793	2,137	20,925
MALDEN	48,818	44	3,278	45,496	46,526	39	3,314	43,174	42,949	116	3,375	39,458
MEDFORD	33,435	1,194	3,645	28,597	28,948	1,108	3,726	24,114	27,528	1,173	3,872	22,483
MILTON	8,597	941	1,475	6,180	8,384	864	1,461	6,059	7,594	825	1,448	5,321
NEWTON	23,671	61	4,949	18,662	23,290	72	4,989	18,229	19,030	334	4,955	13,741
REVERE	38,068	1,008	2,976	34,084	36,525	935	3,096	32,494	34,890	919	3,123	30,849
SOMERVILLE	61,818	69	4,732	57,016	62,275	67	4,813	57,395	59,927	141	4,860	54,926
WATERTOWN	13,317	765	2,098	10,454	13,153	646	2,140	10,366	12,405	688	2,094	9,622
<i>Total of Fourteen Cities and Towns</i>	980,364	7,576	106,017	866,771	949,889	7,029	105,687	837,175	899,523	7,953	105,414	786,157
<b><u>FIFTY-ONE CITIES AND TOWNS</u></b>												
BEDFORD	5,232	8	333	4,890	4,388	13	348	4,027	3,813	53	340	3,420
BEVERLY	16,814	75	903	15,836	16,319	159	934	15,226	15,088	63	951	14,073
BRAINTREE	14,116	1,314	947	11,855	13,371	1,205	1,011	11,156	12,391	1,134	1,043	10,214
BURLINGTON	8,349	14	682	7,653	7,890	13	735	7,141	7,171	72	736	6,363
CANTON	6,637	197	508	5,933	5,869	208	531	5,130	5,238	204	526	4,509
COHASSET	2,858	436	157	2,655	2,782	408	161	2,213	2,478	385	162	1,931
CONCORD	4,283	11	363	3,909	4,695	11	365	4,320	3,984	67	373	3,544
DANVERS	9,152	58	607	8,487	8,714	122	632	7,960	7,885	54	616	7,216
DEDHAM	8,602	788	688	7,125	8,114	695	742	6,677	7,446	652	744	6,051
DOVER	735	112	117	506	697	112	119	466	598	111	120	367
FRAMINGHAM	27,795	44	1,492	26,260	26,014	42	1,541	24,431	22,727	159	1,593	20,976
HAMILTON	830	4	173	653	820	23	179	619	771	4	181	586
HINGHAM	8,740	821	500	7,419	6,502	780	523	5,199	5,753	785	522	4,446
HOLBROOK	6,335	442	298	5,595	6,209	370	317	5,522	5,965	351	323	5,291
HULL	7,696	52	260	7,384	7,573	43	272	7,257	7,157	44	264	6,849
LEXINGTON	10,467	25	786	9,656	9,933	24	835	9,073	8,505	124	853	7,528
LINCOLN	2,844	5	196	2,643	2,842	5	205	2,632	2,648	27	209	2,412
LYNN	131,849	158	2,140	129,550	118,597	254	2,272	116,071	112,544	173	2,317	110,053
LYNNFIELD	3,761	422	278	3,062	3,686	456	291	2,940	3,166	433	291	2,441
MANCHESTER	334	4	126	204	326	30	131	166	973	4	134	836
MARBLEHEAD	4,689	17	536	4,136	4,465	93	570	3,802	3,768	18	571	3,178
MEDFIELD	5,748	124	253	5,371	5,357	127	258	4,972	4,744	125	258	4,361
MELROSE	14,474	19	815	13,641	13,309	23	883	12,403	12,367	78	902	11,388
MIDDLETON	1,960	5	126	1,829	1,936	20	126	1,790	1,771	3	125	1,643
NAHANT	997	6	140	851	965	16	156	793	866	6	157	704
NATICK	12,199	59	803	11,336	11,036	62	846	10,128	10,135	131	846	9,158
NEEDHAM	8,481	356	698	7,427	8,110	347	734	7,029	7,010	327	726	5,957
NORFOLK	4,881	76	224	4,581	4,547	79	226	4,241	4,246	78	235	3,933
NORWOOD	10,830	216	780	9,833	10,536	226	832	9,478	9,707	222	857	8,629
PEABODY	25,183	1,322	1,092	22,769	24,431	1,279	1,120	22,032	22,887	1,074	1,124	20,690
QUINCY	43,923	517	3,304	40,102	42,766	517	3,703	38,547	39,856	497	3,639	35,720
RANDOLPH	19,017	810	877	17,330	18,291	732	944	16,614	16,292	669	943	14,680
READING	11,999	12	590	11,397	11,824	20	621	11,183	10,805	57	638	10,111
SALEM	25,235	995	1,013	23,227	24,680	932	1,076	22,672	22,534	815	1,049	20,670
SAUGUS	9,357	791	814	7,752	9,155	767	884	7,504	8,357	664	908	6,786
SHARON	8,699	161	428	8,110	8,500	159	450	7,890	7,054	157	449	6,449
STONEHAM	9,522	363	525	8,634	8,084	347	545	7,192	7,468	365	549	6,554
SWAMPSCOTT	4,332	21	444	3,867	4,067	58	486	3,523	3,550	20	483	3,047
TOPSFIELD	1,625	3	140	1,481	1,527	20	145	1,363	1,357	3	143	1,211
WAKEFIELD	10,922	22	653	10,247	9,953	25	692	9,236	8,580	74	721	7,784
WALPOLE	9,246	191	547	8,508	8,940	199	569	8,171	8,223	194	581	7,447
WALTHAM	21,146	53	1,438	19,655	21,056	68	1,505	19,483	19,554	176	1,486	17,893
WELLESLEY	7,553	399	582	6,573	7,224	386	595	6,244	6,276	383	589	5,304
WENHAM	565	2	90	473	559	13	89	456	534	2	91	441
WESTON	4,420	10	224	4,187	3,725	11	226	3,488	2,709	63	234	2,412
WESTWOOD	4,285	189	330	3,766	3,915	175	347	3,393	3,134	181	352	2,601
WEYMOUTH	31,433	1,662	1,506	28,265	30,608	1,573	1,611	27,424	28,886	1,460	1,622	25,804
WILMINGTON	9,818	41	425	9,352	7,125	61	427	6,637	6,362	110	430	5,821
