

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.



\$256,375,000
Massachusetts Bay Transportation Authority
Senior Sales Tax Bonds
Variable Rate Demand Obligations
2008 Series A

\$131,910,000 2008 Series A-1 and \$124,465,000 2008 Series A-2

Dated: Date of Delivery Price: 100% CUSIP*: 2008 Series A-1: 575579TJ6 Due: 2008 Series A-1: July 1, 2021
2008 Series A-2: 575579TK3 2008 Series A-2: July 1, 2026

This Official Statement relates to the issuance by the Massachusetts Bay Transportation Authority (the "Authority") of its Senior Sales Tax Bonds, Variable Rate Demand Obligations, 2008 Series A, consisting of 2008 Series A-1 (the "2008 Series A-1 Bonds") and 2008 Series A-2 (the "2008 Series A-2 Bonds," and together with the 2008 Series A-1 Bonds, the "Bonds").

The Bonds are variable rate bonds that will be issued by means of a book-entry only system evidencing ownership and transfer of the Bonds on the records of DTC and its participants. The Bonds may bear interest at a Daily Rate, a Weekly Rate or a Fixed Rate. The Bonds initially will bear interest at the Weekly Rate determined by Lehman Brothers Inc., as Remarketing Agent for the Bonds, as more fully described herein. Principal of and semi-annual interest (payable July 1 and January 1, commencing July 1, 2008) on the Bonds are payable as described herein. Purchases of the Bonds will be made in book-entry only form in denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof, while the Bonds bear interest at the Weekly Rate. Principal of and interest on the Bonds are payable as more fully described herein. The Bonds are subject to optional redemption, mandatory redemption and optional and mandatory tender for purchase prior to maturity, as more fully described herein.

The Bonds will constitute special obligations of the Authority payable solely from and secured by a pledge of Pledged Revenues and funds and accounts established under the Sales Tax Bond Trust Agreement, dated as of July 1, 2000, between the Authority and U.S. Bank National Association, Boston, Massachusetts, as successor trustee (the "Trustee"), as amended, as supplemented by the Nineteenth Supplemental Trust Agreement authorizing the issuance of the Bonds, dated as of March 1, 2008, 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 Authority will enter into a Standby Bond Purchase Agreement with JPMorgan Chase Bank, National Association (the "Bank") with respect to the Bonds. The Standby Bond Purchase Agreement is a liquidity facility that requires the Bank to purchase the Bonds bearing interest at the Weekly Rate or the Daily Rate tendered or deemed tendered to the extent not remarketed, subject to certain funding conditions described herein. The Bank is not providing credit support for payment of regularly scheduled principal and interest.

The Bonds are offered when, as and if issued and received by the Underwriter, 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 Underwriter by Nutter, McClennen & Fish LLP, Boston, Massachusetts, and for the Bank by Winston & Strawn LLP, Chicago, Illinois. The Bonds are expected to be available for delivery on or about April 2, 2008 at or through DTC in New York, New York.

LEHMAN BROTHERS

March 27, 2008

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MASSACHUSETTS BAY TRANSPORTATION AUTHORITY

BOARD OF DIRECTORS

BERNARD COHEN, CHAIRMAN
ANTHONY M. CAMPO
FRANK F. CHIN
WILLIE J. DAVIS
JANICE LOUX
BARON H. MARTIN
GRACE S. SHEPARD
JOSEPH M. TROLLA
DARNELL L. WILLIAMS

SENIOR MANAGEMENT

DANIEL A. GRABAUSKAS, GENERAL MANAGER

PAUL S. MACMILLANActing Chief of Police
JONATHAN R. DAVISDeputy General Manager and Chief Financial Officer
ROBERT DIADAMODeputy General Manager and Chief of Staff
BRIAN DONOHOEAssistant General Manager for Labor Relations and Occupational Health Services
JOSEPH P. KELLEYDeputy General Manager for System-Wide Modernization
DEE KNIGHTChief Administrative Officer
RICHARD J. LEARYChief Operating Officer
WILLIAM A. MITCHELL, JR.General Counsel
ROSS J. RODINOAssistant General Manager for Intergovernmental Affairs and Public Relations
CHARLES L. O'REILLYAssistant General Manager for Design and Construction
MAEVE VALLELY-BARTLETTAssistant General Manager for Environmental Compliance
WESLEY G. WALLACE, JR.Treasurer-Controller

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER 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 Underwriter. 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 Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has 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 Underwriter does 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.

