

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.



\$163,145,000
MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
Assessment Bonds
2006 Series A

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 January 1, 2007 and semiannually thereafter on each January 1 and July 1, calculated on the basis of a 360-day year of twelve 30-day months, except for the CPI Bonds (as defined herein). The terms of the CPI Bonds are described in Appendix G hereto. The Bonds are not subject to 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 Assessment Bond Trust Agreement dated as of July 1, 2000 by and between the Authority and U.S. Bank National Association, Boston, Massachusetts, as successor trustee (the "Trustee"), as amended and as supplemented by the Fifth Supplemental Trust Agreement authorizing the issuance of the Bonds dated as of August 1, 2006 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 Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts. Certain legal matters will be passed upon for the Commonwealth by Ropes & Gray LLP, Boston, Massachusetts, Commonwealth Disclosure Counsel. The Bonds are expected to be available for delivery on or about September 13, 2006 at or through DTC in New York, New York.

Lehman Brothers

Bear, Stearns & Co. Inc.

Morgan Stanley

Raymond James & Associates, Inc.

Siebert Brandford Shank & Co., LLC

UBS Investment Bank

Alta Capital Group, LLC

Banc of America Securities LLC

Citigroup

Corby Capital Markets, Inc.

Goldman, Sachs & Co.

JPMorgan

M.R. Beal & Company

Merrill Lynch & Co.

Oppenheimer & Co. Inc

RBC Capital Markets

Sovereign Securities Corporation, LLC

Massachusetts Bay Transportation Authority
Assessment Bonds
2006 Series A

Dated: Date of Delivery

Due: July 1, as shown below

<u>Maturity</u>	<u>Amount</u>	<u>Rate</u>	<u>Price or Yield</u>	<u>CUSIP**</u>
2007	\$ 1,805,000	5.00%	3.52%	575577HP9
2024*	19,260,000	MUNI-CPI Rate	107	575577HQ7
2025*	5,000,000	MUNI-CPI Rate	107	575577HS3
2025	14,520,000	5.25	4.22	575577HR5
2026	22,335,000	5.25	4.23	575577HT1
2027	23,550,000	5.25	4.25	575577HU8
2028	6,715,000	5.25	4.27	575577HV6
2029	5,890,000	5.25	4.29	575577HW4
2030	31,115,000	5.25	4.31	575577HX2
2031	31,645,000	5.25	4.32	575577HY0
2035	1,310,000	5.25	4.38	575577HZ7

* CPI Bonds, see Appendix G.

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MASSACHUSETTS BAY TRANSPORTATION AUTHORITY

BOARD OF DIRECTORS

JOHN COGLIANO, 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

DANIEL A. GRABAUSKAS, GENERAL MANAGER

JOSEPH C. CARTER Chief of Police
JONATHAN R. DAVISDeputy General Manager and Chief Financial Officer
ROBERT DIADAMO Chief of Staff
DENNIS A. DIZOGLIO Deputy General Manager for Planning and Development
BRIAN DONOHOEAssistant General Manager for Labor Relations and Occupational Health Services
JOSEPH P. KELLEY..... Deputy General Manager for System-Wide Modernization
DEE KNIGHTChief Administrative Officer
RICHARD J. LEARYChief Operating Officer
WILLIAM A. MITCHELL, JR.General Counsel
ROSS J. RODINO Assistant General Manager for Intergovernmental Affairs and Public Relations
MICHAEL A. STOFFEL Assistant General Manager for Design and Construction
MAEVE VALLELY-BARTLETT.....Assistant General Manager for Environmental Compliance
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
ASSESSMENT BONDS
2006 SERIES A**

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 \$163,145,000 Assessment Bonds, 2006 Series A (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 ASSESSMENT BOND TRUST AGREEMENT” or, in the case of capitalized terms related to the Sales Tax Bond Trust Agreement (hereinafter defined), the meanings set forth in APPENDIX B – “SUMMARY OF CERTAIN PROVISIONS OF THE SALES TAX BOND TRUST AGREEMENT” or, in the case of the capitalized terms in relation to the CPI Bonds (hereinafter defined), the meanings set forth in “APPENDIX G – CPI BONDS.”

The Bonds

The Bonds are authorized to be issued pursuant to the Enabling Act (hereinafter defined), and are to be issued under the Assessment Bond Trust Agreement dated as of July 1, 2000 by and 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 Fifth Supplemental Trust Agreement authorizing the issuance of the Bonds (the “Fifth Supplemental Trust Agreement”) dated as of August 1, 2006 by and between the Authority and the Trustee (together with the Trust Agreement, the “Assessment Bond Trust Agreement”).

The Bonds are being issued for the purpose of (i) refunding the Authority’s outstanding bonds identified in APPENDIX F (the “Refunded Bonds”), (ii) funding a portion of the Debt Service Reserve Fund for the Bonds and (iii) paying the costs of issuing the Bonds. See “SOURCES AND USES OF FUNDS.” As used herein, the term “Assessment Bonds” means the Bonds and all other Assessment Bonds previously or hereafter issued under the Trust Agreement on parity with the Bonds. The Trust Agreement provides for the issuance of additional Assessment Bonds and the Authority expects to issue additional Assessment Bonds in the future. See “THE AUTHORITY – Capital Investment Program.”

The \$19,260,000 Bonds maturing on July 1, 2024 and the \$5,000,000 Bonds maturing on July 1, 2025 bear interest at the MUNI-CPI Rate, as that term is defined in Appendix G hereto, and are referred to herein as the “CPI Bonds.” For information about the CPI Bonds, see “APPENDIX G – CPI BONDS.” In connection with the CPI Bonds, the Authority has entered into two swap agreements. See “THE AUTHORITY – Indebtedness – Hedge Agreements.”

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, amounts assessed on cities and towns of the Authority in accordance with the Enabling Act (the “Assessments”). See “ASSESSMENTS.” The Bonds constitute the fourth series of Assessment Bonds to be issued under the Trust Agreement. See “SECURITY FOR THE ASSESSMENT

BONDS” and APPENDIX A – “SUMMARY OF CERTAIN PROVISIONS OF THE ASSESSMENT 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 the 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 Fiscal Year 2000 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, as amended, 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 Assessments and the Dedicated Sales Tax (collectively, the “Dedicated Revenues”). The Dedicated Sales Tax is equal to the greater of the base revenue amount (as defined in the Enabling Act) and the amount raised by a 1% statewide sales tax, which equals 20% of the existing statewide 5% sales tax to be funded from existing sales tax receipts, subject to upward adjustment under certain circumstances set forth in the Enabling Act. See “SALES TAX BOND TRUST AGREEMENT AND

DEDICATED SALES TAX – 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 “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 2007 budget, the Authority certified that it has provided for the payment of Prior Obligations during Fiscal Year 2007 in such annual budget. See “SALES TAX BOND TRUST AGREEMENT AND DEDICATED SALES TAX – Provision for the Payment of Prior Obligations.”

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 Assessments shall be deposited to the Fund quarterly, on September 30, December 31, March 31 and June 30. The Dedicated Sales Tax is deposited not later than the last business day of each month on account of the prior month.

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 “SALES TAX BOND TRUST AGREEMENT AND DEDICATED SALES TAX” 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 Assessments and Dedicated Sales Tax. Pursuant to the Assessment Bond Trust Agreement, the Bonds are secured by a pledge of Assessments and, after meeting the obligations under a Sales Tax Bond Trust Agreement dated as of July 1, 2000, as amended and supplemented (the “Sales Tax Bond Trust Agreement”) by and between the Authority and U.S. Bank National Association, as successor trustee, the Dedicated Sales Tax, along with other Authority revenues as described under “SECURITY FOR THE ASSESSMENT BONDS – Pledge Under the Assessment Bond Trust Agreement.”

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 management and revenue enhancement initiatives, which it believes to be necessary and sufficient 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 can be implemented or 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 Assessments is not contingent upon the Authority's provision of transportation services. Subject to the limitations with respect to the Assessments described under "ASSESSMENTS" and with respect to the Dedicated Sales Tax described under "SALES TAX BOND TRUST AGREEMENT AND DEDICATED SALES TAX," 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 "ASSESSMENTS – Legal Obligations of Assessed Cities and Towns" and see "SALES TAX BOND TRUST AGREEMENT AND DEDICATED SALES TAX – Dedicated Sales Tax."

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 Assessment Bond Trust Agreement and the Sales Tax Bond Trust Agreement. All references herein to the Enabling Act, the Forward Funding Legislation, the Assessment Bond Trust Agreement and the Sales Tax 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 Assessment Bond Trust Agreement and the Sales Tax Bond Trust Agreement.

Appendix A is a summary of certain provisions of the Assessment Bond Trust Agreement. Appendix B is a summary of certain provisions of the Sales Tax Bond Trust Agreement. Appendix C sets forth the proposed form of opinion of Bond Counsel. Appendix D sets forth certain disclosure undertakings with respect to the Bonds. Appendix E sets forth certain information regarding Assessments and Local Aid, including a list of the 175 cities and towns in the Authority's territory. Appendix F contains a list of bonds to be refunded with the proceeds of the Bonds. Appendix G sets forth the provisions applicable to the CPI 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 Assessments and other Pledged Revenues (hereinafter defined) under the Assessment Bond Trust Agreement and, as described herein, amounts available under the Sales Tax Bond Trust Agreement, and not by the general obligation of the Authority, and the Assessments are 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. See Appendix E for a list of such cities and towns grouped by such categories. 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:

JOHN COGLIANO, *Chairman, Foxboro, Massachusetts, ex officio.*

Secretary of Transportation; Chairman, Massachusetts Turnpike Authority; former Commissioner, Massachusetts Highway Department; former Deputy Commissioner, Massachusetts Highway Department; and former Deputy Director of Right of Way, Massachusetts Highway Department.

MARY E. BURKE, *Director, Worcester, Massachusetts, term expires June 30, 2007.*

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, 2008.*

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, 2007.*

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, 2007.*

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, 2008.*

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, 2008.*

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, 2008.*

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, 2007.*

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:

DANIEL A. GRABAUSKAS, *General Manager, contract expires May 15, 2010.*

Former Secretary, Executive Office of Transportation and Chairman, MBTA; 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.

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 August 1, 2006, the Authority employed approximately 5,500 full-time and approximately 600 part-time employees. Approximately 5,900 employees are represented by one of 28 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." The Authority's operating expenses (excluding debt service) were approximately \$888 million for Fiscal Year 2005, were approximately \$938 million (unaudited) for Fiscal Year 2006, and are budgeted to be \$985 million for Fiscal Year 2007. Debt service for each of the foregoing Fiscal Years was, or is budgeted to be approximately \$337 million, \$337 million (unaudited) and \$363 million, respectively.

Dedicated Revenues for Fiscal Year 2007 are projected to total approximately \$873 million, including approximately \$733.96 million of Dedicated Sales Tax and approximately \$139 million of Assessments. The Dedicated Sales Tax figure is the base revenue amount certified by the Comptroller on March 1, 2006 to be credited to the State and Local Contribution Fund during Fiscal Year 2007, which is anticipated to exceed the dedicated sales tax revenue amount for such Fiscal Year. See "SALES TAX BOND TRUST AGREEMENT AND DEDICATED SALES TAX." Under a transition provision related to the Enabling Act, the annual Assessments had been reduced in five equal amounts from the approximately \$144 million in Fiscal Year 2001 to approximately \$136 million Fiscal Year 2006. For Fiscal Year 2007 and thereafter, aggregate Assessments will be adjusted annually for inflation, but are not be permitted to increase by more than 2.5% per year. For more information regarding Assessments, see "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 \$384 million for Fiscal Year 2005, approximately \$415 million (unaudited) for Fiscal Year 2006 and are estimated to be \$471 million for Fiscal Year 2007.

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 2001, 2002, 2003, 2004, 2005 and 2006 respectively, the Authority paid 47%, 44%, 41%, 43%, 43% and 44% (unaudited) of its operating expenses excluding debt service from system-related revenues. In Fiscal Year 2007, the Authority anticipates paying 48% 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.

After a series of public hearings and in accordance with the Enabling Act, in September 2000 the Authority implemented a new fare structure, including an overall increase in fares of approximately 25%, the first fare increase since 1991.

On January 1, 2004 (February 1, 2004 for monthly passes), an approximately overall increase of 24.4% in fares went into effect following the procedures required by the Enabling Act. 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.

On March 9, 2006, the Board approved the Fiscal Year 2007 operating budget, which assumes an approximately 25% increase in systemwide fares effective January 1, 2007. In addition, the Board directed the General Manager to review the current fare structure and recommend to the Board necessary and appropriate

revisions, consistent with the revenue requirements of the Fiscal Year 2007 budget and the requirements of the Enabling Act, and to proceed with the public hearing and other procedural requirements.

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 "ASSESSMENTS – Legal Obligation of Assessed Cities and Towns." The Authority has developed management plans, including a finance plan and cost and revenue 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 much of the Authority's workforce, the risk of unfunded legislative mandates or other legislative restrictions on the Authority, uncertainties as to future federal grants, slower than anticipated growth in Dedicated Revenues 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 August 1, 2006, the Authority had outstanding \$1,626,960,000 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 \$232,885,000 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 such 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.

As of August 1, 2006, there were outstanding \$19,045,000 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 2005 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. Several of such defeased leases constitute "lease in/lease out" transactions (LILOs). Section 4965 of the Internal Revenue Code ("§4965"), as added by the Tax Increase Prevention and Reconciliation Act of 2005, enacted on May 17, 2006, imposes an excise tax on the net income and proceeds received by tax exempt entities that participated in

LILOs, including the MBTA. The Internal Revenue Service and the Treasury Department have not yet promulgated regulations related to §4965 and have sought comments from interested parties as to the impact of §4965. Comments have been submitted by the American Public Transportation Association and individual public transit agencies, including the MBTA, and the Internal Revenue Service and Treasury Department have met with transit industry representatives. If it were determined that the MBTA continues to derive net income or proceeds from its LILOs in the current or a future tax year, the MBTA would be liable for the excise tax, which could be substantial.

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 as of August 1, 2006:

Prior Obligations Debt Service Requirements ⁽¹⁾

Fiscal							
Year	Principal	Interest ⁽²⁾	Total	Year	Principal	Interest ⁽²⁾	Total
2007	\$108,673,687	\$95,406,763	\$204,080,450	2019	\$53,220,000	\$26,856,588	\$80,076,588
2008	129,380,493	89,847,786	219,228,279	2020	64,475,000	23,885,351	88,360,351
2009	128,001,026	83,155,382	211,156,408	2021	68,025,000	20,346,701	88,371,701
2010	133,152,432	76,550,269	209,702,701	2022	60,885,000	16,607,351	77,492,351
2011	127,666,029	69,404,501	197,070,530	2023	57,310,000	13,471,851	70,781,851
2012	103,974,428	62,549,237	166,523,665	2024	49,720,000	10,510,826	60,230,826
2013	135,444,817	57,144,726	192,589,543	2025	38,345,000	7,919,551	46,264,551
2014	118,700,000	49,301,978	168,001,978	2026	26,255,000	5,886,525	32,141,525
2015	93,155,000	42,136,122	135,291,122	2027	14,080,000	4,376,050	18,456,050
2016	70,800,000	36,595,548	107,395,548	2028	15,065,000	3,390,450	18,455,450
2017	52,075,000	32,576,063	84,651,063	2029	16,120,000	2,335,900	18,455,900
2018	50,055,000	29,697,613	79,752,613	2030	17,250,000	1,207,500	18,457,500

Source: The MBTA

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

(2) Assumes a 7% interest rate per annum for the General Transportation System Bonds, Variable Rate Demand Obligations, 1999 Series, outstanding in the principal amount of approximately \$45 million bearing interest at a rate reset weekly, and for the General Transportation System Bonds, Variable Rate Demand Obligations, 2000 Series outstanding in the principal amount of \$188 million and bearing interest at a rate reset weekly, with a swap with UBS AG effective September 1, 2005, pursuant to which the Authority receives a variable rate equal to 67% of LIBOR and pays a fixed rate of 5%.