WINCHESTER	6,854	29	523	6,302	5,429	26	551	4,852	4,802	82	577	4,142
WINTHROP	11,595	393	495	10,707	10,585	340	533	9,713	10,002	321	544	9,138
WOBURN	14,275	895	937	12,444	13,587	779	985	11,823	12,393	806	980	10,607
<i>Total of Fifty-One Cities and Towns</i>	632,692	14,749	32,906	585,038	591,633	14,453	34,879	542,302	542,530	14,060	35,107	493,369
<b><u>OTHER SERVED COMMUNITIES</u></b>												
ABINGTON	8,903	59	15	8,828	8,623	62	0	8,561	8,055	58	0	7,998
ACTON	4,335	65	5	4,266	4,213	30	0	4,183	3,643	74	0	3,569
AMESBURY	13,844	433	0	13,411	13,692	397	0	13,295	13,041	393	0	12,648
ANDOVER	11,331	1,081	0	10,250	10,671	1,120	0	9,552	9,474	950	0	8,524
ASHBURNHAM	791	20	0	770	802	17	0	785	767	17	0	750
ASHBY	461	2	3	456	497	1	0	495	455	5	0	451
ASHLAND	5,319	28	285	5,006	4,971	29	335	4,608	4,497	52	339	4,105
ATTLEBORO	33,920	572	0	33,348	32,943	546	0	32,397	31,242	535	0	30,707
AUBURN	6,719	143	0	6,575	6,167	98	0	6,069	5,613	87	0	5,526
AYER	5,471	30	0	5,441	5,368	34	0	5,334	5,056	42	0	5,014
BELLINGHAM	12,909	130	20	12,760	10,395	132	0	10,263	9,781	120	0	9,661
BERKLEY	6,274	83	4	6,186	6,033	74	0	5,959	4,828	69	0	4,760
BILLERICA	23,542	958	0	22,584	22,481	745	0	21,736	20,941	676	0	20,266
BOXBOROUGH	2,107	29	5	2,072	2,065	18	0	2,047	1,920	28	0	1,892
BOXFORD	2,858	3	11	2,843	2,742	26	0	2,717	2,415	3	0	2,412
BRIDGEWATER	5,009	209	11	4,789	5,023	212	0	4,810	4,679	200	0	4,480
BROCKTON	143,361	1,907	0	141,454	128,611	1,881	0	126,730	119,294	1,807	0	117,487
CARLISLE	1,978	3	6	1,968	1,815	3	0	1,812	1,485	18	0	1,467
CARVER	11,873	91	0	11,782	11,639	76	0	11,563	11,182	83	0	11,099

Data Provided by Massachusetts Department of Revenue - Division of Local Services - Local Aid Section

Municipality	FY2002			FY2001			FY2000					
	Total Local Aid	All Other Assessments	Assessment	Net Local Aid	Total Local Aid	All Other Assessments	Assessment	Net Local Aid	Total Local Aid	All Other Assessments	Assessment	Net Local Aid
CHELMSFORD	16,082	236	0	15,846	15,058	217	0	14,841	13,716	280	0	13,436
DRACUT	19,762	53	13	19,696	19,173	70	0	19,103	16,962	99	0	16,863
DUXBURY	4,765	121	263	4,381	4,504	113	305	4,086	3,739	102	308	3,329
EAST BRIDGEWATER	11,125	70	2	11,053	11,003	66	0	10,937	10,502	68	0	10,434
EASTON	10,974	309	27	10,638	10,533	284	0	10,249	9,705	285	0	9,420
ESSEX	350	4	3	344	362	13	0	349	1,031	4	0	1,027
FITCHBURG	50,447	539	0	49,909	45,578	533	0	45,045	43,325	523	0	42,803
FOXBOROUGH	8,995	131	20	8,844	8,778	139	0	8,639	8,066	137	0	7,929
FRANKLIN	23,959	728	36	23,195	22,121	663	0	21,458	20,620	555	0	20,065
FREETOWN	2,382	120	11	2,251	2,309	115	0	2,194	2,102	113	0	1,989
GEORGETOWN	5,445	39	10	5,396	5,270	52	0	5,217	4,990	29	0	4,961
GLOUCESTER	13,729	1,076	0	12,653	13,518	1,063	0	12,456	12,540	1,032	0	11,508
GRAFTON	7,243	31	10	7,202	7,201	34	0	7,167	6,749	28	0	6,721
GROTON	859	20	0	839	851	19	0	832	784	34	0	750
GROVELAND	1,068	23	7	1,037	1,056	33	0	1,024	1,003	21	0	982
HALIFAX	3,857	36	9	3,811	3,828	33	0	3,795	3,643	32	0	3,611
HANOVER	7,040	75	246	6,719	6,663	73	287	6,303	6,106	70	290	5,746
HANSON	1,477	44	12	1,421	1,503	42	0	1,461	1,384	40	0	1,344
HARVARD	4,506	148	15	4,344	4,291	105	0	4,186	3,960	84	0	3,876
HAVERRHILL	50,389	418	0	49,972	49,409	476	0	48,933	47,100	392	0	46,708
HOLDEN	2,428	90	0	2,337	2,388	90	0	2,298	2,258	88	0	2,170
HOLLISTON	11,170	47	17	11,106	10,783	37	0	10,746	8,358	63	0	8,295
HOPKINTON	8,382	7	14	8,361	5,361	6	0	5,355	4,803	32	0	4,771
IPSWICH	6,925	86	12	6,827	6,948	116	0	6,832	4,493	78	0	4,415
KINGSTON	5,792	80	5	5,707	5,454	72	0	5,382	3,629	68	0	3,560
LAKEVILLE	3,323	70	5	3,248	3,364	65	0	3,298	3,172	63	0	3,109
LANCASTER	1,096	19	0	1,078	1,065	19	0	1,046	987	18	0	969
LAWRENCE	137,168	1,383	0	135,785	126,220	1,387	0	124,834	121,079	1,296	0	119,783
LEICESTER	12,010	68	0	11,942	10,859	72	0	10,786	10,443	68	0	10,374
LEOMINSTER	37,627	530	0	37,097	37,077	521	0	36,556	35,283	513	0	34,770
LITTLETON	2,848	39	0	2,808	2,614	42	0	2,572	2,021	62	0	1,959
LOWELL	156,853	804	0	156,049	141,966	709	0	141,257	135,484	802	0	134,682
LUNENBURG	5,009	57	0	4,952	4,529	69	0	4,460	4,182	69	0	4,113