Information included in this Official Statement includes forward-looking statements about the future that are necessarily subject to various risks and uncertainties (“Forward-Looking Statements”). These Forward-Looking Statements are (i) based on the beliefs and assumptions of management of the Authority and on information currently available to such management and (ii) generally identifiable by words such as “estimates,” “expects,” “anticipates,” “plans,” “believes” and other similar expressions. Events that could cause future results to differ materially from those expressed in or implied by Forward-Looking Statements or historical experience include the impact or outcome of many factors that are described throughout this Official Statement. Although the ultimate impact of such factors is uncertain, they may cause future performance to differ materially from results or outcomes that are currently sought or expected by the Authority.

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

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**OFFICIAL STATEMENT
OF THE
MASSACHUSETTS BAY TRANSPORTATION AUTHORITY
PERTAINING TO ITS
SENIOR SALES TAX BONDS
VARIABLE RATE DEMAND OBLIGATIONS
2008 SERIES A
\$131,910,000 2008 Series A-1 and \$124,465,000 2008 Series A-2**

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and the Appendices hereto, is to furnish information in connection with the issuance by the Massachusetts Bay Transportation Authority (the “Authority” or “MBTA”) of its Senior Sales Tax Bonds, Variable Rate Demand Obligations, 2008 Series A, consisting of 2008 Series A-1 (the “2008 Series A-1 Bonds”) and 2008 Series A-2 (the “2008 Series A-2 Bonds,” and together with the 2008 Series A-1 Bonds, the “Bonds”). Unless otherwise defined herein, certain capitalized terms used herein shall have the meanings set forth in APPENDIX A – “SUMMARY OF CERTAIN PROVISIONS OF THE SALES TAX BOND TRUST AGREEMENT – Definitions,” or, in the case of capitalized terms related to Bonds bearing interest at the Weekly Rate and the Daily Rate, APPENDIX B – “CERTAIN INFORMATION REGARDING BONDS IN THE WEEKLY RATE PERIOD AND DAILY RATE PERIOD – Definitions,” or, in the case of capitalized terms related to the Assessment Bond Trust Agreement (hereinafter defined), the meanings set forth in APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE ASSESSMENT BOND TRUST AGREEMENT.”

The Bonds are authorized to be issued pursuant to the Enabling Act (hereinafter defined), and are to be issued under the Sales Tax Bond Trust Agreement, dated as of July 1, 2000, between the Authority and U.S. Bank National Association, Boston, Massachusetts, as successor trustee (the “Trustee”), as amended (the “Trust Agreement”), as supplemented by the Nineteenth Supplemental Trust Agreement authorizing the issuance of the Bonds (the “Nineteenth Supplemental Trust Agreement,” and together with the Trust Agreement, the “Sales Tax Bond Trust Agreement”), dated as of March 1, 2008, between the Authority and the Trustee.

In November, 2006, the Authority entered into a forward starting swap (the “2006 Swap Agreement”) with Lehman Brothers Special Financing Inc. (the “Swap Provider”) in the notional amount of \$131,910,000, which is equal to a portion of the outstanding principal amount of the Authority’s outstanding bonds identified in APPENDIX G – “LIST OF REFUNDED BONDS” (the “Refunded Bonds”). Pursuant to such swap, effective February 28, 2008, the Authority pays the Swap Provider a fixed rate on the notional amount and, in exchange, receives from the Swap Provider a variable rate on the notional amount equal to the Securities Industry and Financial Markets Association (formerly the Bond Market Association) Municipal Swap Index (the “SIFMA Index”). The 2008 Series A-1 Bonds are being issued in connection with the 2006 Swap Agreement. See “PLAN OF FINANCE.”

In connection with the issuance of the 2008 Series A-2 Bonds, the Authority has entered into an interest rate swap agreement (the “2008 Swap Agreement,” and together with the 2006 Swap Agreement, the “Swap Agreements”) with the Swap Provider in the notional amount of \$124,465,000. Pursuant to such agreement, effective the date of issuance of the Bonds, the Authority will pay the Swap Provider a fixed rate on the notional amount, and the Swap Provider will pay the Authority a variable rate on the notional amount equal to the SIFMA Index for the period through but excluding July 1, 2010, and thereafter, the sum of 62% of the London Inter Bank Offering Rate (“LIBOR”) and 24 basis points. See “PLAN OF FINANCE.”