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 Assessments, 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. See “SECURITY FOR ASSESSMENT BONDS – Pledge Under the Assessment Bond Trust Agreement” and “SALES TAX BOND TRUST AGREEMENT AND DEDICATED SALES TAX.”

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 \$712.6 million in Fiscal Year 2006 and is \$733.96 million in Fiscal Year 2007 and is subject to upward adjustment in future years in accordance with the Enabling Act. See “SALES TAX BOND TRUST AGREEMENT AND 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. 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 \$2,019,515, which was applied, together with a portion of the proceeds of the 2003 Series B Bonds, to refund the portion of the Authority’s General Transportation System Bonds, 1993 Series A Refunding, maturing March 1, 2022. 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 other swaption 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 (and if it is exercised, the other swaption) is a Qualified Hedge Agreement under the Sales Tax Bond Trust Agreement, so regularly scheduled payments under such swap agreement are made under the Sales Tax Bond Trust Agreement from the Senior Debt Service Fund, and payments received by the Authority are deposited in the Senior Debt Service Fund. Termination payments are payable from the General Fund under the Sales Tax Trust Agreement. Any payments made by the Authority in the event the counterparty is in default are general unsecured obligations of the Authority. See “SECURITY FOR THE ASSESSMENT BONDS” and APPENDIX A – “SUMMARY OF CERTAIN PROVISIONS OF THE ASSESSMENT BOND TRUST AGREEMENT – Hedging Transactions.”

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 regularly scheduled payments under such swap agreement are made under the Sales Tax Bond Trust Agreement from the General Fund under the Sales Tax Bond Trust Agreement, and payments received by the Authority are deposited in the Pledged Revenue Fund. Termination payments and payments made by the Authority while the counterparty is in default are general unsecured obligations of the Authority.

In June, 2005, the Authority entered into a forward starting swap with UBS AG in an initial notional amount of \$47,055,000 equal to the approximate par amount of Assessment Bonds needed to currently refund portions of the Authority’s Assessment Bonds, 2000 Series A maturing on and after July 1, 2011 (the “2000 Assessment Bonds”). The swap for the 2000 Assessment Bonds is effective April 3, 2010, and pursuant to the swap the Authority will receive a variable rate equal to the BMA Index and pay a fixed rate of 4.132%. Such swap agreement is not a Qualified Hedge Agreement under the Assessment Bond Trust Agreement, so payments under such swap agreement are made under the Assessment Bond Trust Agreement from the General Fund, and payments received by the Authority are deposited in the Pledged Revenue Fund. Termination payments and payments made by the Authority while the counterparty is in default are general

unsecured obligations of the Authority. See “SECURITY FOR THE ASSESSMENT BONDS” and APPENDIX A – “SUMMARY OF CERTAIN PROVISIONS OF THE ASSESSMENT 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 connection with the issuance of the Bonds, the Authority has entered into two swap agreements with Lehman Brothers Special Financing Inc. (“Lehman Brothers”) in the notional amounts of \$19,260,000 and \$5,000,000, respectively, which are equal to the par amounts of the CPI Bonds. These swaps provide that the Authority will pay Lehman Brothers a fixed rate of 4.67% and 4.66%, respectively, on the notional amounts. In exchange, Lehman Brothers will pay the Authority a floating rate on the notional amounts based on the MUNI-CPI Rate (as defined in Appendix G hereto). The purpose of these swap transactions is to hedge the Authority’s exposure to changes in the CPI-U (as defined in Appendix G hereto), which determines the floating rate at which the CPI Bonds bear interest. The swap agreements for the CPI Bonds are not Qualified Hedge Agreements under the Assessment Bond Trust Agreement, so payments under such swap agreements are made to Lehman Brothers from the General Fund and payments received by the Authority are deposited in the Pledged Revenue Fund. See “SECURITY FOR THE ASSESSMENT BONDS – Flow of Funds.

Assessment Bonds. The Bonds are the fourth series of Assessment Bonds issued pursuant to the Assessment Bond Trust Agreement. See “DEBT SERVICE REQUIREMENTS ON ASSESSMENT BONDS.” As of August 1, 2006, \$560,720,000 aggregate principal amount of Assessment Bonds were outstanding, which amount includes \$169,550,000 of Assessment Bonds being refunded with the Bonds. 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, 2035. As described above, the Authority has entered into forward starting swaps hedging Assessment Bonds to be issued to currently refund outstanding Assessment Bonds and Prior Obligations.

Sales Tax Bonds. As of August 1, 2006, \$2,808,465,000 in aggregate principal amount of Sales Tax Bonds was outstanding. In addition, on March 29, 2006, the Authority sold \$224,890,000 principal amount of Sales Tax Bonds, which will be issued on December 5, 2006. The Sales Tax Bonds include \$118,380,000 principal amount bearing interest at variable rates. As described above, the Authority has hedged \$25,005 million of such variable rate obligations. The Authority also maintains a bond anticipation note program under the Sales Tax Bond Trust Agreement in the aggregate principal amount not to exceed \$200 million. Currently, no such notes are outstanding. The Authority has authorized an increase of the bond anticipation note program to an aggregate principal amount not to exceed \$250 million. 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.

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. 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 August 1, 2006, approximately \$3.0 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. Currently, there are none of such bond anticipation notes outstanding.

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

The business of the Authority is capital intensive. In 1964, the Authority assumed control of the properties of its predecessor, the Metropolitan Transit Authority and since that time, the Authority has consistently 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) (FY2007-2011) equal approximately \$2.7 billion. Of such amount, approximately \$1.34 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, (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. Congress has approved and the President has signed into law a new multi-year authorization, the Safe Accountable Flexible Efficient Transportation Equity Act: A Legacy for Users ("SAFETEA-LU"), which will provide funding through federal fiscal year 2009. The predecessor to SAFETEA-LU, the Transportation Equity Act for the 21st Century initially expired on October 1, 2003. Congress passed twelve continuing resolutions to continue the federal aid programs for transportation, including transit aid, on an interim basis prior to approving SAFETEA-LU. The Authority's capital program assumes a level of federal funding consistent with the level of funding authorized under SAFETEA-LU.

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, 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 June 30, 2005, the Executive Office of Transportation (“EOT”) filed with the Massachusetts Department of Environmental Protection (“DEP”) its 2005 Project Update and Project Schedule (the “Update”) regarding the ongoing implementation of the Central Artery/Tunnel Project (the “CA/T Project”) transit commitments noted above. These commitments are set forth in 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 DEP 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. These requirements of the ACO were contained in Massachusetts regulations. On November 21, 2005, DEP proposed draft regulatory changes to such regulations that would permit certain projects to be substituted for the specific projects listed in the ACO. The public comment period for the draft regulations closed on January 17, 2006. As of August 1, 2006, DEP had yet to issue the final regulations.

In January, 2005, each of the Conservation Law Foundation, the Arborway Committee and the City of Somerville, Massachusetts filed notice of its intent to file a lawsuit against the Authority and certain officials of the Commonwealth and other public entities seeking declaratory and injunctive relief and civil penalties related to such projects and the commitments. On March 14, 2005, the Conservation Law Foundation filed a complaint with the United States District Court for the District of Massachusetts, which named the Authority, various officials of the Commonwealth and the Massachusetts Turnpike Authority as defendants. This complaint contained twenty counts against the various defendants and sought declaratory and injunctive relief and civil penalties. On April 22, 2005, the defendants, including the Authority, each filed a motion to dismiss a number of the counts in the complaint. On March 20, 2006, Judge Gertner of the United States District Court for the District of Massachusetts granted, in part, the Authority’s motion and dismissed two of the counts of the complaint, but allowed the matter to proceed on the other counts. Separately, on November 9, 2005, Partners Healthcare System, Inc. filed notice of intent to file a lawsuit against the Authority and certain officials of the Commonwealth and other public entities seeking declaratory and injunctive relief and civil penalties related to such projects and commitments. The Authority cannot predict the outcome of any such legal actions or other similar legal actions, or whether such litigation would adversely affect the Authority’s CIP or operations generally.

The Commonwealth has indicated that any transit projects required to be completed due to the CA/T Project and any additional expansion projects are expected to be funded by the Commonwealth.

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 are 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 Assessment Bonds. See “ASSESSMENTS – Legal Obligations of Assessed Cities and Towns” and “SALES TAX BOND TRUST AGREEMENT AND DEDICATED SALES TAX.”

SOURCES AND USES OF FUNDS

Sources of Funds:	
Par Amount of the Bonds	\$163,145,000
Original Issue Premium	20,611,161
Other Funds Available Under the Assessment Bond Trust Agreement	<u>15,773,555</u>
Total	\$199,529,716
Uses of Funds:	
Refunding of the Refunded Bonds	\$182,577,590
Deposit to Debt Service Reserve Fund	14,916,193
Payment of Costs of Issuance, including Underwriters’ Discount and Termination of Investment Agreement for Refunded Bonds	<u>2,035,933</u>
Total	\$199,529,716

THE BONDS

General

The Bonds will be issued in the aggregate principal amount of \$163,145,000. 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 January 1 and July 1 of each year, commencing January 1, 2007.

The CPI Bonds bear interest at the MUNI-CPI Rate (as defined in Appendix G hereto) from the date of delivery of the Bonds. The MUNI-CPI Rate is a variable rate based on changes in the Consumer Price Index. Holders of the CPI Bonds should review Appendix G with respect to further details on the CPI Bonds and the MUNI-CPI Rate.

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.

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 Assessment 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 Assessment 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 ASSESSMENT BONDS

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

Fiscal Year Ending June 30	<u>Assessment Bonds</u> <u>2006 Series A</u>			<u>Total Debt Service</u>	Total Debt Service on Outstanding Senior <u>Assessment Bonds</u>
	Debt Service on Outstanding Senior <u>Assessment Bonds*</u>	<u>Principal</u>	<u>Interest</u>		
2007	\$24,521,900	-	\$2,525,818	\$2,525,818	\$27,047,718
2008	19,202,864	\$1,805,000	8,374,267	10,179,267	29,382,131
2009	20,157,864	-	8,329,142	8,329,142	28,487,006
2010	25,016,364	-	8,329,142	8,329,142	33,345,506
2011	26,754,864	-	8,329,142	8,329,142	35,084,006
2012	32,497,878	-	8,329,142	8,329,142	40,827,020
2013	34,293,979	-	8,329,142	8,329,142	42,623,121
2014	34,037,482	-	8,329,142	8,329,142	42,366,624
2015	33,744,866	-	8,329,142	8,329,142	42,074,008
2016	29,626,405	-	8,329,142	8,329,142	37,955,547
2017	29,636,903	-	8,329,142	8,329,142	37,966,045
2018	29,173,295	-	8,329,142	8,329,142	37,502,437
2019	29,743,914	-	8,329,142	8,329,142	38,073,056
2020	29,567,441	-	8,329,142	8,329,142	37,896,583
2021	29,499,379	-	8,329,142	8,329,142	37,828,521
2022	29,364,833	-	8,329,142	8,329,142	37,693,975
2023	14,645,956	-	8,329,142	8,329,142	22,975,098
2024	29,856,006	-	8,329,142	8,329,142	38,185,148
2025	9,568,969	19,260,000	7,879,421	27,139,421	36,708,390
2026	9,574,450	19,520,000	6,932,050	26,452,050	36,026,500
2027	9,582,056	22,335,000	5,848,106	28,183,106	37,765,162
2028	9,591,263	23,550,000	4,643,625	28,193,625	37,784,888
2029	9,601,544	6,715,000	3,849,169	10,564,169	20,165,713
2030	9,607,506	5,890,000	3,518,288	9,408,288	19,015,794
2031	47,838,313	31,115,000	2,546,906	33,661,906	81,500,219
2032	3,863,500	31,645,000	899,456	32,544,456	36,407,956
2033	14,153,500	-	68,775	68,775	14,222,275
2034	13,682,375	-	68,775	68,775	13,751,150
2035	34,858,125	-	68,775	68,775	34,926,900
2036	33,842,500	1,310,000	34,388	1,344,388	35,186,888

* Excludes Refunded Bonds that are Assessment Bonds.

** Assumes that the \$19,260,000 and \$5,000,000 principal amounts of the CPI Bonds bear interest at the fixed rate of 4.67% and 4.66%, respectively, per annum under the swaps related thereto. See “THE AUTHORITY – Indebtedness – Hedge Agreements.”

SECURITY FOR THE ASSESSMENT BONDS

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

The Bonds will be the fourth series of Assessment Bonds to be issued under the Assessment Bond Trust Agreement. The Assessment Bond Trust Agreement provides that the Authority may incur particular obligations, including without limitation Assessment Bonds and notes, and provides for the payment of debt service on Sales Tax Bonds to the extent there are insufficient funds available therefor under the Sales Tax Bond Trust Agreement.

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

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 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 “Statutory Covenant.”

Subject to the foregoing, the above are pledged for the payment, first, of the Assessment Bonds and, second, of the 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 State and Local Contribution 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. See “ASSESSMENTS” and Appendix E.

In accordance with the Assessment Bond Trust Agreement, the Assessments 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 2007 budget, the Authority has certified that it has provided for the payment of Prior Obligations during Fiscal Year 2007 in such annual budget.

Under the Assessment Bond Trust Agreement, “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) 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. See “ASSESSMENTS” for additional information concerning Assessments.

Under the Assessment Bond Trust Agreement, “Dedicated Payments” means any revenues of the Authority which are not 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 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 A – “SUMMARY OF CERTAIN PROVISIONS OF THE ASSESSMENT BOND TRUST AGREEMENT.”

If 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 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. See APPENDIX A – “SUMMARY OF CERTAIN PROVISIONS OF THE ASSESSMENT BOND TRUST AGREEMENT – Dedicated Payments.”

Under the Assessment Bond Trust Agreement, “Alternate Revenues” means 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.