MANSFIELD	14,288	347	13	13,928	13,115	304	0	12,811	12,211	298	0	11,913
MARLBOROUGH	15,745	84	0	15,661	14,433	114	0	14,319	13,339	175	0	13,164
MARSHFIELD	16,300	130	439	15,730	14,488	123	512	13,852	13,568	125	518	12,925
MAYNARD	5,138	13	13	5,113	4,805	13	0	4,792	4,424	30	0	4,394
MEDWAY	7,983	89	15	7,879	7,459	92	0	7,366	6,902	90	0	6,812
MERRIMAC	1,250	29	0	1,221	1,244	36	0	1,208	1,186	27	0	1,159
METHUEN	36,867	258	0	36,609	33,786	316	0	33,470	31,655	251	0	31,404
MIDDLEBOROUGH	18,599	137	5	18,457	18,116	128	0	17,988	16,372	125	0	16,246
MILLBURY	7,426	90	0	7,336	7,180	85	0	7,095	6,748	60	0	6,688
MILLIS	4,265	294	170	3,801	3,710	257	200	3,253	3,457	205	203	3,049
NEWBURY	1,488	88	8	1,392	1,496	96	0	1,400	1,444	78	0	1,365
NEWBURYPORT	7,258	118	0	7,140	7,076	156	0	6,921	6,574	108	0	6,466
NORTH ANDOVER	9,658	552	0	9,106	8,922	515	0	8,407	7,627	388	0	7,239
NORTH ATTLEBOROUGH	20,473	885	0	19,588	18,996	826	0	18,170	17,956	799	0	17,157
NORTH READING	6,121	9	261	5,851	5,998	7	306	5,685	5,331	34	310	4,988
NORTHBOROUGH	5,078	83	0	4,996	5,112	79	0	5,033	4,254	81	0	4,173
NORTHBRIDGE	14,111	40	18	14,053	14,502	18	0	14,484	13,328	17	0	13,311
NORTON	13,962	238	8	13,716	13,213	197	0	13,017	12,202	195	0	12,008
NORWELL	3,872	436	195	3,241	3,691	408	228	3,056	3,293	326	230	2,736
PAXTON	627	38	5	584	599	34	0	565	546	40	0	505
PEMBROKE	7,325	86	310	6,928	6,730	82	362	6,286	6,259	79	365	5,815
PLYMOUTH	29,350	365	3	28,982	28,455	355	0	28,100	25,040	360	0	24,680
PLYMPTON	884	22	3	859	828	20	0	808	761	19	0	742
PRINCETON	920	8	3	909	861	9	0	852	849	8	0	841
RAYNHAM	1,703	173	10	1,520	1,712	159	0	1,552	1,652	157	0	1,495
REHOBOTH	1,148	230	2	917	1,150	222	0	928	1,066	216	0	849
ROCHESTER	2,130	45	6	2,079	2,078	41	0	2,037	1,829	39	0	1,790
ROCKLAND	13,383	451	313	12,619	13,364	376	363	12,624	12,613	354	367	11,891
ROCKPORT	3,145	190	0	2,954	3,056	199	0	2,856	2,852	171	0	2,681
ROWLEY	1,093	43	7	1,043	1,079	53	0	1,026	1,033	38	0	994
SALISBURY	784	54	9	722	940	71	0	869	842	54	0	788
SCITUATE	6,811	111	327	6,373	6,636	103	381	6,151	5,856	100	386	5,369
SEEKONK	6,330	231	5	6,094	6,111	222	0	5,888	5,688	220	0	5,469
SHERBORN	970	27	84	858	952	28	99	826	590	44	100	446
SHIRLEY	5,368	18	0	5,350	4,845	21	0	4,824	4,625	27	0	4,597
SHREWSBURY	11,649	177	0	11,472	10,596	180	0	10,416	9,596	178	0	9,418
SOUTHBOROUGH	3,766	53	5	3,708	3,380	66	0	3,315	2,560	67	0	2,493
STERLING	773	27	0	747	809	33	0	775	749	33	0	716
STOUGHTON	13,780	793	0	12,987	13,173	749	0	12,424	12,157	713	0	11,444
STOW	474	27	7	440	482	25	0	457	447	38	0	409
SUDBURY	8,431	11	296	8,123	5,776	13	346	5,417	5,169	56	350	4,763
SUTTON	6,903	37	0	6,865	6,245	34	0	6,211	4,466	34	0	4,432
TAUNTON	48,677	767	0	47,910	47,634	742	0	46,892	45,231	733	0	44,498
TEWKSBURY	16,294	247	0	16,047	16,038	203	0	15,835	14,121	246	0	13,874
TOWNSEND	1,393	12	2	1,379	1,419	12	0	1,408	1,291	23	0	1,268
TYNGSBOROUGH	8,459	13	4	8,442	7,627	14	0	7,613	7,080	26	0	7,054
UPTON	677	12	7	657	643	12	0	631	595	12	0	583
WAREHAM	15,623	601	0	15,022	15,518	551	0	14,968	14,666	517	0	14,149
WAYLAND	5,071	13	248	4,810	4,778	10	290	4,477	4,188	47	294	3,847
WEST BOYLSTON	4,281	50	0	4,231	4,225	38	0	4,187	3,704	36	0	3,668
WEST BRIDGEWATER	3,268	260	4	3,004	3,182	229	0	2,953	2,945	210	0	2,735
WEST NEWBURY	361	1	5	354	378	11	0	367	354	1	0	353
WESTBOROUGH	5,499	101	11	5,386	5,236	101	0	5,135	4,571	89	0	4,481
WESTFORD	16,071	65	12	15,994	13,164	58	0	13,106	10,127	105	0	10,023
WESTMINSTER	868	34	0	835	832	34	0	798	790	33	0	757
WHITMAN	2,504	48	11	2,444	2,427	47	0	2,380	2,240	43	0	2,197
WORCESTER	211,862	1,989	0	209,874	200,086	1,834	0	198,252	189,197	1,786	0	187,411
WRENTHAM	5,157	94	13	5,050	5,123	96	0	5,027	4,776	95	0	4,682
Total Other Served Communities	1,619,784	24,791	3,959	1,591,027	1,515,897	23,706	4,014	1,488,176	1,407,579	22,824	4,060	1,380,692
Total	3,232,840	47,116	142,882	3,042,836	3,057,419	45,188	144,580	2,867,653	2,849,632	44,837	144,581	2,660,218

Data Provided by Massachusetts Department of Revenue - Division of Local Services - Local Aid Section

Municipality	FY1999				FY1998				FY1990			