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

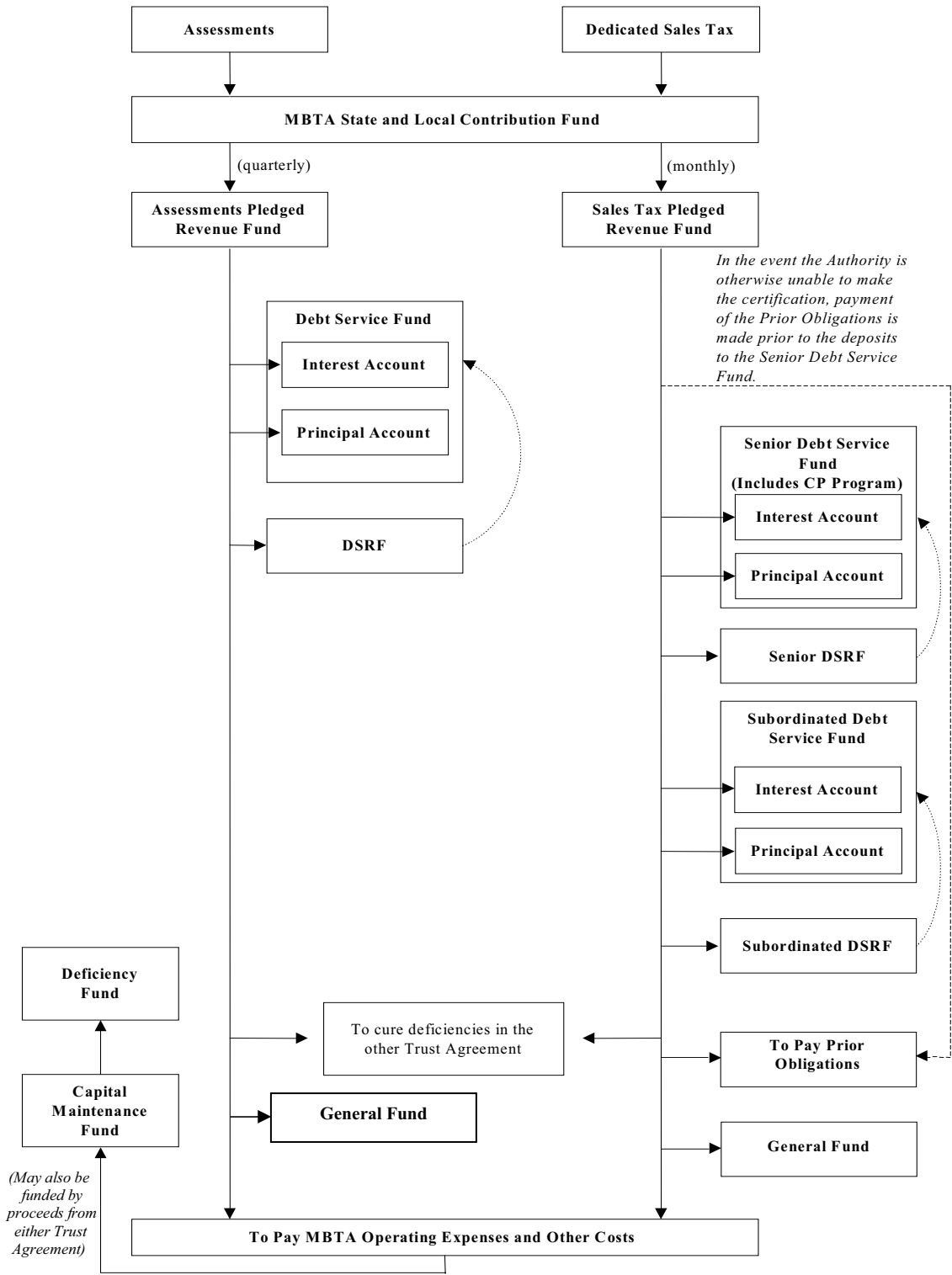
- (1) the Pledged Revenue Fund;
- (2) the Debt Service Fund;
- (3) the Debt Service Reserve Fund; and
- (4) the General Fund.

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

- (1) the 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.

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 ASSESSMENT BOND TRUST AGREEMENT – Establishment of Funds and Accounts” through “General Fund” and in APPENDIX B – “SUMMARY OF CERTAIN PROVISIONS OF THE SALES TAX BOND TRUST AGREEMENT – Establishment of Funds and Accounts” through “General Fund,” respectively.



Pledge of Amounts Payable Under the Sales Tax Bond Trust Agreement

The Authority has issued fourteen series of Sales Tax Bonds under the Sales Tax Bond Trust Agreement. Under the Sales Tax Bond Trust Agreement, the Authority pledges to the payment of obligations thereunder pledged revenues, including the Dedicated Sales Tax.

The Dedicated Sales Tax consists of the greater of the base revenue amount or the dedicated sales tax revenue amount, both as defined in the Enabling Act. The dedicated sales tax revenue amount is equal to the amount raised by a one percent (1%) statewide sales tax, which equals 20% of the existing statewide 5% sales tax. The base revenue amount is \$733,963,311 for Fiscal Year 2007 and may be adjusted upward each year thereafter. Under the Assessment Bond Trust Agreement, to the extent the amounts in the Debt Service Fund are insufficient to pay Debt Service on Assessment Bonds, the Trustee shall deliver 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 from the Pledged Revenue Fund under the Sales Tax 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 Sales Tax Bonds issued under the Sales Tax Bond Trust Agreement. See “SALES TAX BOND TRUST AGREEMENT AND DEDICATED SALES TAX – Dedicated Sales Tax” and APPENDIX B – “SUMMARY OF CERTAIN PROVISIONS OF THE SALES TAX BOND TRUST AGREEMENT.”

Pledge Under Assessment Bond Trust Agreement to Sales Tax Bonds

As described under “Flow of Funds,” in the event the Trustee shall have received a certificate of the trustee under the Sales Tax Bond Trust Agreement that amounts on deposit in any debt service fund thereunder are insufficient to pay debt service on any Sales Tax 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 Debt Service Fund, the Debt Service Reserve Fund and the Rebate Fund.

Debt Service Reserve Fund

To the extent that amounts in the Debt Service Fund, together with amounts transferred from the Sales Tax Bond Trust Agreement as described under “Pledge of Amounts Payable Under the Sales Tax Trust Agreement,” are insufficient to pay Debt Service, when due, on Assessment Bonds, deficiencies shall be made up from amounts in the Debt Service Reserve Fund. The Assessment 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 Debt Service Reserve Fund equal to the Debt Service Reserve Requirement. The Debt Service Reserve Requirement shall equal the least of the following amounts for the Bonds and any series of Assessment Bonds: (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 ASSESSMENT BOND TRUST AGREEMENT – Definitions” and “Debt Service Reserve Fund.” To the extent that the amount on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Requirement, the Authority is required to restore the amount on deposit in such Debt Service Reserve Fund. Upon issuance of the Bonds, the 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 Assessment Bonds under the Assessment Bond Trust Agreement and to the holders of Sales Tax Bonds under the Sales Tax 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 August 1, 2006, the Deficiency Fund Requirement and the Capital Maintenance Fund Requirement equaled \$16.2 million and \$49.5 million, 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 Assessment 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 Assessment 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 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 such Series shall be authenticated only upon receipt of the Trustee (in addition to the other documents required under the Assessment Bond Trust Agreement for the issuance of Assessment Bonds) of 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 (i)(a) is (A) at least equal to 1.00 and (B) so long as the 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 clause (i)(b) divided by the amount set forth in clause (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. See APPENDIX A – "SUMMARY OF CERTAIN PROVISIONS OF THE ASSESSMENT BOND TRUST AGREEMENT – Provisions for Issuance of Assessment Bonds."

For Fiscal Years 2007 - 2036, coverages for purposes of the additional bonds tests described in the preceding paragraph are projected to be approximately 3.03 to 10.48 for the purpose of the test set forth in clause (iii)(a)(1) above and approximately 11.40 to 43.47 for the test set forth in clause (iii)(a)(2) above, in each case after giving effect to the issuance of the Bonds.

Under the Assessment Bond Trust Agreement, "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 (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 indebtedness (other than Indebtedness) secured by a pledge of or a security interest in and payable from the Dedicated Sales Tax. Under the Assessment 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 Assessment 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. Under the Assessment Bond Trust Agreement, “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.

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 a lien or right with respect to the Pledged Revenues or the Funds and Accounts created by or pursuant to the Assessment Bond Trust Agreement.

The Assessment 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 pledged made by the Assessment Bond Trust Agreement for the benefit of Assessment 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 Assessment Bonds and Sales Tax 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 Assessment Bonds and Sales Tax 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 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 2007 budget, the Authority has certified that it has provided for the payment of Prior Obligations during Fiscal Year 2007 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 were reduced in five equal installments, while, commencing with Fiscal Year 2002, the additional cities and towns have been assessed and their portion of the Assessments were 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 2006 were \$136,026,868 and will be \$139,427,540 for Fiscal Year 2007. 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 has no effect on the total amount assessed for the Authority, because the credited amounts are re-assessed 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 ("Section 20"), 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 "SALES TAX BOND TRUST AGREEMENT AND 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 ASSESSMENT 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, nine communities in the Authority's territory, Beverly, Brockton, Chelsea, Haverhill, Lawrence, Lowell, Medway, Quincy 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 SESD) 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.

Massachusetts School Building Authority. The Massachusetts School Building Authority (the "MSBA") administers and funds a program of grants to cities, towns and regional school districts in Massachusetts for school construction and renovation projects and is authorized to finance or refinance the local share of costs of such projects. The MSBA's enabling act contains a Local Aid intercept provision pursuant to which the MSBA may, in the event of a payment delinquency on the part of a city, town or regional school district, certify the unpaid amount to the State Treasurer, whereupon the State Treasurer must promptly deduct such amount from the amount distributable or payable to the city, town or school district and pay it to the MSBA.

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.

The Commonwealth budget for Fiscal Year 2007 provides Local Aid to the City of Boston of \$566,857,038 and the Assessment for the Authority is \$66,210,888 or 11.7% of the City’s Local Aid. Such Assessment will account for 47.5% of the total Assessments for the Authority from all assessed cities and towns. For general information about the City of Boston, specific reference is made to the Official Statement dated January 18, 2006 of the City of Boston with respect to its \$80,000,000 General Obligation Bonds, 2006 Series A, dated their date of delivery, a copy of which is available from each Nationally Recognized Municipal Securities Information Repository currently recognized by the Securities and Exchange Commission (the “NRMSIRs”) or from the Municipal Securities Rulemaking Board and the most recent annual report filed with the NRMSIRs pursuant to the City’s continuing disclosure undertaking.

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 2006, the aggregate property tax levy grew from \$3.347 billion to \$9.981 billion, a compound annual growth rate of 4.4%.

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 2006, 18% of the Commonwealth's budgeted spending was allocated to direct Local Aid. In Fiscal Year 2007, 19.6% of the Commonwealth's projected budgeted spending is estimated to be allocated to direct Local Aid. Both Fiscal Year 2006 and Fiscal Year 2007 Local Aid expenditures are exclusive of the school building assistance program, which was restructured and moved off budget in Fiscal Year 2005. 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. For Fiscal Years 2005 and 2006, respectively, \$3.183 billion and \$3.289 billion of state aid was required to supplement required local spending to reach the minimum spending level statewide as required by law.

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, school building 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 Chapter 29, Section 9C of the Massachusetts General Laws. In the Fiscal Year 2004 General Appropriations Act, direct Local Aid was reduced by an additional \$288.7 million, or 5.7%. The Fiscal Year 2004 final supplemental appropriations act signed into law on September 17, 2004 appropriated \$75 million in one-time local aid payments to be distributed in Fiscal Year 2005.

For further information about the Commonwealth, specific reference is made to the Commonwealth Information Statement dated April 18, 2006 (the "Commonwealth Information Statement"), as supplemented by the Commonwealth Information Statement Supplement dated August 17, 2006 (the "Supplement"). The Commonwealth Information Statement appears in the Commonwealth's Official Statement dated April 18, 2006 with respect to its \$180,875,000 General Obligation Refunding Bonds, 2006 Series A, a copy of which has been filed with each of the NRMSIRs. The Supplement appears in the Commonwealth's Official Statement dated August 17, 2006 with respect to its \$486,170,000 General Obligation Bonds, Consolidated Loan of 2006, Series D, a copy of which has been filed with each NRMSIR currently recognized by the Securities and Exchange Commission.

Questions regarding the Commonwealth Information Statement and Supplement or requests for additional financial information concerning the Commonwealth should be directed to Patrick F. Landers, Assistant Treasurer, Office of the Treasurer and Receiver-General, One Ashburton Place, Twelfth Floor, Boston, Massachusetts 02108, telephone (617) 367-3900 (ext. 226), or Carlo DeSantis, Assistant Secretary for Capital Finance, Executive Office for Administration and Finance, State House, Room 373, Boston, Massachusetts 02133, telephone (617) 727-2040. In addition, the Commonwealth prepares its Comprehensive Annual Financial Report ("CAFR") with respect to each fiscal year ending June 30, which becomes available in January of the following fiscal year. Copies of the CAFR may be obtained at http://www.mass.gov/osc/Reports/cafr_about.html or by requesting the same in writing from the Office of the Comptroller, One Ashburton Place, Room 909, Boston, Massachusetts 02108.

SALES TAX BOND TRUST AGREEMENT AND DEDICATED SALES TAX

The Authority has issued fourteen series of Sales Tax Bonds 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 Authority also provides for the payment of the Prior Obligations under the Sales Tax Bond Trust Agreement. See "THE AUTHORITY – Indebtedness." The Authority also maintains a commercial paper program under the Sales Tax Bond Trust Agreement in the aggregate principal amount not to exceed \$200 million. As of August 1, 2006, there were none of such notes outstanding. As described above, the Authority has entered into a swap agreement which, if exercised, will result in the Authority entering into a Qualified Hedge Agreement under the Sales Tax Bond Trust Agreement.

Obligations under the Sales Tax Bond Trust Agreement are payable from and secured by a pledge of the Sales Tax Pledged Revenues (hereinafter defined) and 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 and administered by the Authority and the Rebate Fund, the Subordinated Debt Service Fund and the Subordinated Debt Service Reserve Fund).

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 “SALES TAX BOND TRUST AGREEMENT AND DEDICATED SALES TAX – Provision for the 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 Sales Tax 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. The Authority has so certified in connection with its Fiscal Year 2007 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 B – “SUMMARY OF CERTAIN PROVISIONS OF THE SALES TAX BOND TRUST AGREEMENT.”

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 Sales Tax 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.

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

For an illustration of the flow of funds under the Sales Tax Bond Trust Agreement, see “SECURITY FOR THE ASSESSMENT BONDS – Flow of Funds.”

Provision for the Payment of Prior Obligations

In the event that by April 1 of any 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.

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 one percent (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 in Fiscal Year 2005, is \$712,585,739 in Fiscal Year 2006 and is projected to be \$733,963,311 in Fiscal 2007 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.

In accordance with the foregoing procedure, for Fiscal Year 2006, the base revenue amount of \$712.6 million exceeded the preliminary dedicated sales tax revenue of \$684.0 million (unaudited); the difference will be credited to the State and Local Contribution Fund. On March 15, 2006, the Comptroller certified, with respect to Fiscal Year 2007, that the projected base revenue amount was \$733.96 million and that the projected dedicated sales tax amount was \$734.0 million. However, preliminary Fiscal Year 2006 sales tax collections were \$63 million below the official Fiscal Year 2006 sales tax forecast, and the Department of Revenue estimates that the recently implemented sales tax holiday will reduce Fiscal Year 2007 sales tax collections by approximately \$16 million. Based on these recent developments, the Department of Revenue currently estimates that the projected dedicated sales tax revenue amount for Fiscal Year 2007 will be \$701.1 million, below the base revenue amount of \$733.96 million. The difference shall be credited to the State and Local Contribution Fund.

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 2005, 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 of tangible personal property including motor vehicles were first taxed in Massachusetts under Stat. 1966 c. 14, § 1 at a rate of 3%. Originally a temporary tax, this tax was made permanent by Stat. 1967, c. 757, which enacted the first 31 sections of the sales tax. The new tax was also at 3%, and was effective January 1, 1968. The rate of tax was changed to 5% by Stat. 1975, c. 684, § 59, effective November 12, 1975. 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 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005 and 2006 were \$112,742, \$627,144, \$1,263,918, \$862,697, \$1,042,549, \$34,898, \$55,573, \$992,105 and \$956,735, 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	27.2	1992	1,682,319,431	336,463,886	4.0
1978	520,701,180	104,140,236	17.8	1993	1,820,971,551	364,194,310	8.2
1979	577,811,734	115,562,347	11.0	1994	1,978,773,555	395,754,711	8.7
1980	608,428,226	121,685,645	5.3	1995	2,136,971,274	427,394,255	8.0
1981	704,188,866	140,837,773	15.7	1996	2,252,083,428	450,416,686	5.4
1982	753,147,231	150,629,446	7.0	1997	2,494,701,986	498,940,397	10.8
1983	865,291,925	173,058,385	14.9	1998	2,572,447,261	514,489,452	3.1
1984	1,041,797,387	208,359,477	20.4	1999	2,833,016,602	566,603,320	10.1
1985	1,209,522,818	241,904,564	16.1	2000	3,107,166,500	621,433,300	9.7
1986	1,452,092,246	290,418,449	20.1	2001	3,272,953,839	654,590,768	5.3
1987	1,600,004,046	320,000,809	10.2	2002	3,193,946,638	638,789,328	(2.4)
1988	1,733,312,576	346,662,515	8.3	2003	3,196,008,691	639,201,738	0.1
1989	1,787,062,915	357,412,583	3.1	2004	3,211,141,238	642,228,248	0.5
1990	1,660,519,469	332,103,894	(7.1)	2005	3,330,838,208	666,167,642	3.7
1991	1,617,727,175	323,545,435	(2.6)	2006***	3,420,208,843	684,041,769	2.7

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.

*** Figures are preliminary and unaudited.

Indebtedness Under the Sales Tax Bond Trust Agreement

For a description of the conditions to the Authority issuing indebtedness under the Sales Tax Bond Trust Agreement, see APPENDIX B – “SUMMARY OF CERTAIN PROVISIONS OF THE SALES TAX BOND TRUST AGREEMENT.”

Statutory Covenant

The Enabling Act contains a statutory covenant that provides that the rate of the statewide sales tax will not be reduced below the amount of the Dedicated Sales Tax. See “SECURITY FOR THE ASSESSMENT BONDS – Statutory Covenant.”

In the opinion of Bond Counsel, this covenant is a valid contract between the Commonwealth and the holders of Assessment Bonds and Sales Tax 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 Assessment Bonds and Sales Tax 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 sales tax and the Base Revenue Floor Amount, and not to the types of property and services that are taxed.

LEGAL INVESTMENTS AND SECURITY FOR DEPOSITS

Under the Enabling Act, the 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 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 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 investment 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.

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 "Aa1" 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 Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts. Certain legal matters will be passed upon for the Commonwealth by Ropes & Gray LLP, Boston, Massachusetts, Commonwealth Disclosure Counsel.

UNDERWRITING

The Underwriters, for whom Lehman Brothers 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 \$973,830.65. 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 undertake to provide annual reports and notice of certain events and the Commonwealth and the City of Boston, Massachusetts will undertake to provide certain annual reports. A description of these undertakings is set forth in Appendix D. Pursuant to existing continuing disclosure agreements, the Authority has filed the annual information required, although the Authority's filing of such information for the Prior Obligations for Fiscal Year 2004 was not within the time period required by the applicable continuing disclosure agreements. The Authority's fiscal year 2004 annual report was filed on July 1, 2005. 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.

The City of Boston, Massachusetts is obligated to provide certain annual reports and notices of material events pursuant to continuing disclosure undertakings entered into by the City under the Rule in connection with the Assessment Bonds and various bonds and notes issued by the City. The City has not failed to comply in all material respects with any previous continuing disclosure undertaking to provide annual reports or notices of material events in accordance with the Rule, except that, due to an administrative oversight, the annual reports required to be filed for fiscal years 2002, 2003 and 2004 were not filed within the time periods required under certain of such undertakings. The City has since filed a report to comply with such continuing disclosure undertakings, and it has implemented procedures to ensure timely filing of all future annual reports and notices of material events required thereunder.

MISCELLANEOUS

The summaries of the provisions of the Enabling Act, the Bonds, the Assessment Bond Trust Agreement and the Sales Tax 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 Assessment Bond Trust Agreement and the Sales Tax 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

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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.

For all purposes of the provisions of the Trust Agreement and the applicable Supplemental Trust Agreement, except the giving of any required notice of default to holders of the Insured Bonds, the Bond Insurer shall be deemed to be the sole holder of the Insured Bonds for so long as it has not failed to comply with its payment obligations under the Policy.

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 equivalent section or sections of 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.

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 Assessment Bond Trust Agreement and (ii) and 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 Assessment Bond Trust Agreement which is secured by or payable from the Pledged 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 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;

(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 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;
- (3) Debt Service Reserve Fund; and
- (4) General 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, 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;

(5) To the General Fund, the amount set forth in an certificate of an Authorized Officer for the payment of certain amounts under Hedge Agreements; and

(6) 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*).

General Fund

If, on the last Business Day of any month, the amount in the Debt Service Fund shall be less than the amount required to be deposited therein on such date or the amount in the Debt Service Reserve Fund shall be less than the 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 the Assessment Bond 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 510*).

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*).

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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) and 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 Depositary 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*).

Upon the delivery of the Bonds, Bond Counsel proposes to deliver to the Underwriters an opinion in substantially the following form:

MINTZ LEVIN

One Financial Center
Boston, MA 02111
617-542-6000
617-542-2241 fax
www.mintz.com

[Date]

Massachusetts Bay Transportation Authority
10 Park Plaza
Boston, Massachusetts 02116

We have acted as bond counsel to the Massachusetts Bay Transportation Authority (the “Authority”) in connection with the issuance by the Authority of Assessment Bonds, 2006 Series A, 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 Assessment 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 amended, and as supplemented by the Fifth Supplemental Trust Agreement dated as of August 1, 2006 by and between the Authority and the Trustee (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 Sales Tax 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.

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.

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(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 Sales Tax 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.

AUTHORITY CONTINUING DISCLOSURE AGREEMENT

This Authority Continuing Disclosure Agreement dated [date] (the “Disclosure Agreement”) is executed and delivered by the Massachusetts Bay Transportation Authority (the “Authority”) and U.S. Bank National Association, as trustee, in connection with the issuance of Massachusetts Bay Transportation Authority Assessment Bonds, 2006 Series A (the “Bonds”). The Bonds are being issued pursuant to Chapter 161A of the General Laws of the Commonwealth (the “Act”) and the 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 supplemented by the Fifth Supplemental Trust Agreement dated as of August 1, 2006, by and between the Authority and U.S. Bank National Association, as successor trustee (the “Trustee”). The Authority and the Trustee covenant and agree as follows:

Section 1. Purpose; Beneficiaries. This Disclosure Agreement is entered into solely to assist the Participating Underwriter (defined below) in complying with subsection (b)(5) of the Rule (defined below). This Disclosure Agreement constitutes a written undertaking for the benefit of the registered owners and beneficial owners (within the meaning of the Rule) of the Bonds (such registered owners and beneficial owners being sometimes called herein collectively “owners”).

Section 2. Definitions. The following words and terms used in this Disclosure Agreement shall have the following respective meanings:

(a) “Annual Report” shall mean any Annual Report provided by the Authority to the Trustee, and consistent with the requirements of Sections 3 and 4 of this Disclosure Agreement.

(b) “MSRB” means the Municipal Securities Rulemaking Board.

(c) “NRMSIR” means, at any time, a then-existing, nationally recognized municipal securities information repository, as recognized from time to time by the SEC for the purposes referred to in the Rule. The NRMSIRs as of the date of this Disclosure Agreement are listed on Exhibit A hereto.

(d) “Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

(e) “Rule” means Rule 15c2-12 promulgated by the SEC under the Securities and Exchange Act of 1934, as amended (17 CFR Part 240, 240.15c2-12), as in effect on the date of this Disclosure Agreement, including any official interpretation thereof.

(f) “SEC” means the United States Securities and Exchange Commission.

(g) “SID” means, at any time, a then-existing, state information depository, if any, as operated or designated as such by or on behalf of the Commonwealth for the purposes referred to in the Rule. As of the date of this Disclosure Agreement, there is no SID.

All capitalized words and terms used in this Disclosure Agreement and not otherwise defined herein shall have the meaning ascribed to such words and terms in the Official Statement dated [date] pertaining to the Bonds (the “Official Statement”).

Section 3. Provision of Annual Reports. The Authority shall deliver to the Trustee its Annual Report, not later than 335 days after the end of its fiscal year. If said Annual Report does not contain the Authority’s audited financial statements for the fiscal year of the Annual Report, then the Authority shall, in any event, deliver to the Trustee (i) with the Annual Report unaudited financial

statements for the fiscal year of the Annual Report and (ii) said audited financial statements as soon as practicable after the audited financial statements become available.

The Trustee shall forward to each NRMSIR and the SID the Authority's Annual Report, with the Authority's audited financial statements (or unaudited financial statements, if the audited financial statements are not then available) or notice of the Authority's failure to provide said Annual Report, no later than 350 days after the end of the fiscal year of the Authority. If the Authority elects not to provide the Trustee with its audited financial statements as part of its Annual Report within the 335 day period described above, the Trustee shall forward to each NRMSIR and the SID the Authority's audited financial statements as soon as practicable after the audited financial statements become available.

Within five (5) business days prior to the date of forwarding the Annual Report and the financial statements to each NRMSIR and the SID, as set forth above, the Trustee shall confirm the name and address of each NRMSIR and the SID. The Trustee may rely conclusively on the list of NRMSIRs maintained by the SEC. Upon its forwarding of the Annual Report and financial statements, the Trustee shall file a report with the Authority certifying that the Annual Report and financial statements have been forwarded to the NRMSIRs and the SID pursuant to this disclosure agreement, stating the date each was mailed and listing all the NRMSIRs and the SID to which they were mailed.

Section 4. Content of Annual Reports. The Annual Report shall contain (i) the quantitative information for the preceding fiscal year of the type presented in the Official Statement for the Bonds regarding (a) Assessments, (b) the Dedicated Sales Tax, (c) outstanding indebtedness, (d) capital plan and (e) total revenues and operating expenses annual financial information; and (ii) the audited financial statements of the Authority for such fiscal year if audited financial statements are then available (or unaudited financial statements if audited financial statements are not then available), or (iii) notice of the Authority's failure if any, to provide such information. The annual financial information to be provided as aforesaid shall be in each case substantially in the same level of detail as is found in the Official Statement.

Any or all of the items listed 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 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 cost of service and cash flows prepared in accordance with generally accepted accounting principles in effect from time to time, or as applicable law may otherwise provide. Such financial statements shall be audited by a firm of certified public accountants appointed by the Authority. The Trustee is agent of the Authority in the dissemination of the Annual Report and the other notices referenced herein and has no duty or responsibility as to the legal correctness or accuracy of the form or content of said Annual Report or notes.

Section 5. Reporting of Significant Events. Whenever the Authority obtains knowledge of the occurrence of any of the following listed events with respect to the Bonds, the Authority shall direct the Trustee to file notice of such occurrence, if material, in a timely manner with the MSRB and the SID:

- (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.

Section 6. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority from providing any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, in addition to that which is required by this Disclosure Agreement. If the Authority chooses to provide any information in addition to that which is specifically required by this Disclosure Agreement, the Authority and the Trustee shall have no obligation under this Disclosure Agreement to update such information in the future.

Section 7. Enforceability of This Disclosure Agreement; Termination. To the extent permitted by law, the provisions of this Disclosure Agreement are enforceable against the Authority and the Trustee in accordance with the terms hereof 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 the Trustee and to compel the Authority and the Trustee and any of their officers, agents or employees to perform and carry out their duties under such provisions of this Disclosure Agreement; provided, however, that the sole remedy for a violation of this Disclosure Agreement shall be limited to an action to compel specific performance of the obligations of the Authority and the Trustee under this Disclosure Agreement and shall not include any rights to monetary damages. This 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 in effect, whichever occurs first.

Section 8. Amendments. This Disclosure Agreement may be amended, changed or modified by the parties hereto, 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 SEC 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 or the Trustee 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 undertaking of the Authority in this Disclosure Agreement 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 or the Trustee (such as the firm serving at the time as bond counsel to the Authority) or by the vote or consent of the Registered Owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment, which consent shall be obtained as provided in this Disclosure Agreement with respect to consents of Registered Owners. Any amendment, change or modification to this Disclosure Agreement shall be in writing.

If this Disclosure Agreement is amended with respect to the annual financial information to be submitted by the Authority hereunder, the annual financial information containing the amended financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of financial information being provided. If this Disclosure Agreement is amended with respect to the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and the financial statements or information prepared on the basis of the former accounting principles. Such comparison will include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Authority to meet its obligations. To the extent reasonably feasible, the comparison will also be quantitative. The Authority shall direct the Trustee to give notice of any change in the accounting principles to each NRMSIR and the SID as promptly as practicable after such change has been determined.

Section 9. Disclaimer. No information provided by or on behalf of the Authority under this Disclosure Agreement shall obligate the Authority to file any information regarding matters other than those specifically described in Sections 3, 4 and 5 hereof, nor shall any such filing constitute a representation by the Authority or raise any inference that no other material events have occurred with respect to the Authority or the Bonds or that all material information regarding the Authority or the Bonds has been disclosed. The Authority shall have no obligation under this Disclosure Agreement to update information provided pursuant to this Disclosure Agreement except as specifically stated herein.

Section 9A. Duties, Immunities and Liabilities of the Trustee. The Trustee shall have only such duties under this Disclosure Agreement as are specifically set forth in this Disclosure Agreement, and the Authority hereby agrees to indemnify and save the Trustee, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the cost and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Trustee's negligence or willful misconduct in the performance of its duties hereunder. The obligations of the Authority under this Section 9A shall survive resignation or removal of the Trustee and payment of the Bonds.

Section 9B. Central Post Office. Any filing with the NRMSIRs or the SID, if any, under this Disclosure Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

Section 10. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11. Governing Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the Commonwealth and applicable law of the United States of America.

Section 12. Titles of Sections. The titles of sections in this Disclosure Agreement shall have no effect in construing this Disclosure Agreement.

Section 13. Actions to be Performed on Non-Business Days. Any action required by this Disclosure Agreement to be taken on a Saturday, Sunday or holiday within the Commonwealth may be taken on the next business day with the same force and effect as if taken on the day so required.

IN WITNESS WHEREOF, THE MASSACHUSETTS BAY TRANSPORTATION AUTHORITY and U.S. BANK NATIONAL ASSOCIATION, as Trustee, have executed this Disclosure Agreement, all as of the day and year first above written.

MASSACHUSETTS BAY TRANSPORTATION
AUTHORITY

By: _____

Name: Jonathan R. Davis
Title: Deputy General Manager and
Chief Financial Officer

U.S. BANK NATIONAL ASSOCIATION
as Trustee

By: _____

Name: Susan Freedman
Title: Vice President

NRMSIRs

Bloomberg Municipal Repository

100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
<http://www.bloomberg.com/markets/rates/municontacts.html>
Email: [Munis@Bloomberg.com](mailto: Munis@Bloomberg.com)

DPC Data Inc.

One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
<http://www.dpcdata.com>
Email: [nrmsir@dpcdata.com](mailto: nrmsir@dpcdata.com)

FT Interactive Data

Attn: NRMSIR
100 William Street, 15th Floor
New York, NY 10038
Phone: 212-771-6999; 800-689-8466
Fax: 212-771-7390
<http://www.ftid.com>
Email: [NRMSIR@interactivedata.com](mailto: NRMSIR@interactivedata.com)

Standard & Poor's Securities Evaluations, Inc.