	Total Local Aid	All Other Assessments	Assessment	Net Local Aid	Total Local Aid	All Other Assessments	Assessment	Net Local Aid	Total Local Aid	All Other Assessments	Assessment	Net Local Aid
<b><u>FOURTEEN CITIES AND TOWNS</u></b>												
ARLINGTON	16,006	118	2,779	13,108	14,356	666	2,246	11,444	14,366	84	2,370	11,912
BELMONT	6,569	106	1,425	5,038	9,856	477	1,117	8,263	5,166	132	1,241	3,794
BOSTON	511,069	1,722	60,253	449,094	471,570	19,574	40,841	411,156	462,970	2,413	47,570	412,987
BROOKLINE	13,715	453	5,065	8,197	12,435	1,650	3,833	6,953	11,389	383	4,083	6,923
CAMBRIDGE	42,311	324	6,885	35,103	38,271	1,951	5,301	31,020	41,233	230	5,551	35,452
CHELSEA	52,001	288	1,425	50,288	48,364	652	1,051	46,660	20,985	592	1,092	19,301
EVERETT	20,727	793	2,053	17,882	18,044	1,160	1,656	15,228	11,665	473	1,641	9,551
MALDEN	35,808	120	3,230	32,458	29,949	1,056	2,275	26,617	27,532	137	2,526	24,869
MEDFORD	26,080	1,057	3,752	21,270	25,092	1,937	2,833	20,322	24,473	1,005	2,929	20,539
MILTON	6,784	751	1,411	4,622	6,241	1,060	1,062	4,119	4,921	476	1,128	3,317
NEWTON	16,024	345	4,734	10,944	14,511	1,634	3,340	9,537	12,079	299	3,730	8,050
REVERE	33,545	782	2,941	29,822	29,845	1,585	2,067	26,193	20,991	686	2,440	17,865
SOMERVILLE	56,604	150	4,732	51,722	52,721	1,298	3,545	47,878	51,244	190	3,690	47,365
WATERTOWN	11,855	639	2,046	9,170	10,311	1,269	1,418	7,624	10,074	462	1,625	7,987
<i>Total of Fourteen Cities and Towns</i>	849,098	7,648	102,731	738,718	781,566	35,969	72,585	673,014	719,088	7,562	81,616	629,912
<b><u>FIFTY-ONE CITIES AND TOWNS</u></b>												
BEDFORD	3,362	44	331	2,986	3,053	152	215	2,686	2,463	44	276	2,144
BEVERLY	12,532	147	931	11,454	11,735	561	586	10,587	10,806	346	755	9,704
BRAINTREE	11,374	999	1,051	9,325	10,601	1,217	751	8,633	9,931	646	897	8,388
BURLINGTON	6,503	72	769	5,662	5,799	326	484	4,990	5,670	97	643	4,929
CANTON	4,701	199	515	3,988	4,259	415	265	3,579	3,881	150	414	3,317
COHASSET	1,752	343	162	1,246	1,603	371	97	1,135	1,467	183	139	1,145
CONCORD	3,548	67	367	3,115	3,245	204	222	2,820	2,633	46	301	2,287
DANVERS	7,133	123	606	6,403	5,995	404	411	5,180	5,576	296	487	4,792
DEDHAM	6,892	607	733	5,552	6,391	790	517	5,084	5,966	411	647	4,908
DOVER	449	107	118	224	383	143	73	167	297	55	106	136
FRAMINGHAM	19,537	155	1,516	17,866	18,132	752	849	16,530	15,630	140	1,149	14,347
HAMILTON	704	27	175	501	658	109	116	433	652	80	157	414
HINGHAM	4,851	724	536	3,591	4,391	808	347	3,237	3,430	353	484	2,592
HOLBROOK	5,558	340	338	4,880	5,343	382	255	4,706	4,731	190	296	4,246
HULL	6,849	40	282	6,527	6,279	164	147	5,969	4,688	61	219	4,407
LEXINGTON	7,520	133	846	6,541	6,920	359	589	5,972	5,239	96	746	4,397
LINCOLN	2,441	27	208	2,207	2,352	86	140	2,126	1,426	14	165	1,247
LYNN	107,712	273	2,094	105,344	97,371	992	1,447	94,931	52,323	995	1,483	49,845
LYNNFIELD	2,826	445	282	2,100	2,592	574	178	1,840	2,115	311	251	1,552
MANCHESTER	826	36	127	664	738	129	72	536	544	101	99	344
MARBLEHEAD	3,241	100	543	2,598	2,877	359	379	2,139	2,306	314	456	1,536
MEDFIELD	3,932	119	254	3,559	3,611	224	135	3,253	2,645	72	211	2,362
MELROSE	11,569	85	903	10,582	11,024	293	669	10,062	11,161	107	772	10,283
MIDDLETON	1,295	24	120	1,151	889	106	62	721	626	63	96	467
NAHANT	771	17	145	610	706	71	110	524	660	48	125	487
NATICK	9,308	128	804	8,376	7,998	456	445	7,098	7,510	92	608	6,810
NEEDHAM	6,212	326	705	5,181	5,697	534	464	4,700	3,732	267	621	2,844
NORFOLK	3,719	77	226	3,419	3,349	213	73	3,062	1,386	42	140	1,204
NORWOOD	8,977	231	811	7,935	8,418	451	549	7,419	8,427	180	690	7,557
PEABODY	21,464	1,073	1,086	19,305	18,924	1,453	728	16,742	16,946	932	892	15,122
QUINCY	37,076	508	3,730	32,837	34,867	1,697	2,470	30,700	35,451	487	3,056	31,909
RANDOLPH	15,252	631	938	13,683	13,576	914	575	12,087	10,457	317	720	9,421
READING	9,969	62	635	9,273	8,164	253	408	7,504	6,118	52	558	5,508
SALEM	21,341	839	994	19,508	19,173	1,146	628	17,399	13,496	713	730	12,053
SAUGUS	7,575	637	825	6,113	7,102	874	572	5,656	6,540	451	632	5,457
SHARON	5,546	153	437	4,955	5,109	331	233	4,545	3,778	92	328	3,359
STONEHAM	6,834	346	543	5,946	6,471	526	353	5,592	6,219	227	446	5,546