55 Water Street
45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
www.jjkenny.com/jjkenny/pser_descrip_data_rep.html
Email: [nrmsir_repository@sandp.com](mailto: nrmsir_repository@sandp.com)

MSRB

Municipal Securities Rulemaking Board

CDINet, 1900 Duke St., Suite 600
Alexandria, VA 22314
Phone: (703) 797-6600
Fax: (703) 683-1930

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 2006 and projected information for Fiscal Year 2007. Beginning in Fiscal Year 2006 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 2006 was approximately \$386.2 million and is projected to be approximately \$383.6 million in Fiscal Year 2007.

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 were reduced in five equal installments, while, commencing with Fiscal Year 2002, the additional cities and towns (labeled "Other Served Communities" in the following table) were assessed and their portion of the Assessments were increased through Fiscal Year 2006 in five equal installments. In each case, individual Assessments are determined according to a weighted population formula. 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 has had no effect on the total amount assessed for the Authority because the credited amounts have been re-assessed on the 14 cities and towns and the 51 cities and towns. See "ASSESSMENTS." All Fiscal Year 2006 information is unaudited.

Data Provided by Massachusetts Department of Revenue - Division of Local Services - Local Aid Section

(all amounts in thousands)

Municipality	FY2007			FY2006				FY2005				
	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
SALISBURY	1,081	160	43	877	818	157	8	653	651	184	0	467
SCITUATE	6,734	369	112	6,253	6,391	307	107	5,976	5,715	361	161	5,193
SEEKONK	5,289	285	37	4,967	4,433	256	51	4,127	5,200	250	31	4,919
SHERBORN	703	37	26	640	631	42	25	564	831	35	40	756
SHIRLEY	6,458	1,091	32	5,335	6,038	881	29	5,128	5,778	768	15	4,994
SHREWSBURY	19,935	751	132	19,052	17,285	728	113	16,445	18,622	603	91	17,928
SOUTHBOROUGH	3,370	170	55	3,146	3,152	121	53	2,977	3,962	65	40	3,857
STERLING	920	31	35	855	755	30	32	693	651	30	23	599
STOUGHTON	14,305	2,319	72	11,913	12,652	1,871	73	10,708	12,243	1,524	43	10,675
STOW	544	42	38	465	454	39	36	379	395	36	29	331
SUDBURY	5,625	88	105	5,432	5,655	131	102	5,422	8,081	25	150	7,907
SUTTON	6,563	229	40	6,295	6,019	149	28	5,842	6,933	171	26	6,736
TAUNTON	54,018	1,159	109	52,750	51,051	1,070	108	49,873	51,540	904	39	50,596
TEWKSBURY	16,521	446	0	16,075	15,468	516	0	14,952	15,760	432	0	15,328
TOWNSEND	1,789	21	46	1,723	1,410	18	44	1,348	1,197	17	33	1,146
TYNGSBOROUGH	8,505	130	60	8,314	7,899	143	57	7,699	8,125	128	43	7,954
UPTON	732	16	38	677	660	15	36	609	566	15	28	523
WAREHAM	14,526	1,426	64	13,036	13,626	1,131	68	12,426	14,405	942	35	13,427
WAYLAND	4,111	136	80	3,895	4,202	59	78	4,066	4,252	32	120	4,100
WEST BOYLSTON	4,401	167	11	4,223	4,033	116	13	3,903	4,464	104	9	4,352
WEST BRIDGEWATER	3,436	588	33	2,814	2,966	527	32	2,407	2,684	445	25	2,215
WEST NEWBURY	455	95	25	334	351	37	25	289	312	40	20	252
WESTBOROUGH	4,916	169	105	4,641	4,211	140	103	3,969	4,517	127	79	4,310
WESTFORD	15,950	211	118	15,622	13,954	218	112	13,625	16,407	207	86	16,115
WESTMINSTER	1,004	40	22	941	857	39	20	797	724	39	12	674
WHITMAN	2,869	75	80	2,715	2,463	72	76	2,314	2,194	71	59	2,063
WORCESTER	228,562	20,244	0	208,318	213,528	18,402	0	195,126	219,416	16,235	0	203,181
WRENTHAM	4,965	306	68	4,591	4,878	320	65	4,494	5,135	327	51	4,756

Data Provided by Massachusetts Department of Revenue - Division of Local Services - Local Aid Section

(all amounts in thousands)

Municipality	FY2004				FY2003				FY2002			
	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
ASHLAND	4,812	123	186	4,503	5,394	31	236	5,127	5,319	28	285	5,006
ATTLEBORO	35,721	1,766	0	33,955	35,472	587	0	34,885	33,920	572	0	33,348
AUBURN	5,462	623	0	4,839	6,696	149	0	6,547	6,719	143	0	6,575
AYER	5,735	445	12	5,278	5,441	33	5	5,403	5,471	30	0	5,441
BELLINGHAM	11,464	481	54	10,929	13,361	148	36	13,177	12,909	130	20	12,760
BERKLEY	6,720	174	17	6,529	6,793	85	10	6,697	6,274	83	4	6,186
BILLERICA	19,447	1,587	0	17,860	23,199	1,038	0	22,161	23,542	958	0	22,584
BOXBOROUGH	1,910	44	17	1,849	2,109	33	11	2,065	2,107	29	5	2,072
BOXFORD	2,339	15	28	2,296	2,870	3	19	2,849	2,858	3	11	2,843
BRIDGEWATER	4,267	270	73	3,924	4,858	258	42	4,559	5,009	209	11	4,789
BROCKTON	131,415	3,271	0	128,144	142,731	1,956	0	140,775	143,361	1,907	0	141,454
CARLISLE	1,649	4	17	1,628	1,899	3	11	1,885	1,978	3	6	1,968
CARVER	11,322	225	18	11,079	11,850	95	5	11,749	11,873	91	0	11,782
CHELMSFORD	12,721	1,245	0	11,476	15,684	247	0	15,437	16,082	236	0	15,846
DRACUT	19,194	302	77	18,815	19,936	56	44	19,836	19,762	53	13	19,696
DUXBURY	3,743	162	172	3,409	4,706	126	216	4,364	4,765	121	263	4,381
EAST BRIDGEWATER	11,191	96	32	11,063	11,325	74	17	11,234	11,125	70	2	11,053
EASTON	10,804	476	79	10,250	10,930	316	52	10,562	10,974	309	27	10,638
ESSEX	273	7	10	256	310	4	6	301	360	4	3	344
FITCHBURG	49,059	3,095	0	45,964	50,471	551	0	49,921	50,447	539	0	49,909
FOXBOROUGH	7,668	1,344	57	6,267	8,977	151	38	8,787	8,995	131	20	8,844
FRANKLIN	25,322	3,219	104	21,998	24,953	855	70	24,028	23,959	728	36	23,195
FREETOWN	1,883	144	30	1,710	2,327	124	20	2,183	2,382	120	11	2,251
GEORGETOWN	5,571	199	26	5,346	5,399	43	17	5,339	5,445	39	10	5,396
GLOUCESTER	11,729	2,356	0	9,373	13,539	1,267	0	12,273	13,729	1,076	0	12,653
GRAFTON	7,381	197	49	7,136	7,229	31	28	7,170	7,243	31	10	7,202
GROTON	693	23	16	653	817	20	5	792	859	20	0	839
GROVELAND	842	54	21	766	1,040	26	14	1,000	1,068	23	7	1,037
HALIFAX	3,409	48	26	3,334	3,817	38	18	3,761	3,857	36	9	3,811
HANOVER	6,541	108	161	6,272	6,958	78	203	6,676	7,040	75	246	6,719
HANSON	1,306	54	34	1,219	1,446	47	22	1,377	1,477	44	12	1,421
HARVARD	3,242	360	9	2,873	4,495	182	5	4,308	4,506	148	15	4,344
HAVERHILL	45,798	1,549	0	44,249	50,042	421	0	49,621	50,389	418	0	49,972
HOLDEN	2,060	98	0	1,963	2,354	92	0	2,262	2,428	90	0	2,337
HOLLISTON	9,964	100	49	9,816	11,125	52	32	11,040	11,170	47	17	11,106
HOPKINTON	8,287	172	47	8,068	8,474	51	31	8,391	8,382	7	14	8,361
IPSWICH	6,225	283	42	5,900	6,876	97	27	6,752	6,925	86	12	6,827
KINGSTON	5,777	114	27	5,636	5,894	84	13	5,797	5,792	80	5	5,707
LAKEVILLE	2,964	118	27	2,819	3,302	74	16	3,212	3,323	70	5	3,248
LANCASTER	861	33	15	813	1,030	21	9	1,000	1,096	19	0	1,078
LAWRENCE	138,303	11,086	0	127,217	141,930	1,717	0	140,213	137,168	1,383	0	135,785
LEICESTER	11,002	198	0	10,804	11,957	69	0	11,888	12,010	88	0	11,942
LEOMINSTER	37,318	2,357	0	34,961	37,572	545	0	37,027	37,627	530	0	37,097
LITTLETON	3,728	522	14	3,192	2,896	43	6	2,848	2,848	39	0	2,808
LOWELL	146,530	6,880	0	139,649	156,088	828	0	155,261	156,853	804	0	156,049
LUNENBURG	5,069	682	13	4,374	4,957	61	3	4,893	5,009	57	0	4,952
MANSFIELD	14,410	1,345	49	13,015	15,163	356	32	14,775	14,288	347	13	13,928
MARLBOROUGH	13,512	450	82	12,980	15,506	88	44	15,373	15,745	84	0	15,661
MARSHFIELD	15,546	408	291	14,847	16,256	137	364	15,755	16,300	130	439	15,730
MAYNARD	5,451	64	37	5,350	5,066	13	25	5,029	5,138	13	13	5,113
MEDWAY	8,050	365	44	7,641	8,118	102	29	7,986	7,983	89	15	7,879
MERRIMAC	1,114	56	0	1,058	1,234	29	0	1,205	1,250	29	0	1,221
METHUEN	36,367	905	0	35,463	36,924	332	0	36,592	36,867	258	0	36,609
MIDDLEBOROUGH	19,074	287	42	18,744	18,472	145	24	18,303	18,599	137	5	18,457
MILLBURY	7,316	338	5	6,973	7,427	94	0	7,333	7,426	90	0	7,336
MILLIS	3,759	584	99	3,065	4,223	320	139	3,765	4,265	294	170	3,801
NEWBURY	1,349	111	24	1,214	1,442	101	16	1,326	1,488	88	8	1,392
NEWBURYPORT	7,483	1,666	0	5,817	7,093	124	0	6,968	7,258	118	0	7,140
NORTH ANDOVER	8,203	1,013	34	7,186	9,773	741	4	9,029	9,658	552	0	9,106
NORTH ATTLEBOROUGH	21,818	1,910	17	19,891	21,657	961	0	20,696	20,473	885	0	19,588
NORTH READING	5,727	30	171	5,526	6,095	9	216	5,869	6,121	9	261	5,851
NORTHBOROUGH	4,310	120	30	4,160	5,200	88	12	5,100	5,078	83	0	4,996
NORTHBRIDGE	15,974	530	47	15,398	16,105	43	31	16,031	14,111	40	18	14,053
NORTON	14,639	899	32	13,708	14,696	244	21	14,431	13,962	238	8	13,716
NORWELL	4,108	679	126	3,303	3,814	560	160	3,094	3,872	436	195	3,241
PAXTON	551	34	15	501	583	38	10	536	627	38	5	584
PEMBROKE	9,718	125	196	9,397	12,081	90	257	11,734	7,325	86	310	6,928
PLYMOUTH	23,815	1,866	117	21,832	29,047	382	65	28,600	29,350	365	3	28,982
PLYMPTON	700	39	9	651	885	24	6	856	884	22	3	859
PRINCETON	754	9	11	734	851	8	7	836	920	8	3	909
RAYNHAM	1,769	209	37	1,523	1,763	178	24	1,561	1,703	173	10	1,520
REHOBOTH	930	259	25	646	1,104	239	14	851	1,148	230	2	917
ROCHESTER	2,088	50	16	2,019	2,102	48	11	2,043	2,130	45	6	2,079
ROCKLAND	11,555	645	208	10,702	13,296	525	260	12,512	13,383	451	313	12,619
ROCKPORT	3,020	448	0	2,573	3,142	200	0	2,942	3,145	190	0	2,954
ROWLEY	892	59	19	814	1,055	49	13	993	1,093	43	7	1,043

Data Provided by Massachusetts Department of Revenue - Division of Local Services - Local Aid Section

(all amounts in thousands)

Municipality	FY2004				FY2003				FY2002			
	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
SALISBURY	643	150	28	465	756	62	18	676	784	54	9	722
SCITUATE	5,600	299	216	5,085	6,916	116	271	6,529	6,811	111	327	6,373
SEEKONK	5,199	256	27	4,917	6,282	237	11	6,034	6,330	231	5	6,094
SHERBORN	819	35	54	730	954	30	69	854	970	27	84	858
SHIRLEY	5,685	777	7	4,901	5,905	17	0	5,888	5,368	18	0	5,350
SHREWSBURY	16,746	392	42	16,312	12,680	184	0	12,496	11,649	177	0	11,472
SOUTHBOROUGH	3,952	73	29	3,850	3,882	57	19	3,806	3,766	53	5	3,708
STERLING	645	29	11	605	752	28	4	721	773	27	0	747
STOUGHTON	12,089	1,225	17	10,847	13,656	961	0	12,695	13,780	793	0	12,987
STOW	392	35	21	335	457	30	14	413	474	27	7	440
SUDBURY	6,340	20	198	8,122	8,529	11	247	8,270	8,431	11	296	8,123
SUTTON	6,643	132	8	6,504	6,946	38	0	6,908	6,903	37	0	6,865
TAUNTON	51,154	896	0	50,258	49,911	792	0	49,119	48,677	767	0	47,910
TEWKSBURY	15,188	399	0	14,789	16,154	254	0	15,900	16,294	247	0	16,047
TOWNSEND	1,142	18	22	1,102	1,326	13	11	1,302	1,393	12	2	1,379
TYNGSBOROUGH	7,723	82	29	7,611	8,452	14	17	8,422	8,459	13	4	8,442
UPTON	523	15	20	488	612	13	13	586	677	12	7	657
WAREHAM	14,283	769	18	13,496	15,524	622	2	14,900	15,823	801	0	15,022
WAYLAND	4,170	12	162	3,996	5,022	13	205	4,804	5,071	13	248	4,810
WEST BOYLSTON	4,426	114	0	4,312	4,310	28	0	4,282	4,281	50	0	4,231
WEST BRIDGEWATER	2,666	366	19	2,281	3,220	302	11	2,907	3,268	260	4	3,004
WEST NEWBURY	307	30	15	263	350	1	10	339	361	1	5	354
WESTBOROUGH	4,477	153	55	4,269	5,446	103	34	5,308	5,499	101	11	5,386
WESTFORD	14,537	178	60	14,298	16,274	72	36	16,167	16,071	65	12	15,994
WESTMINSTER	680	39	2	639	795	35	0	760	868	34	0	835
WHITMAN	2,151	83	41	2,047	2,442	52	27	2,363	2,504	48	11	2,444
WORCESTER	213,862	14,618	0	199,244	220,381	2,042	0	218,339	211,862	1,989	0	209,874
WRENTHAM	4,978	288	37	4,653	5,044	111	25	4,908	5,157	94	13	5,050

Data Provided by Massachusetts Department of Revenue - Division of Local Services - Local Aid Section

(all amounts in thousands)

Municipality	FY2001				FY2000				FY1999			
	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
FOURTEEN CITIES AND TOWNS												
ARLINGTON	18,170	38	2,883	15,249	16,969	112	2,825	14,032	16,006	118	2,779	13,108
BELMONT	8,097	41	1,388	6,668	7,234	110	1,422	5,702	6,569	106	1,425	5,038
BOSTON	550,204	1,517	62,238	486,450	532,599	1,675	61,978	468,947	511,069	1,722	60,253	449,094
BROOKLINE	18,954	486	5,251	13,217	15,162	475	5,074	9,813	13,715	453	5,065	8,197
CAMBRIDGE	45,566	114	6,785	38,668	44,010	310	6,781	36,919	42,311	324	6,885	35,103
CHELSEA	58,138	262	1,484	56,392	55,371	282	1,470	53,619	52,001	288	1,425	50,288
EVERETT	31,659	840	2,119	28,700	23,855	793	2,137	20,925	20,727	793	2,053	17,882
MALDEN	46,526	39	3,314	43,174	42,949	116	3,375	39,458	35,808	120	3,230	32,458
MEDFORD	28,948	1,108	3,726	24,114	27,528	1,173	3,872	22,483	26,800	1,057	3,752	21,270
MILTON	8,384	864	1,461	6,059	7,594	825	1,448	5,321	6,784	751	1,411	4,622
NEWTON	23,290	72	4,989	18,229	19,030	334	4,955	13,741	16,024	345	4,734	10,944
REVERE	36,525	935	3,096	32,494	34,890	919	3,123	30,849	33,545	782	2,941	29,822
SOMERVILLE	62,275	67	4,813	57,395	59,927	141	4,860	54,926	56,604	150	4,732	51,722
WATERTOWN	13,153	646	2,140	10,366	12,405	688	2,094	9,622	11,855	639	2,046	9,170
FIFTY-ONE CITIES AND TOWNS												
BEDFORD	4,388	13	348	4,027	3,813	53	340	3,420	3,362	44	331	2,986
BEVERLY	16,319	159	934	15,226	15,088	63	951	14,073	12,532	147	931	11,454
BRAINTREE	13,371	1,205	1,011	11,156	12,391	1,134	1,043	10,214	11,374	999	1,051	9,325
BURLINGTON	7,890	13	735	7,141	7,171	72	736	6,363	6,503	72	769	5,662
CANTON	5,869	208	531	5,130	5,238	204	526	4,509	4,701	199	515	3,988
COHASSET	2,782	408	161	2,213	2,478	385	162	1,931	1,752	343	162	1,246
CONCORD	4,695	11	365	4,320	3,984	67	373	3,544	3,548	67	367	3,115
DANVERS	8,714	122	632	7,960	7,885	54	616	7,216	7,133	123	606	6,403
DEDHAM	8,114	695	742	6,677	7,446	652	744	6,051	6,892	607	733	5,552
DOVER	697	112	119	466	598	111	120	367	449	107	118	224
FRAMINGHAM	26,014	42	1,541	24,431	22,727	159	1,583	20,976	19,537	155	1,516	17,866
HAMILTON	820	23	179	619	771	4	181	586	704	27	175	501
HINGHAM	6,502	780	523	5,199	5,753	785	522	4,446	4,851	724	536	3,591
HOLBROOK	6,209	370	317	5,522	5,965	351	323	5,291	5,558	340	338	4,880
HULL	7,573	43	272	7,257	7,157	44	264	6,849	6,849	40	282	6,527
LEXINGTON	9,933	24	835	9,073	8,505	124	853	7,528	7,520	133	846	6,541
LINCOLN	2,842	5	205	2,632	2,648	27	209	2,412	2,441	27	208	2,207
LYNN	118,597	254	2,272	116,071	112,544	173	2,317	110,053	107,712	273	2,094	105,344
LYNNFIELD	3,686	456	291	2,940	3,166	433	291	2,441	2,826	445	282	2,100
MANCHESTER	326	30	131	166	973	4	134	836	826	36	127	664
MARBLEHEAD	4,465	93	570	3,802	3,768	18	571	3,178	3,241	100	543	2,598
MEDFIELD	5,357	127	258	4,972	4,744	125	268	4,361	3,932	119	254	3,559
MELROSE	13,309	23	883	12,403	12,367	78	902	11,388	11,569	85	903	10,582
MIDDLETON	1,936	20	126	1,790	1,771	3	125	1,643	1,295	24	120	1,151
NAHANT	965	16	156	793	866	6	157	704	771	17	145	610
NATICK	11,036	62	846	10,128	10,135	131	846	9,158	9,308	128	804	8,376
NEEDHAM	8,110	347	734	7,029	7,010	327	726	5,957	6,212	326	705	5,181
NORFOLK	4,547	79	226	4,241	4,246	78	235	3,933	3,719	77	226	3,417
NORWOOD	10,536	226	832	9,478	9,707	222	857	8,629	8,977	231	811	7,935
PEABODY	24,431	1,279	1,120	22,032	22,887	1,074	1,124	20,890	21,464	1,073	1,086	19,305
QUINCY	42,766	517	3,703	38,547	39,856	497	3,639	35,720	37,076	508	3,730	32,837
RANDOLPH	18,291	732	944	16,614	16,292	669	943	14,680	15,252	631	938	13,683
READING	11,824	20	621	11,183	10,805	57	638	10,111	9,969	62	635	9,273
SALEM	24,680	932	1,076	22,672	22,534	815	1,049	20,670	21,341	839	994	19,508
SAUGUS	9,155	767	884	7,504	8,357	664	908	6,786	7,575	637	825	6,113
SHARON	8,500	159	450	7,890	7,054	157	449	6,449	5,546	153	437	4,955
STONEHAM	8,084	347	545	7,192	7,468	365	549	6,554	6,834	346	543	5,946
SWAMPSCOTT	4,067	58	486	3,523	3,650	20	483	3,047	3,417	59	437	2,921
TOPSFIELD	1,527	20	145	1,363	1,357	3	143	1,211	1,225	24	141	1,060
WAKEFIELD	9,953	25	692	9,236	8,580	74	721	7,784	7,849	75	719	7,055
WALPOLE	8,940	199	569	8,171	8,223	194	581	7,447	7,482	188	550	6,744
WALTHAM	21,056	68	1,505	19,483	19,554	176	1,486	17,893	18,174	182	1,417	16,575
WELLESLEY	7,224	386	595	6,244	6,276	383	589	5,304	5,656	374	585	4,696
WENHAM	559	13	89	456	534	2	91	441	495	16	85	395
WESTON	3,725	11	226	3,488	2,709	63	234	2,412	2,417	58	226	2,133
WESTWOOD	3,915	175	347	3,393	3,134	181	352	2,601	2,896	162	338	2,395
WEYMOUTH	30,608	1,573	1,611	27,424	28,886	1,460	1,622	25,804	26,789	1,294	1,608	23,887
WILMINGTON	7,125	61	427	6,637	6,362	110	430	5,821	5,650	90	430	5,130
WINCHESTER	5,429	26	551	4,852	4,802	82	577	4,142	4,226	81	585	3,560
WINTHROP	10,585	340	533	9,713	10,002	321	544	9,138	9,518	291	536	8,691
WOBURN	13,587	779	985	11,823	12,393	806	980	10,607	11,422	755	1,001	9,665
OTHER SERVED COMMUNITIES												
ABINGTON	8,623	62	0	8,561	8,055	58	0	7,998	7,503	53	0	7,450
ACTON	4,213	30	0	4,183	3,643	74	0	3,569	3,101	73	0	3,028
AMESBURY	13,692	397	0	13,295	13,041	393	0	12,648	11,881	386	0	11,495
ANDOVER	10,671	1,120	0	9,552	9,474	950	0	8,524	8,508	929	0	7,579
ASHBURNHAM	802	17	0	785	767	17	0	750	694	16	0	677
ASHBY	497	1	0	495	455	5	0	451	413	5	0	407

Data Provided by Massachusetts Department of Revenue - Division of Local Services - Local Aid Section

(all amounts in thousands)

Municipality	FY2001			FY2000				FY1999				
	Total Local Aid	All Other Assessments	Assessment	Total Local Aid	All Other Assessments	Assessment	Total Local Aid	All Other Assessments	Assessment	Total Local Aid	All Other Assessments	Assessment
ASHLAND	4,971	29	335	4,608	4,497	52	339	4,105	3,906	52	331	3,522
ATTLEBORO	32,943	546	0	32,397	31,242	535	0	30,707	29,375	518	0	28,857
AUBURN	6,167	98	0	6,069	5,613	87	0	5,526	5,094	79	0	5,015
AYER	5,368	34	0	5,334	5,056	42	0	5,014	4,827	41	0	4,786
BELLINGHAM	10,395	132	0	10,263	9,781	120	0	9,661	9,220	116	0	9,104
BERKLEY	6,033	74	0	5,959	4,828	89	0	4,750	4,545	67	0	4,478
BILLERICA	22,481	745	0	21,736	20,941	676	0	20,266	19,632	575	0	19,057
BOXBOROUGH	2,065	18	0	2,047	1,920	28	0	1,892	945	26	0	919
BOXFORD	2,742	26	0	2,717	2,415	3	0	2,412	1,878	31	0	1,847
BRIDGEWATER	5,023	212	0	4,810	4,679	200	0	4,480	4,289	169	0	4,120
BROCKTON	128,611	1,881	0	126,730	119,294	1,807	0	117,487	109,317	1,803	0	107,514
CARLISLE	1,815	3	0	1,812	1,485	18	0	1,467	1,346	18	0	1,329
CARVER	11,639	76	0	11,563	11,182	83	0	11,099	10,606	76	0	10,530
CHELMSFORD	15,058	217	0	14,841	13,716	280	0	13,436	12,466	265	0	12,201
DRACUT	19,173	70	0	19,103	16,962	99	0	16,863	16,030	104	0	15,925
DUXBURY	4,504	113	305	4,086	3,739	102	308	3,329	3,214	94	296	2,824
EAST BRIDGEWATER	11,003	66	0	10,937	10,502	88	0	10,434	9,923	64	0	9,859
EASTON	10,533	284	0	10,249	9,705	285	0	9,420	9,011	264	0	8,747
ESSEX	362	13	0	349	1,031	4	0	1,027	953	16	0	938
FITCHBURG	45,578	533	0	45,045	43,325	523	0	42,803	37,701	493	0	37,208
FOXBOROUGH	8,778	139	0	8,639	8,066	137	0	7,929	7,318	132	0	7,185
FRANKLIN	22,121	663	0	21,458	20,820	555	0	20,065	17,360	458	0	16,901
FREETOWN	2,309	115	0	2,194	2,102	113	0	1,989	1,844	110	0	1,734
GEORGETOWN	5,270	52	0	5,217	4,990	29	0	4,961	3,272	43	0	3,229
GLOUCESTER	13,518	1,063	0	12,456	12,540	1,032	0	11,508	11,513	991	0	10,522
GRAFTON	7,201	34	0	7,167	6,749	28	0	6,721	5,852	27	0	5,825
GROTON	851	19	0	832	784	34	0	750	709	34	0	675
GROVELAND	1,056	33	0	1,024	1,003	21	0	982	940	29	0	912
HALIFAX	3,828	33	0	3,795	3,643	32	0	3,611	3,447	30	0	3,417
HANOVER	6,663	73	287	6,303	6,106	70	290	5,746	5,741	67	282	5,392
HANSON	1,503	42	0	1,461	1,384	40	0	1,344	1,522	38	0	1,484
HARVARD	4,291	105	0	4,186	3,960	84	0	3,876	3,657	88	0	3,570
HAVERHILL	49,409	476	0	48,933	47,100	392	0	46,708	43,776	483	0	43,293
HOLDEN	2,388	90	0	2,298	2,258	88	0	2,170	1,954	83	0	1,872
HOLLISTON	10,783	37	0	10,746	8,358	63	0	8,295	6,738	64	0	6,674
HOPKINTON	5,361	6	0	5,355	4,803	32	0	4,771	3,411	32	0	3,379
IPSWICH	6,948	116	0	6,832	4,493	78	0	4,415	4,052	102	0	3,950
KINGSTON	5,454	72	0	5,382	3,829	68	0	3,560	3,252	59	0	3,193
LAKEVILLE	3,364	65	0	3,298	3,172	63	0	3,109	3,062	58	0	3,004
LANCASTER	1,065	19	0	1,046	987	18	0	969	892	18	0	874
LAWRENCE	126,220	1,387	0	124,834	121,079	1,296	0	119,783	110,464	1,177	0	109,287
LEICESTER	10,859	72	0	10,786	10,443	68	0	10,374	9,415	60	0	9,355
LEOMINSTER	37,077	521	0	36,556	35,283	513	0	34,770	30,958	479	0	30,479
LITTLETON	2,614	42	0	2,572	2,021	62	0	1,959	1,760	51	0	1,709
LOWELL	141,966	709	0	141,257	135,484	802	0	134,682	130,287	811	0	129,476
LUNENBURG	4,529	69	0	4,460	4,182	69	0	4,113	3,839	68	0	3,771
MANSFIELD	13,115	304	0	12,811	12,211	298	0	11,913	10,521	290	0	10,231
MARLBOROUGH	14,433	114	0	14,319	13,339	175	0	13,164	10,735	166	0	10,569
MARSHFIELD	14,488	123	512	13,852	13,968	125	518	12,925	12,580	113	508	11,960
MAYNARD	4,805	13	0	4,792	4,424	30	0	4,394	4,203	28	0	4,175
MEDWAY	7,459	92	0	7,366	6,902	90	0	6,812	6,248	86	0	6,162
MERRIMAC	1,244	36	0	1,208	1,186	27	0	1,159	1,122	31	0	1,091
METHUEN	33,786	316	0	33,470	31,655	251	0	31,404	29,197	316	0	28,880
MIDDLEBOROUGH	18,116	128	0	17,988	16,372	125	0	16,246	16,162	111	0	16,052
MILLBURY	7,180	85	0	7,095	6,748	60	0	6,688	6,268	52	0	6,217
MILLIS	3,710	257	200	3,253	3,457	205	203	3,049	3,063	159	197	2,706
NEWBURY	1,496	96	0	1,400	1,444	78	0	1,365	1,386	87	0	1,299
NEWBURYPORT	7,076	156	0	6,921	6,574	108	0	6,466	6,163	169	0	5,994
NORTH ANDOVER	8,922	515	0	8,407	7,827	388	0	7,239	6,842	401	0	6,441
NORTH ATTLEBOROUGH	18,996	826	0	18,170	17,956	799	0	17,157	15,707	714	0	14,993
NORTH READING	5,998	7	306	5,685	5,331	34	310	4,988	4,912	34	303	4,576
NORTHBOROUGH	5,112	79	0	5,033	4,254	81	0	4,173	3,251	73	0	3,178
NORTHBRIDGE	14,502	18	0	14,484	13,328	17	0	13,311	12,066	18	0	12,048
NORTON	13,213	197	0	13,017	12,202	195	0	12,008	10,143	183	0	9,960
NORWELL	3,691	408	228	3,056	3,283	328	230	2,736	2,982	253	226	2,504
PAXTON	599	34	0	565	546	40	0	505	482	34	0	448
PEMBROKE	6,730	82	362	6,286	6,259	79	365	5,815	5,873	74	360	5,440
PLYMOUTH	28,455	355	0	28,100	25,040	360	0	24,680	23,445	295	0	23,150
PLYMPTON	828	20	0	808	761	19	0	742	744	18	0	725
PRINCETON	861	9	0	852	849	8	0	841	798	8	0	790
RAYNHAM	1,712	159	0	1,552	1,652	157	0	1,495	1,545	148	0	1,397
REHOBOTH	1,150	222	0	928	1,056	218	0	849	970	206	0	764
ROCHESTER	2,078	41	0	2,037	1,829	39	0	1,790	1,519	36	0	1,483
ROCKLAND	13,364	376	363	12,624	12,613	354	367	11,891	11,594	345	360	10,889
ROCKPORT	3,056	199	0	2,856	2,852	171	0	2,681	2,533	170	0	2,363
ROWLEY	1,079	53	0	1,026	1,033	38	0	994	980	14	0	966