SWAMPSCOTT	3,417	59	437	2,921	3,046	237	301	2,508	2,569	157	385	2,027
TOPSFIELD	1,225	24	141	1,060	1,090	103	81	906	932	68	119	745
WAKEFIELD	7,849	75	719	7,055	7,309	283	483	6,543	6,661	60	588	6,013
WALPOLE	7,482	188	550	6,744	7,009	421	287	6,302	5,159	117	404	4,638
WALTHAM	18,174	182	1,417	16,575	17,125	611	924	15,589	16,405	205	1,059	15,140
WELLESLEY	5,656	374	585	4,696	5,086	547	402	4,137	3,706	318	479	2,910
WENHAM	495	16	85	395	469	61	59	349	483	36	70	377
WESTON	2,417	58	226	2,133	2,232	112	167	1,953	1,748	45	230	1,474
WESTWOOD	2,896	162	338	2,395	2,630	236	246	2,148	1,990	105	329	1,555
WEYMOUTH	26,789	1,294	1,608	23,887	24,784	1,719	1,089	21,977	21,675	779	1,380	19,515
WILMINGTON	5,650	90	430	5,130	5,261	241	252	4,768	5,349	51	356	4,942
WINCHESTER	4,226	81	585	3,560	3,831	220	423	3,188	3,134	74	492	2,568
WINTHROP	9,518	291	536	8,691	8,756	389	439	7,927	8,306	249	521	7,536
WOBURN	11,422	755	1,001	9,665	10,711	995	714	9,001	10,290	311	811	9,168
<i>Total of Fifty-One Cities and Towns</i>	498,367	13,913	34,344	450,112	455,134	25,014	22,481	407,640	365,339	11,646	28,018	325,674
<b><u>OTHER SERVED COMMUNITIES</u></b>												
ABINGTON	7,503	53	0	7,450	7,124	49	0	7,075	5,597	25	0	5,572
ACTON	3,101	73	0	3,028	2,735	73	0	2,662	2,158	49	0	2,110
AMESBURY	11,881	386	0	11,495	9,950	430	0	9,520	6,618	293	0	6,325
ANDOVER	8,508	929	0	7,579	7,794	1,003	0	6,791	4,934	749	0	4,185
ASHBURNHAM	694	16	0	677	627	23	0	604	468	10	0	458
ASHBY	413	5	0	407	376	6	0	370	221	2	0	219
ASHLAND	3,906	52	331	3,522	2,771	218	147	2,405	2,055	27	257	1,771
ATTLEBORO	29,375	518	0	28,857	26,353	508	0	25,845	15,310	402	0	14,908
AUBURN	5,094	79	0	5,015	4,704	80	0	4,624	4,195	68	0	4,127
AYER	4,827	41	0	4,786	4,709	39	0	4,670	4,210	25	0	4,185
BELLINGHAM	9,220	116	0	9,104	8,404	116	0	8,288	6,649	70	0	6,579
BERKLEY	4,545	67	0	4,478	3,734	69	0	3,665	1,732	31	0	1,701
BILLERICA	19,632	575	0	19,057	18,232	575	0	17,657	13,540	357	0	13,183
BOXBOROUGH	945	26	0	919	460	26	0	434	284	11	0	273
BOXFORD	1,878	31	0	1,847	1,697	69	0	1,628	892	86	0	806
BRIDGEWATER	4,289	169	0	4,120	3,974	197	0	3,777	5,817	132	0	5,685
BROCKTON	109,317	1,803	0	107,514	100,925	1,749	0	99,176	58,748	1,742	0	57,006
CARLISLE	1,346	18	0	1,329	1,249	18	0	1,232	968	9	0	959
CARVER	10,606	76	0	10,530	9,433	71	0	9,362	2,725	29	0	2,696

Data Provided by Massachusetts Department of Revenue - Division of Local Services - Local Aid Section

Municipality	FY1999			FY1998			FY1990					
	Total Local Aid	All Other Assessments	Assessment	Net Local Aid	Total Local Aid	All Other Assessments	Assessment	Net Local Aid	Total Local Aid	All Other Assessments	Assessment	Net Local Aid
CHELMSFORD	12,466	265	0	12,201	11,309	259	0	11,050	8,983	185	0	8,798
DRACUT	16,030	104	0	15,925	14,385	106	0	14,279	8,058	67	0	7,990
DUXBURY	3,214	94	296	2,824	2,862	265	110	2,487	2,707	66	223	2,418
EAST BRIDGEWATER	9,923	64	0	9,859	8,924	52	0	8,873	4,409	29	0	4,380
EASTON	9,011	264	0	8,747	7,161	255	0	6,906	5,282	230	0	5,052
ESSEX	953	16	0	938	772	32	0	740	532	39	0	493
FITCHBURG	37,701	493	0	37,208	33,968	482	0	33,487	21,060	448	0	20,612
FOXBOROUGH	7,318	132	0	7,185	6,714	126	0	6,588	4,251	73	0	4,178
FRANKLIN	17,360	458	0	16,901	14,465	434	0	14,031	6,806	277	0	6,529
FREETOWN	1,844	110	0	1,734	1,870	112	0	1,758	1,557	70	0	1,486
GEORGETOWN	3,272	43	0	3,229	2,811	64	0	2,748	1,965	62	0	1,903
GLOUCESTER	11,513	991	0	10,522	10,033	1,009	0	9,025	7,779	897	0	6,883
GRAFTON	5,852	27	0	5,825	5,196	26	0	5,169	3,452	31	0	3,421
GROTON	709	34	0	675	641	27	0	615	782	22	0	760
GROVELAND	940	29	0	912	890	44	0	846	1,187	39	0	1,148
HALIFAX	3,447	30	0	3,417	3,146	28	0	3,118	1,798	10	0	1,787
HANOVER	5,741	67	282	5,392	5,130	176	157	4,797	4,371	27	213	4,130
HANSON	1,522	38	0	1,484	1,436	36	0	1,400	3,261	28	0	3,233
HARVARD	3,657	88	0	3,570	3,435	91	0	3,344	3,014	27	0	2,987
HAVERHILL	43,776	483	0	43,293	40,617	561	0	40,055	21,882	663	0	21,219
HOLDEN	1,954	83	0	1,872	1,789	92	0	1,697	3,168	60	0	3,108
HOLLISTON	6,738	64	0	6,674	6,148	58	0	6,090	4,071	31	0	4,039
HOPKINTON	3,411	32	0	3,379	3,182	34	0	3,149	1,584	16	0	1,568