Data Provided by Massachusetts Department of Revenue - Division of Local Services - Local Aid Section

(all amounts in thousands)

Municipality	FY2001			FY2000				FY1999				
	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
SALISBURY	940	71	0	869	842	54	0	788	749	60	0	690
SCITUATE	6,636	103	381	6,151	5,856	100	385	5,369	5,285	94	381	4,810
SEEKONK	6,111	222	0	5,888	5,888	220	0	5,469	4,338	216	0	4,122
SHERBORN	952	28	99	826	590	44	100	446	509	41	99	370
SHIRLEY	4,845	21	0	4,824	4,625	27	0	4,597	4,286	23	0	4,263
SHREWSBURY	10,596	180	0	10,416	9,596	178	0	9,418	8,694	154	0	8,539
SOUTHBOROUGH	3,380	66	0	3,315	2,560	67	0	2,493	1,154	54	0	1,100
STERLING	809	33	0	775	749	33	0	716	678	31	0	647
STOUGHTON	13,173	749	0	12,424	12,157	713	0	11,444	11,290	663	0	10,627
STOW	482	25	0	457	447	38	0	409	403	38	0	365
SUDBURY	5,776	13	346	5,417	5,169	56	350	4,763	4,420	56	346	4,019
SUTTON	6,245	34	0	6,211	4,466	34	0	4,432	4,144	33	0	4,111
TAUNTON	47,634	742	0	46,892	45,231	733	0	44,498	40,283	702	0	39,580
TEWKSBURY	16,038	203	0	15,835	14,121	248	0	13,874	12,296	242	0	12,054
TOWNSEND	1,419	12	0	1,408	1,291	23	0	1,268	1,139	23	0	1,116
TYNGSBOROUGH	7,627	14	0	7,613	7,080	26	0	7,054	6,307	25	0	6,281
UPTON	643	12	0	631	595	12	0	583	541	12	0	529
WAREHAM	15,518	551	0	14,968	14,666	517	0	14,149	13,393	429	0	12,964
WAYLAND	4,778	10	290	4,477	4,188	47	294	3,847	3,667	50	289	3,327
WEST BOYLSTON	4,225	38	0	4,187	3,704	36	0	3,668	2,770	36	0	2,734
WEST BRIDGEWATER	3,182	229	0	2,953	2,945	210	0	2,735	2,737	191	0	2,546
WEST NEWBURY	378	11	0	367	354	1	0	353	324	14	0	311
WESTBOROUGH	5,236	101	0	5,135	4,671	89	0	4,481	3,983	84	0	3,899
WESTFORD	13,164	58	0	13,106	10,127	105	0	10,023	7,597	105	0	7,491
WESTMINSTER	832	34	0	798	790	33	0	757	700	29	0	671
WHITMAN	2,427	47	0	2,380	2,240	43	0	2,197	2,030	40	0	1,989
WORCESTER	200,086	1,834	0	198,252	189,197	1,786	0	187,411	172,805	1,821	0	170,983
WRENTHAM	5,123	96	0	5,027	4,776	95	0	4,682	4,205	84	0	4,120

Data Provided by Massachusetts Department of Revenue - Division of Local Services - Local Aid Section

(all amounts in thousands)

Municipality	FY1988			FY1990			FY1985					
	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
ASHLAND	2,771	218	147	2,405	2,055	27	257	1,771	2,016	263	154	1,599
ATTLEBORO	26,353	508	0	25,845	15,310	402	0	14,908	10,382	703	0	9,679
AUBURN	4,704	80	0	4,624	4,195	68	0	4,127	3,404	412	0	2,992
AYER	4,709	39	0	4,670	4,210	25	0	4,185	3,235	127	0	3,108
BELLINGHAM	8,404	116	0	8,288	6,649	70	0	6,579	5,012	170	0	4,842
BERKLEY	3,734	69	0	3,665	1,732	31	0	1,701	785	60	0	725
BILLERICA	18,232	575	0	17,657	13,540	357	0	13,183	10,709	730	0	9,979
BOXBOROUGH	460	26	0	434	284	11	0	273	360	81	0	278
BOXFORD	1,697	69	0	1,628	892	86	0	806	747	196	0	551
BRIDGEWATER	3,974	197	0	3,777	5,817	132	0	5,685	4,362	267	0	4,094
BROCKTON	100,925	1,749	0	99,176	58,748	1,742	0	57,006	42,261	2,248	0	40,014
CARLISLE	1,249	18	0	1,232	968	9	0	959	596	115	0	481
CARVER	9,433	71	0	9,362	2,725	29	0	2,696	1,689	122	0	1,567
CHELMSFORD	11,309	259	0	11,050	8,983	185	0	8,798	8,122	631	0	7,491
DRACUT	14,385	106	0	14,279	8,058	67	0	7,990	6,376	315	0	6,061
DUXBURY	2,862	265	110	2,487	2,707	66	223	2,418	2,937	336	114	2,487
EAST BRIDGEWATER	8,924	52	0	8,873	4,409	29	0	4,380	3,147	154	0	2,993
EASTON	7,181	255	0	6,906	5,282	230	0	5,052	4,349	364	0	3,985
ESSEX	772	32	0	740	532	39	0	493	535	74	0	461
FITCHBURG	33,968	482	0	33,487	21,060	448	0	20,612	13,598	730	0	12,868
FOXBOROUGH	6,714	126	0	6,588	4,251	73	0	4,178	3,892	259	0	3,632
FRANKLIN	14,465	434	0	14,031	6,806	277	0	6,529	5,492	309	0	5,183
FREETOWN	1,870	112	0	1,758	1,557	70	0	1,486	1,006	179	0	827
GEORGETOWN	2,811	64	0	2,748	1,965	62	0	1,903	1,661	126	0	1,535
GLOUCESTER	10,033	1,009	0	9,025	7,779	897	0	6,883	6,554	934	0	5,620
GRAFTON	5,196	26	0	5,169	3,452	31	0	3,421	2,996	249	0	2,747
GROTON	641	27	0	615	782	22	0	760	662	161	0	500
GROVELAND	890	44	0	846	1,187	39	0	1,148	927	92	0	835
HALIFAX	3,146	28	0	3,118	1,798	10	0	1,787	1,146	73	0	1,073
HANOVER	5,130	178	157	4,797	4,371	27	213	4,130	3,589	217	164	3,209
HANSON	1,436	36	0	1,400	3,261	28	0	3,233	2,320	132	0	2,188
HARVARD	3,435	91	0	3,344	3,014	27	0	2,987	2,403	196	0	2,207
HAVERHILL	40,617	561	0	40,055	21,882	663	0	21,219	16,410	918	0	15,492
HOLDEN	1,789	92	0	1,697	3,168	60	0	3,108	2,294	385	0	1,909
HOLLISTON	6,148	58	0	6,090	4,071	31	0	4,039	3,664	241	0	3,423
HOPKINTON	3,182	34	0	3,149	1,584	16	0	1,568	1,519	110	0	1,409
IPSWICH	3,782	150	0	3,632	3,041	132	0	2,909	2,716	280	0	2,436
KINGSTON	2,881	65	0	2,816	1,461	25	0	1,437	1,064	128	0	935
LAKEVILLE	2,434	67	0	2,368	1,647	27	0	1,620	780	125	0	655
LANCASTER	816	18	0	797	1,961	12	0	1,949	1,466	147	0	1,320
LAWRENCE	100,507	1,251	0	99,256	52,902	960	0	51,941	31,464	1,200	0	30,264
LEICESTER	8,003	67	0	7,936	4,989	63	0	4,927	3,500	202	0	3,298
LEOMINSTER	27,397	460	0	26,938	14,670	308	0	14,362	9,932	791	0	9,141
LITTLETON	1,593	59	0	1,533	1,270	53	0	1,217	1,277	161	0	1,116
LOWELL	119,936	804	0	119,132	57,298	688	0	56,610	38,701	1,481	0	37,220
LUNENBURG	3,701	66	0	3,635	2,795	9	0	2,787	2,313	214	0	2,099
MANSFIELD	8,553	278	0	8,275	3,743	200	0	3,543	2,934	433	0	2,502
MARLBOROUGH	9,628	166	0	9,462	9,328	113	0	9,215	7,860	524	0	7,336
MARSHFIELD	10,584	356	236	9,992	6,744	57	421	6,266	5,321	408	246	4,668
MAYNARD	3,745	-107	142	3,709	3,520	19	0	3,501	2,456	174	0	2,282
MEDWAY	5,221	83	0	5,138	2,938	47	0	2,891	2,668	157	0	2,511
MERRIMAC	1,070	26	0	1,045	1,456	28	0	1,428	1,042	61	0	981
METHUEN	27,019	481	0	26,537	12,463	475	0	11,988	8,333	763	0	7,570
MIDDLEBOROUGH	15,207	107	0	15,100	8,187	40	0	8,148	5,095	262	0	4,833
MILLBURY	5,840	55	0	5,785	4,879	45	0	4,834	4,148	247	0	3,901
MILLIS	2,854	271	87	2,496	2,014	95	159	1,760	1,750	120	91	1,539
NEWBURY	1,340	106	0	1,235	769	60	0	709	717	140	0	577
NEWBURYPORT	5,840	182	0	5,658	5,607	220	0	5,387	3,961	335	0	3,626
NORTH ANDOVER	5,241	490	0	4,751	3,820	368	0	3,452	3,489	577	0	2,912
NORTH ATTLEBOROUGH	13,953	653	0	13,300	8,327	380	0	7,946	5,638	477	0	5,161
NORTH READING	4,348	125	198	4,025	3,196	44	251	2,901	3,025	230	207	2,588
NORTHBOROUGH	2,955	82	0	2,893	2,222	42	0	2,180	2,040	325	0	1,715
NORTHBRIDGE	11,208	19	0	11,189	6,517	15	0	6,502	4,166	225	0	3,941
NORTON	8,851	179	0	8,672	5,718	130	0	5,588	4,642	233	0	4,408
NORWELL	2,782	336	135	2,291	2,352	139	209	2,004	2,557	252	141	2,164
PAXTON	434	34	0	399	685	30	0	655	621	97	0	524
PEMBROKE	5,422	228	188	5,005	3,186	45	296	2,845	2,681	243	197	2,241
PLYMOUTH	21,231	274	0	20,957	4,555	161	0	4,394	4,989	931	0	4,059
PLYMPTON	710	17	0	693	416	8	0	408	276	41	0	234
PRINCETON	765	8	0	757	529	1	0	527	501	68	0	433
RAYNHAM	1,418	144	0	1,274	2,993	93	0	2,900	2,071	200	0	1,872
REHOBOTH	897	203	0	694	575	130	0	445	1,477	228	0	1,249
ROCHESTER	1,444	33	0	1,411	1,124	8	0	1,116	470	70	0	401
ROCKLAND	10,816	453	228	9,937	7,983	191	290	7,502	6,387	274	236	5,876
ROCKPORT	2,321	202	0	2,119	1,721	210	0	1,510	764	294	0	471
ROWLEY	936	31	0	906	1,249	36	0	1,213	640	96	0	544

Data Provided by Massachusetts Department of Revenue - Division of Local Services - Local Aid Section

(all amounts in thousands)

Municipality	FY1998				FY1990				FY1985			
	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
SALISBURY	672	85	0	587	1,411	94	0	1,317	1,092	162	0	930
SCITUATE	4,944	211	242	4,492	4,154	56	332	3,766	4,450	399	253	3,799
SEEKONK	3,997	210	0	3,788	3,268	142	0	3,126	2,390	358	0	2,032
SHERBORN	460	99	55	307	409	25	92	292	547	152	57	338
SHIRLEY	3,865	22	0	3,844	2,465	8	0	2,458	2,130	69	0	2,061
SHREWSBURY	7,851	164	0	7,686	5,463	94	0	5,370	4,463	679	0	3,784
SOUTHBOROUGH	1,008	52	0	957	762	15	0	747	1,064	249	0	815
STERLING	621	30	0	591	1,088	15	0	1,073	1,050	138	0	911
STOUGHTON	10,285	686	0	9,599	8,707	341	0	8,366	6,264	664	0	5,600
STOW	369	37	0	332	738	14	0	724	798	124	0	673
SUDBURY	3,519	180	205	3,134	2,837	28	288	2,520	3,003	357	214	2,431
SUTTON	3,414	36	0	3,378	3,060	9	0	3,051	1,546	152	0	1,394
TAUNTON	36,346	699	0	35,647	25,635	715	0	24,920	17,312	776	0	16,536
TEWKSBURY	11,386	230	0	11,156	8,653	134	0	8,519	7,177	380	0	6,798
TOWNSEND	1,032	23	0	1,009	799	19	0	780	534	119	0	416
TYNGSBOROUGH	5,702	25	0	5,677	2,135	25	0	2,110	1,491	102	0	1,388
UPTON	500	13	0	487	492	2	0	490	428	91	0	336
WAREHAM	12,472	400	0	12,072	6,098	220	0	5,878	3,517	390	0	3,127
WAYLAND	3,366	113	209	3,043	2,600	26	284	2,290	2,930	346	220	2,364
WEST BOYLSTON	2,447	21	0	2,426	1,464	15	0	1,449	1,315	186	0	1,129
WEST BRIDGEWATER	2,578	182	0	2,396	2,019	96	0	1,923	1,725	164	0	1,571
WEST NEWBURY	502	30	0	472	731	32	0	699	507	65	0	441
WESTBOROUGH	2,925	77	0	2,848	2,091	32	0	2,059	2,594	468	0	2,125
WESTFORD	6,121	96	0	6,025	3,924	56	0	3,867	3,671	269	0	3,402
WESTMINSTER	640	27	0	613	479	9	0	470	759	142	0	617
WHITMAN	1,875	46	0	1,830	4,975	32	0	4,943	3,590	178	0	3,412
WORCESTER	162,771	1,653	0	161,118	101,080	1,270	0	99,810	76,577	3,166	0	73,411
WRENTHAM	3,983	81	0	3,902	1,951	41	0	1,910	1,355	112	0	1,243

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TABLE OF REFUNDED BONDS

Bond	Maturity or Sinking Fund Installment Date	Interest Rate	Principal or Sinking Fund Installment Amount	Redemption Date	Redemption Price	CUSIP**
Assessment Bonds, 2005 Series A	7/1/2008	3.00%	\$3,000,000	*	*	575577FS5
	7/1/2024	5.00	20,000,000	7/1/2015	100%	575577GJ4
	7/1/2025	5.00	20,150,000	7/1/2015	100	575577GK1
	7/1/2026	5.00	23,200,000	7/1/2015	100	575577GL9
	7/1/2027†	5.00	24,400,000	7/1/2015	100	575577GQ8
	7/1/2028†	5.00	7,550,000	7/1/2015	100	575577GQ8
	7/1/2029†	5.00	6,750,000	7/1/2015	100	575577GQ8
	7/1/2030†	5.00	32,000,000	7/1/2015	100	575577GQ8
	7/1/2031†	5.00	32,500,000	7/1/2015	100	575577GQ8
Senior Sales Tax Bonds, 2005 Series A	7/1/2033†	5.00	555,000	7/1/2010	100	575579HK6
	7/1/2034†	5.00	900,000	7/1/2010	100	575579HK6
	7/1/2035†	5.00	900,000	7/1/2010	100	575579HK6

† Sinking fund installment.