IPSWICH	4,052	102	0	3,950	3,782	150	0	3,632	3,041	132	0	2,909
KINGSTON	3,252	59	0	3,193	2,881	65	0	2,816	1,461	25	0	1,437
LAKEVILLE	3,062	58	0	3,004	2,434	67	0	2,368	1,647	27	0	1,620
LANCASTER	892	18	0	874	816	18	0	797	1,961	12	0	1,949
LAWRENCE	110,464	1,177	0	109,287	100,507	1,251	0	99,256	52,902	960	0	51,941
LEICESTER	9,415	60	0	9,355	8,003	67	0	7,936	4,989	63	0	4,927
LEOMINSTER	30,958	479	0	30,479	27,397	460	0	26,938	14,670	308	0	14,362
LITTLETON	1,760	51	0	1,709	1,593	59	0	1,533	1,270	53	0	1,217
LOWELL	130,287	811	0	129,476	119,936	804	0	119,132	57,298	688	0	56,610
LUNENBURG	3,839	68	0	3,771	3,701	66	0	3,635	2,795	9	0	2,787
MANSFIELD	10,521	290	0	10,231	8,553	278	0	8,275	3,743	200	0	3,543
MARLBOROUGH	10,735	166	0	10,569	9,628	166	0	9,462	9,328	113	0	9,215
MARSHFIELD	12,580	113	508	11,960	10,584	356	236	9,992	6,744	57	421	6,266
MAYNARD	4,203	28	0	4,175	3,745	-107	142	3,709	3,520	19	0	3,501
MEDWAY	6,248	86	0	6,162	5,221	83	0	5,138	2,938	47	0	2,891
MERRIMAC	1,122	31	0	1,091	1,070	26	0	1,045	1,456	28	0	1,428
METHUEN	29,197	316	0	28,880	27,019	481	0	26,537	12,463	475	0	11,988
MIDDLEBOROUGH	16,162	111	0	16,052	15,207	107	0	15,100	8,187	40	0	8,148
MILLBURY	6,268	52	0	6,217	5,840	55	0	5,785	4,879	45	0	4,834
MILLIS	3,063	159	197	2,706	2,854	271	87	2,496	2,014	95	159	1,760
NEWBURY	1,386	87	0	1,299	1,340	106	0	1,235	769	60	0	709
NEWBURYPORT	6,163	169	0	5,994	5,840	182	0	5,658	5,607	220	0	5,387
NORTH ANDOVER	6,842	401	0	6,441	5,241	490	0	4,751	3,820	368	0	3,452
NORTH ATTLEBOROUGH	15,707	714	0	14,993	13,953	653	0	13,300	8,327	380	0	7,946
NORTH READING	4,912	34	303	4,576	4,348	125	198	4,025	3,196	44	251	2,901
NORTHBOROUGH	3,251	73	0	3,178	2,955	62	0	2,893	2,222	42	0	2,180
NORTHBRIDGE	12,066	18	0	12,048	11,208	19	0	11,189	6,517	15	0	6,502
NORTON	10,143	183	0	9,960	8,851	179	0	8,672	5,718	130	0	5,588
NORWELL	2,982	253	226	2,504	2,762	336	135	2,291	2,352	139	209	2,004
PAXTON	482	34	0	448	434	34	0	399	685	30	0	655
PEMBROKE	5,873	74	360	5,440	5,422	228	188	5,005	3,186	45	296	2,845
PLYMOUTH	23,445	295	0	23,150	21,231	274	0	20,957	4,555	161	0	4,394
PLYMPTON	744	18	0	725	710	17	0	693	416	8	0	408
PRINCETON	798	8	0	790	765	8	0	757	529	1	0	527
RAYNHAM	1,545	148	0	1,397	1,418	144	0	1,274	2,993	93	0	2,900
REHOBOTH	970	206	0	764	897	203	0	694	575	130	0	445
ROCHESTER	1,519	36	0	1,483	1,444	33	0	1,411	1,124	8	0	1,116
ROCKLAND	11,594	345	360	10,889	10,616	453	226	9,937	7,983	191	290	7,502
ROCKPORT	2,533	170	0	2,363	2,321	202	0	2,119	1,721	210	0	1,510
ROWLEY	980	14	0	966	936	31	0	906	1,249	36	0	1,213
SALISBURY	749	60	0	690	672	85	0	587	1,411	94	0	1,317
SCITUATE	5,285	94	381	4,810	4,944	211	242	4,492	4,154	56	332	3,766
SEEKONK	4,338	216	0	4,122	3,997	210	0	3,788	3,268	142	0	3,126
SHERBORN	509	41	99	370	460	99	55	307	409	25	92	292
SHIRLEY	4,286	23	0	4,263	3,865	22	0	3,844	2,465	8	0	2,458
SHREWSBURY	8,694	154	0	8,539	7,851	164	0	7,686	5,463	94	0	5,370
SOUTHBOROUGH	1,154	54	0	1,100	1,008	52	0	957	762	15	0	747
STERLING	678	31	0	647	621	30	0	591	1,088	15	0	1,073
STOUGHTON	11,290	663	0	10,627	10,285	686	0	9,599	8,707	341	0	8,366
STOW	403	38	0	365	369	37	0	332	738	14	0	724
SUDBURY	4,420	56	346	4,019	3,519	180	205	3,134	2,837	28	288	2,520
SUTTON	4,144	33	0	4,111	3,414	36	0	3,378	3,060	9	0	3,051
TAUNTON	40,283	702	0	39,580	36,346	699	0	35,647	25,635	715	0	24,920
TEWKSBURY	12,296	242	0	12,054	11,386	230	0	11,156	8,653	134	0	8,519
TOWNSEND	1,139	23	0	1,116	1,032	23	0	1,009	799	19	0	780
TYNGSBOROUGH	6,307	25	0	6,281	5,702	25	0	5,677	2,135	25	0	2,110
UPTON	541	12	0	529	500	13	0	487	492	2	0	490
WAREHAM	13,393	429	0	12,964	12,472	400	0	12,072	6,098	220	0	5,878
WAYLAND	3,667	50	289	3,327	3,366	113	209	3,043	2,600	26	284	2,290
WEST BOYLSTON	2,770	36	0	2,734	2,447	21	0	2,426	1,464	15	0	1,449
WEST BRIDGEWATER	2,737	191	0	2,546	2,578	182	0	2,396	2,019	96	0	1,923
WEST NEWBURY	324	14	0	311	502	30	0	472	731	32	0	699
WESTBOROUGH	3,983	84	0	3,899	2,925	77	0	2,848	2,091	32	0	2,059
WESTFORD	7,597	105	0	7,491	6,121	96	0	6,025	3,924	56	0	3,867
WESTMINSTER	700	29	0	671	640	27	0	613	479	9	0	470
WHITMAN	2,030	40	0	1,989	1,875	46	0	1,830	4,975	32	0	4,943
WORCESTER	172,805	1,821	0	170,983	162,771	1,653	0	161,118	101,080	1,270	0	99,810
WRENTHAM	4,205	84	0	4,120	3,983	81	0	3,902	1,951	41	0	1,910
Total Other Served Communities	1,278,174	21,907	3,978	1,252,287	1,161,249	23,718	2,337	1,135,201	719,418	16,786	3,315	699,314
Total	2,625,639	43,468	141,053	2,441,117	2,397,949	84,701	97,403	2,215,855	1,803,845	35,994	112,949	1,654,900

FY1985				
Municipality	Total Local Aid	All Other Assessments	Assessment	Net Local Aid
<b><u>FOURTEEN CITIES AND TOWNS</u></b>				
ARLINGTON	11,791	2,247	2,273	7,271
BELMONT	3,962	1,555	1,134	1,274
BOSTON	354,242	7,544	42,103	304,595
BROOKLINE	10,627	3,013	3,883	3,730
CAMBRIDGE	35,358	3,759	5,270	26,328
CHELSEA	13,661	837	1,059	11,765
EVERETT	8,080	2,622	1,671	3,787
MALDEN	20,059	1,970	2,285	15,804
MEDFORD	16,301	2,870	2,851	10,581
MILTON	3,898	1,371	1,080	1,447
NEWTON	13,708	5,447	3,391	4,870
REVERE	17,525	1,445	2,090	13,990
SOMERVILLE	36,906	2,817	3,583	30,506
WATERTOWN	8,897	1,826	1,437	5,633
<i>Total of Fourteen Cities and Towns</i>	555,015	39,323	74,110	441,581
<b><u>FIFTY-ONE CITIES AND TOWNS</u></b>				
BEDFORD	2,383	525	222	1,636
BEVERLY	7,947	858	606	6,484
BRAINTREE	8,460	1,644	768	6,049
BURLINGTON	6,171	904	493	4,774
CANTON	4,085	896	285	2,903
COHASSET	1,513	212	101	1,200
CONCORD	2,895	484	230	2,181
DANVERS	4,914	615	427	3,872
DEDHAM	5,175	1,064	537	3,574
DOVER	531	287	77	167
FRAMINGHAM	12,747	1,972	887	9,888
HAMILTON	683	203	119	361
HINGHAM	3,866	957	356	2,554
HOLBROOK	3,791	246	262	3,282
HULL	4,274	225	154	3,896
LEXINGTON	5,316	1,700	610	3,005
LINCOLN	1,231	206	146	879
LYNN	36,841	1,573	1,477	33,791
LYNNFIELD	2,177	389	187	1,601
MANCHESTER	786	229	75	481
MARBLEHEAD	2,739	843	393	1,502
MEDFIELD	2,835	180	141	2,514
MELROSE	8,670	1,347	690	6,633
MIDDLETON	683	120	65	499
NAHANT	533	183	113	236
NATICK	6,655	904	468	5,283
NEEDHAM	4,407	1,487	483	2,437
NORFOLK	1,171	102	77	991
NORWOOD	6,288	1,218	573	4,497
PEABODY	13,595	1,101	762	11,732
QUINCY	29,549	3,605	2,560	23,384
RANDOLPH	8,775	723	593	7,458
READING	4,952	682	425	3,846
SALEM	10,633	933	649	9,051
SAUGUS	5,718	1,156	587	3,975
SHARON	3,626	255	248	3,123
STONEHAM	5,106	1,144	370	3,592
SWAMPSCOTT	2,539	554	314	1,671
TOPSFIELD	977	185	85	707
WAKEFIELD	5,038	1,186	500	3,352
WALPOLE	4,655	498	302	3,855
WALTHAM	12,419	3,306	949	8,165
WELLESLEY	4,780	1,498	417	2,864
WENHAM	459	82	62	315
WESTON	2,377	776	176	1,425
WESTWOOD	2,447	671	258	1,518
WEYMOUTH	17,019	1,823	1,127	14,069
WILMINGTON	4,324	530	262	3,532
WINCHESTER	3,984	1,177	439	2,369
WINTHROP	6,261	725	440	5,096
WOBURN	8,303	1,458	736	6,109
<i>Total of Fifty-One Cities and Towns</i>	307,303	45,641	23,283	238,378
<b><u>OTHER SERVED COMMUNITIES</u></b>				
ABINGTON	4,089	173	0	3,916
ACTON	2,330	437	0	1,893
AMESBURY	4,836	289	0	4,547
ANDOVER	5,345	999	0	4,346
ASHBURNHAM	789	91	0	698
ASHBY	171	29	0	142
ASHLAND	2,016	263	154	1,599
ATTLEBORO	10,382	703	0	9,679
AUBURN	3,404	412	0	2,992
AYER	3,235	127	0	3,108
BELLINGHAM	5,012	170	0	4,842
BERKLEY	785	60	0	725
BILLERICA	10,709	730	0	9,979
BOXBOROUGH	360	81	0	278
BOXFORD	747	196	0	551
BRIDGEWATER	4,362	267	0	4,094
BROCKTON	42,261	2,248	0	40,014
CARLISLE	596	115	0	481
CARVER	1,689	122	0	1,567

Municipality	FY1985			Net Local Aid
	Total Local Aid	All Other Assessments	Assessment	
CHELMSFORD	8,122	631	0	7,491
DRACUT	6,376	315	0	6,061
DUXBURY	2,937	336	114	2,487
<i>EAST BRIDGEWATER</i>	3,147	154	0	2,993
EASTON	4,349	364	0	3,985
ESSEX	535	74	0	461
<i>FITCHBURG</i>	13,598	730	0	12,868
FOXBOROUGH	3,892	259	0	3,632
FRANKLIN	5,492	309	0	5,183
FREETOWN	1,006	179	0	827
GEORGETOWN	1,661	126	0	1,535
GLOUCESTER	6,554	934	0	5,620
<i>GRAFTON</i>	2,996	249	0	2,747
GROTON	662	161	0	500
GROVELAND	927	92	0	835
HALIFAX	1,146	73	0	1,073
HANOVER	3,589	217	164	3,209
HANSON	2,320	132	0	2,188
HARVARD	2,403	196	0	2,207
<i>HAVERHILL</i>	16,410	918	0	15,492
<i>HOLDEN</i>	2,294	385	0	1,909
HOLLISTON	3,664	241	0	3,423
HOPKINTON	1,519	110	0	1,409
IPSWICH	2,716	280	0	2,436
<i>KINGSTON</i>	1,064	128	0	935
<i>LAKEVILLE</i>	780	125	0	655