* Noncallable; paid at maturity.

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CPI BONDS

The following definitions apply to the descriptions of the CPI Bonds and the MUNI-CPI Rate contained in the Official Statement to which this Appendix G is appended.

Definitions

Calculation Agent means, initially, Lehman Brothers Special Financing Inc., or such other Calculation Agent as may be selected by the Authority, its successors or assigns.

Constant Rate means 1.32%.

CPI-U means the non-seasonally adjusted U.S. City Average All Items Consumer Price Index for All Urban Consumers, published monthly by the Bureau of Labor Statistics of the U.S. Department of Labor. See "THE CPI BONDS—Description of CPI-U" herein.

Days in the Year means 365, or if any portion of an interest period falls in a leap year, 365 plus the number of days in that portion of the interest period falling in a leap year divided by 366. For example, if a July 1 interest payment falls in a leap year the Days in the Year will be 365 plus the actual days in the period January through June (181) divided by 366; for the following January 1 the Days in the Year will be 365 plus the actual days in the period July through December (184) divided by 366; and for July 1 of the following year the Days in the Year will be 365 plus the actual days in January (31) divided by 366.

Floating Rate-CPI means the rate, calculated by the Calculation Agent on the Reset Date immediately prior to each Interest Payment Date, equal to (a) the quotient of (1) the Reference CPI-U for the current Interest Payment Date minus the Reference CPI-U for the immediately preceding Interest Payment Date (or in the case of the first Interest Payment Date, the Initial CPI-U), divided by (2) the Reference CPI-U for the immediately preceding Interest Payment Date (or in the case of the first Interest Payment Date, the Initial CPI-U), multiplied by (b) the quotient of (1) the Days in the Year in which the current Interest Payment Date falls, divided by (2) the actual number of days in the current interest period. The resulting product will be truncated to six decimal places and rounded to five decimal places.

Initial CPI-U equals 202.9.

Interest Payment Date means January 1 and July 1.

MUNI-CPI Rate means for each maturity the sum of the Floating Rate-CPI plus the Constant Rate for such maturity. If for any Interest Payment Date the sum of the Floating Rate-CPI plus the Constant Rate results in zero or a negative number, the MUNI-CPI Rate will be zero for that Interest Payment Date. In no event will the MUNI-CPI Rate exceed 18% per annum.

Reference CPI-U means the CPI-U for the third calendar month immediately preceding the Interest Payment Date.

Reference Month means the third calendar month immediately preceding the relevant Interest Payment Date.

Reset Date means a date that is not earlier than the fifth Business Day following the release of the Reference CPI-U for the applicable Interest Payment Date or later than the date which is seven days prior to the respective Interest Payment Date.

Treasury Inflation-Protection Securities means the inflation-indexed securities issued by the United States Treasury.

The CPI Bonds: Maturities, Principal Amounts and Constant Rates

CPI Bonds Maturing July 1	Principal Amount	Constant Rate
2024	\$19,260,000	1.32%
2025	5,000,000	1.32

MUNI-CPI Rate-General

The CPI Bonds bear interest at a floating MUNI-CPI Rate such that each interest payment thereon takes into account inflation and deflation from the Reference Month with respect to the immediately preceding Interest Payment Date. The MUNI-CPI Rate has two components, which are together paid to the bondholder semiannually: (i) the Floating Rate-CPI, which increases or decreases during each semiannual period to correspond to the percentage change in the CPI-U and (ii) the Constant Rate. If for any Interest Payment Date the sum of the Floating Rate-CPI and the Constant Rate results in zero or a negative number the interest rate for the CPI Bonds for such Interest Payment Date will be zero. In no event will the MUNI-CPI Rate exceed 18% per annum.

Calculating the MUNI-CPI Rate; Interest Payments

The MUNI-CPI Rate for the CPI Bonds equals the Floating Rate-CPI plus the Constant Rate. The Floating Rate-CPI equals the change in CPI-U multiplied by the quotient of (i) the number of Days in the Year in which the Interest Payment Date falls divided by (ii) the actual number of days in the current interest period. The change in the CPI-U will equal the quotient of (a) the Reference CPI-U for the current Interest Payment Date minus the Reference CPI-U for the immediately preceding Interest Payment Date (or in the case of the first Interest Payment Date, the Initial CPI-U), divided by (b) the Reference CPI-U for the immediately preceding Interest Payment Date (or in the case of the first Interest Payment Date, the Initial CPI-U).

The MUNI-CPI Rate per annum on the CPI Bonds for any interest period will be determined as follows and will depend on the value of the Current Reference CPI-U and the Preceding Reference CPI-U as shown below:

$$\text{Floating Rate-CPI} = \frac{\text{Current Reference CPI-U} - \text{Preceding Reference CPI-U}}{\text{Preceding Reference CPI-U}}$$

$$\frac{\text{Days in the Year}}{\text{Actual Days in Current Interest Period}}^{(1)}$$

MUNI-CPI Rate = Floating Rate CPI-U determined for the applicable Interest Payment Date plus the Constant Rate

Current Reference CPI-U = The Reference CPI-U for the current Interest Payment Date.

Preceding Reference CPI-U = The Reference CPI-U for the immediately preceding Interest Payment Date
(or the Initial CPI-U for the initial interest calculation).

⁽¹⁾ The current interest period will include the preceding Interest Payment Date and will exclude the day on which the current Interest Payment Date falls.

The Floating Rate-CPI will be truncated to six decimal places and rounded to five decimal places. If the number in the sixth decimal place is five or higher, the fifth decimal place will be rounded up.

Interest on the CPI Bonds at the MUNI-CPI Rate will be payable in arrears on each Interest Payment Date to the owners thereof as of the applicable Record Date and will be computed on the basis of a 365 or 366-day year (as applicable) for the number of days actually elapsed. Interest will accrue at the MUNI-CPI Rate on the principal amount from and including the delivery date or the immediately preceding Interest Payment Date to, but not including, the next succeeding Interest Payment Date. The MUNI-CPI Rate is determined in arrears on each Reset Date and applied retroactively to all days in the relevant interest period. Interest payments on any Interest Payment Date shall equal the principal amount of CPI Bonds multiplied by the MUNI-CPI Rate multiplied by the quotient obtained by dividing (1) the actual number of days in the relevant interest period by (2) the Days in the Year in which the Interest Payment Date falls. The determination of any MUNI-CPI Rate by the Calculation Agent will be final, absent manifest error. The minimum MUNI-CPI Rate for any interest period will be zero and the maximum will be 18%.

Interest on the CPI Bonds shall be paid on each Interest Payment Date; provided, however, that notwithstanding anything herein to the contrary, for purposes of calculating interest accruals at the MUNI-CPI Rate for any interest period, the Interest Payment Dates shall be deemed to be January 1 and July 1, without regard for whether any of such dates is a Business Day.

At or prior to 12:00 Noon (New York time) on each Reset Date, the Calculation Agent shall calculate the Floating Rate-CPI applicable to the next succeeding Interest Payment Date and shall supply to the Trustee and the Authority the Floating Rate-CPI so determined and the number of days in the period to which such Floating Rate-CPI applies in writing or by electronic communication promptly confirmed in writing. As noted, the calculation of the Floating Rate-CPI by the Calculation Agent shall be final and conclusive and binding on the Trustee, the holders of the CPI Bonds and the Authority, absent manifest error.

There will be no adjustment to the principal amount of the CPI Bonds at maturity or at any other time during the term of the CPI Bonds. The amount that holders of the CPI

Bonds will receive at maturity is equal to the principal amount of CPI Bonds purchased by such holders.

Example. Assume the Constant Rate is 1.1%, the Reference CPI-U for the current Interest Payment Date is 184.5 (the CPI-U for the month of April) and the Initial CPI-U (or the Reference CPI-U for the previous Interest Payment Date) was 181.7. Further assume the actual number of days in the current interest period are 183, and assuming no portion of the current interest period falls in a leap year, the Days in the Year are 365. The Floating Rate-CPI and the amount of interest paid on \$1,000 of principal amount of CPI Bonds for such interest period would be as follows:

$$\begin{aligned}
 \text{Floating Rate-CPI} &= \frac{184.5 - 181.7}{181.7} \times \frac{365}{183} \\
 &= 0.03073583 \\
 &= 0.030735 \text{ (truncated to six decimal places)} \\
 \text{Floating Rate-CPI} &= 0.03074 \text{ (rounded to five decimal places)} \\
 \\
 \text{MUNI-CPI Rate} &= 0.0110 + 0.03074 \\
 &= 0.04174
 \end{aligned}$$

Amount of interest paid for the calculation period on \$1,000 principal amount of CPI Bonds:

$$\begin{aligned}
 \text{Interest Paid} &= 4.174\% \times \frac{183}{365} \times \$1,000 \\
 &= \$20.93
 \end{aligned}$$

The numbers in the foregoing example are given for illustration and information purposes only and are in no way a prediction of the CPI-U or interest rates on the CPI Bonds offered hereby.

Description of CPI-U

The CPI-U is a measure of the average change in consumer prices over time in a fixed market basket of goods and services, including food, clothing, shelter, fuels, transportation, charges for doctors' and dentists' services, and drugs. In calculating the CPI-U, price changes for the various items are averaged together with weights that represent their importance in the spending of urban households in the United States. The contents of the market basket of goods and services and the weights assigned to the various items are updated periodically to take into account changes in consumer expenditure patterns.

The CPI-U is expressed in relative terms in relation to a time base reference period for which the level is set at 100. For example, if the CPI-U for the 1982-1984 reference period is 100.0, an increase of 16.5 percent from that period would be shown as 116.5. The CPI-U for a particular month is generally released and published in the following month. From time to time, the CPI-U is rebased to a more recent base reference period. The base reference period for the CPI Bonds will be the 1982-1984 period with an average of 100.0. This is the same base reference period used by the U.S. Treasury for purposes of calculating

the inflation adjustment for the Treasury Inflation-Protection Securities first auctioned on January 29, 1997 (CUSIP #9128272M3).

If a previously reported CPI-U is revised, the CPI Bonds will continue to use the previously reported CPI-U in calculating interest payments. If CPI-U is rebased to a different year, the CPI Bonds will continue to use the CPI-U based on the base reference year in effect on the date the CPI Bonds were issued.

If while a Treasury Inflation-Protection Security is outstanding, the applicable CPI-U is (1) discontinued, (2) in the judgment of the Secretary of the U.S. Treasury, fundamentally altered in a manner materially adverse to the interests of an investor in Treasury Inflation-Protection Securities, or (3) in the judgment of the Secretary of the U.S. Treasury, altered by legislation or executive order in a manner materially adverse to the interests of an investor in Treasury Inflation-Protection Securities (each, a "Material Alteration"), the U.S. Treasury has announced that, after consulting with the Bureau of Labor Statistics, or any successor agency, the U.S. Treasury will substitute an appropriate alternative index and will notify the public of the substitute index and how it will be applied (the "Substitute Index and Methodology"). Determinations of the Secretary of the U.S. Treasury in this regard will be final. If the U.S. Treasury announces a Substitute Index and Methodology for determining the CPI-U while a Treasury Inflation-Protection Security is outstanding, the MUNI-CPI Rate will be calculated based on such Substitute Index and Methodology. Determinations of the Calculation Agent of the MUNI-CPI Rate utilizing the Substitute Index and Methodology will be final.

For any date in respect of which the Reference CPI-U is determined (a "Reference Date"), if (i) while a Treasury Inflation-Protection Security that requires a determination of the CPI-U for such Reference Date (the "Reference TIP") is outstanding, a Material Alteration has occurred, and the U.S. Treasury has not notified the public of a Substitute Index and Methodology or (ii) while a Reference TIP is not outstanding, and in the judgment of the Calculation Agent the CPI-U is (a) discontinued, (b) fundamentally altered in a manner materially adverse to the interests of an investor in the CPI Bonds, or (c) altered by legislation or executive order in a manner materially adverse to the interests of an investor in the CPI Bonds, then the Calculation Agent will substitute an appropriate alternative index and will determine how it will be applied, which, in the judgment of the Calculation Agent, will result in interest payments on the CPI Bonds which are substantially the same as those which would have been calculated utilizing the methodology for determining CPI-U applicable on the date the CPI Bonds were issued. Determinations of the Calculation Agent in this regard will be final.

If the CPI-U for a particular month is not reported by the last day of the following month, the U.S. Treasury has indicated that it will announce an index number based on the last twelve-month change in the CPI-U available (the "Substitute Index Number"). Any calculations of the Authority's payment obligations on the CPI Bonds that rely on that month's CPI-U will be based on the Substitute Index Number. The formula for calculating the Substitute Index Number to be used is:

$$\text{Reference CPI-U}_M = \text{CPI-U}_{M-1} \times \left[\frac{\text{CPI-U}_{M-1}}{\text{CPI-U}_{M-13}} \right]^{1/12}$$

This Substitute Index Number will be used for all subsequent calculations that rely on that month's index number and will not be replaced by the actual CPI-U when it is reported. Generalizing for the last reported CPI-U issued N months prior to month M:

$$\text{Reference CPI-U}_M = \text{CPI-U}_{M-N} \times \left[\frac{\text{CPI-U}_{M-N}}{\text{CPI-U}_{M-N-12}} \right]^{N/12}$$

M= current month

In the event that the Secretary of the U.S. Treasury has not announced a Substitute Index Number pursuant to the immediately preceding paragraph, then the Calculation Agent will determine the Substitute Index Number based on the formula set forth above.

Bondholder's Considerations

Holders of the CPI Bonds should note that the MUNI-CPI Rate will increase or decrease on each Interest Payment Date as the Floating Rate-CPI increases or decreases from the Reference Month with respect to the immediately preceding Interest Payment Date. Therefore, application of the MUNI-CPI Rate to the par amount will result in lower interest if the Floating Rate-CPI decreases from the Reference Month with respect to the immediately preceding Interest Payment Date and higher interest if the Floating Rate-CPI increases from the Reference Month with respect to the immediately preceding Interest Payment Date. If for any Interest Payment Date the sum of the Floating Rate-CPI and the Constant Rate is zero or a negative number, the MUNI-CPI Rate for such period will be zero.

An investment in securities with interest determined by reference to an inflation index involves factors independent of the creditworthiness of the Authority or the Bond, or otherwise not associated with an investment in securities with interest determined by reference to a fixed rate, floating rate or other index-linked rate. Such factors may include, without limitation, the volatility of the CPI-U, the amount of other securities linked to the CPI-U, the level, direction and volatility of the market interest rates generally, the possibility that the inflation index may be subject to significant changes, that changes in the inflation index may or may not correlate to changes in interest rates generally or with changes in other indices and that the resulting interest may be greater or less than that payable on other securities of similar maturities. **In addition, in the event of a reduction in the rate of increase in the inflation index or deflation, the amount of the semiannual interest payments may decrease or may be zero.**

The value of the inflation index may depend on a number of factors, including economic, financial and political events over which the Authority has no control. The historical experience of the inflation index should not be taken as an indication of its performance during the term of the CPI Bonds. While the CPI-U measures changes for prices in goods and services, movements in the CPI-U that have occurred in the past are not necessarily indicative of changes that may occur in the future. The calculation of the index ratio incorporates an approximate three-month lag, which may have an impact on the trading price of the securities, particularly during periods of significant, rapid changes in the index. In addition, there can be no assurance that accrued interest determined prior to the release of the Reference CPI-U will accurately reflect the rate payable on the next succeeding Interest Payment Date.



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