<i>LANCASTER</i>	1,466	147	0	1,320
<i>LAWRENCE</i>	31,464	1,200	0	30,264
<i>LEICESTER</i>	3,500	202	0	3,298
<i>LEOMINSTER</i>	9,932	791	0	9,141
<i>LITTLETON</i>	1,277	161	0	1,116
LOWELL	38,701	1,481	0	37,220
<i>LUNENBURG</i>	2,313	214	0	2,099
MANSFIELD	2,934	433	0	2,502
<i>MARLBOROUGH</i>	7,860	524	0	7,336
MARSHFIELD	5,321	408	246	4,668
MAYNARD	2,456	174	0	2,282
MEDWAY	2,668	157	0	2,511
MERRIMAC	1,042	61	0	981
<i>METHUEN</i>	8,333	763	0	7,570
MIDDLEBOROUGH	5,095	262	0	4,833
<i>MILLBURY</i>	4,148	247	0	3,901
MILLIS	1,750	120	91	1,539
NEWBURY	717	140	0	577
<i>NEWBURYPORT</i>	3,961	335	0	3,626
<i>NORTH ANDOVER</i>	3,489	577	0	2,912
<i>NORTH ATTLEBOROUGH</i>	5,638	477	0	5,161
<i>NORTH READING</i>	3,025	230	207	2,588
<i>NORTHBOROUGH</i>	2,040	325	0	1,715
<i>NORTHBRIDGE</i>	4,166	225	0	3,941
NORTON	4,642	233	0	4,408
NORWELL	2,557	252	141	2,164
PAXTON	621	97	0	524
PEMBROKE	2,681	243	197	2,241
<i>PLYMOUTH</i>	4,989	931	0	4,059
PLYMPTON	276	41	0	234
<i>PRINCETON</i>	501	68	0	433
<i>RAYNHAM</i>	2,071	200	0	1,872
<i>REHOBOTH</i>	1,477	228	0	1,249
ROCHESTER	470	70	0	401
ROCKLAND	6,387	274	236	5,876
ROCKPORT	764	294	0	471
ROWLEY	640	96	0	544
SALISBURY	1,092	162	0	930
SCITUATE	4,450	399	253	3,799
SEEKONK	2,390	358	0	2,032
SHERBORN	547	152	57	338
<i>SHIRLEY</i>	2,130	69	0	2,061
<i>SHREWSBURY</i>	4,463	679	0	3,784
<i>SOUTHBOROUGH</i>	1,064	249	0	815
STERLING	1,050	138	0	911
STOUGHTON	6,264	664	0	5,600
STOW	798	124	0	673
SUDBURY	3,003	357	214	2,431
SUTTON	1,546	152	0	1,394
TAUNTON	17,312	776	0	16,536
TEWKSBURY	7,177	380	0	6,798
TOWNSEND	534	119	0	416
TYNGSBOROUGH	1,491	102	0	1,388
UPTON	426	91	0	336
<i>WAREHAM</i>	3,517	390	0	3,127
WAYLAND	2,930	346	220	2,364
<i>WEST BOYLSTON</i>	1,315	186	0	1,129
<i>WEST BRIDGEWATER</i>	1,725	154	0	1,571
WEST NEWBURY	507	65	0	441
<i>WESTBOROUGH</i>	2,594	468	0	2,125
WESTFORD	3,671	269	0	3,402
<i>WESTMINSTER</i>	759	142	0	617
<i>WHITMAN</i>	3,590	178	0	3,412
WORCESTER	76,577	3,166	0	73,411
WRENTHAM	1,355	112	0	1,243
<i>Total Other Served Communities</i>	538,926	38,358	2,294	498,273
Total	1,401,244	123,322	99,687	1,178,232

## LIST OF REFUNDED BONDS

## APPENDIX F

The bonds of the Authority to be refunded from the proceeds of the 2004 Series C Bonds are described below.

Bonds	Maturity or Sinking Fund Installment Date	Interest Rate	Par Amount	Redemption Date	Redemption Price
General Transportation System Bonds, 1995 Series B	03/01/2013	5.250%	6,825,000	03/01/2005	101
	03/01/2014	5.250%	7,180,000	03/01/2005	101
	03/01/2015	5.250%	7,560,000	03/01/2005	101
	03/01/2016	5.250%	7,955,000	03/01/2005	101
	03/01/2017	5.250%	8,370,000	03/01/2005	101
	03/01/2018	5.375%	8,810,000	03/01/2005	101
	03/01/2019	5.375%	9,285,000	03/01/2005	101
	03/01/2020	5.375%	9,785,000	03/01/2005	101
	03/01/2021	5.375%	10,310,000	03/01/2005	101
	03/01/2022	5.375%	10,865,000	03/01/2005	101
	03/01/2023	5.375%	11,450,000	03/01/2005	101
	03/01/2024	5.375%	12,065,000	03/01/2005	101
	03/01/2025	5.375%	12,710,000	03/01/2005	101
General Transportation System Bonds, 1996 Series A	03/01/2016	5.375%	7,570,000	03/01/2006	101
	03/01/2017	5.375%	7,975,000	03/01/2006	101
	03/01/2018	5.375%	8,405,000	03/01/2006	101
	03/01/2019	5.375%	8,855,000	03/01/2006	101
General Transportation System Bonds, 1996 Series B	03/01/2016	5.250%	7,610,000	03/01/2006	101
	03/01/2017	5.250%	8,010,000	03/01/2006	101
	03/01/2018	5.250%	4,680,000	03/01/2006	101
	03/01/2019	5.250%	8,875,000	03/01/2006	101
	03/01/2020	5.250%	9,340,000	03/01/2006	101
	03/01/2025	5.250%	12,065,000	03/01/2006	101
	03/01/2026	5.250%	12,700,000	03/01/2006	101
General Transportation System Bonds, 1998 Series B	03/01/2006	4.100%	2,960,000	*	*
Senior Sales Tax Bonds, Series 2000 A	07/01/2006	4.500%	3,435,000	*	*
	07/01/2007	4.625%	11,465,000	*	*
Senior Sales Tax Bonds, Series 2002 A	07/01/2006	4.000%	7,145,000	*	*
Assessment Bonds, 2004 Series A	07/01/2015	5.250%	8,130,000	07/01/2014	100
	07/01/2016	5.250%	10,620,000	07/01/2014	100
	07/01/2017	5.250%	11,545,000	07/01/2014	100
	07/01/2018	5.250%	11,690,000	07/01/2014	100

\* Noncallable; escrowed to maturity