The Bonds are being issued in connection with the Swap Agreements for the purpose of (i) refunding the Refunded Bonds; (ii) funding a portion of the Senior Debt Service Reserve Fund for the Bonds; and (iii) paying the costs of issuing the Bonds. See “APPLICATION OF PROCEEDS AND OTHER AVAILABLE FUNDS” and “PLAN OF FINANCE.” As used herein, the term “Senior Sales Tax Bonds” means the Bonds and all other Senior Sales Tax Bonds previously or hereafter issued under the Trust Agreement on parity with the Bonds. The Trust Agreement provides for the issuance of additional Senior Sales Tax Bonds and Subordinated Sales Tax Bonds (collectively, the “Sales Tax Bonds”), and the Authority expects to issue additional Sales Tax Bonds in the future. See “THE AUTHORITY – Capital Investment Program.”

The Bonds constitute special obligations of the Authority, secured as to the payment of principal and Redemption Price, if any, of and interest thereon by a pledge of certain revenues and other moneys received or derived under the Enabling Act thereof for the purposes and on the terms and conditions provided therein, including without limitation, the greater of the base revenue amount or the dedicated sales tax revenue amount, both as defined in the Enabling Act (“Dedicated Sales Tax”). See “DEDICATED SALES TAX.” The Bonds and the 2008 Series B Bonds (as hereinafter defined) constitute the sixteenth and seventeenth series, respectively, of Sales Tax Bonds to be issued under the Trust Agreement. See “SECURITY FOR THE SALES TAX BONDS,” APPENDIX A – “SUMMARY OF CERTAIN PROVISIONS OF THE SALES TAX BOND TRUST AGREEMENT” and APPENDIX B – “CERTAIN INFORMATION REGARDING BONDS IN THE WEEKLY RATE PERIOD AND DAILY RATE PERIOD.”

In connection with the Bonds, the Authority will enter into a Standby Bond Purchase Agreement, dated as of March 1, 2008 (the “Standby Bond Purchase Agreement”), with JPMorgan Chase Bank, National Association (the “Bank”). The Standby Bond Purchase Agreement is a liquidity facility that requires the Bank to purchase the Bonds tendered or deemed tendered to the extent not remarketed, subject to certain funding conditions described herein. The Bank is not providing credit support for payment of regularly scheduled principal and interest. For information about the Standby Bond Purchase Agreement, see “THE STANDBY BOND PURCHASE AGREEMENT” and APPENDIX H – “SUMMARY OF CERTAIN PROVISIONS OF THE STANDBY BOND PURCHASE AGREEMENT.” For information about the Bank, see “THE STANDBY BOND PURCHASE AGREEMENT – The Bank” and APPENDIX I – “INFORMATION CONCERNING THE BANK.”

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.

The Authority anticipates issuing in April, 2008 not to exceed \$60,000,000 of Senior Sales Tax Bonds, 2008 Series B (the “2008 Series B Bonds”), a series of fixed rate bonds, for the purpose of refunding certain outstanding Authority bonds. Information about the 2008 Series B Bonds will be provided in a separate Official Statement.

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 "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 were 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 are adjusted annually for inflation but are not permitted to increase by more than 2.5% per year. For further information regarding Assessments, see "ASSESSMENT BOND TRUST AGREEMENT AND ASSESSMENTS."

The Dedicated Revenues are credited upon receipt, without appropriation, to the Commonwealth's State and Local Contribution Fund (the "Fund" or the "State and Local Contribution Fund"). Such amounts shall be disbursed to the Authority upon the request of the General Manager 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 2008 budget, the Authority certified that it has provided for the payment of Prior Obligations during Fiscal Year 2008 in such annual budget. The Authority has requested funding for the payment of Prior Obligations in its Fiscal Year 2009 budget and will certify that it has provided for the payment of Prior Obligations during Fiscal Year 2009 upon approval of such annual budget by the Advisory Board. See "SECURITY FOR THE SALES TAX BONDS – 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 bondowners. Furthermore, the Commonwealth covenants that while any Authority bonds or notes secured by the Dedicated Revenues are outstanding and remain unpaid, the Dedicated Revenues shall not be diverted, and, so long as the Dedicated Revenues are necessary for the purpose for which they have been pledged, the rate of the sales tax shall not be reduced below the amount of the Dedicated Sales Tax and annual aggregate Assessments shall not be reduced below \$136,026,868. See "DEDICATED SALES TAX" and "ASSESSMENT BOND TRUST AGREEMENT AND ASSESSMENTS."

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

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

Additionally, 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).

As shown in the table under the heading "DEDICATED SALES TAX," since 2000 the growth in the Dedicated Sales Tax has been much slower than overall historic trends. In addition, based on the limited growth in the inflation index, the Authority has not received an increase in the base revenue amount in each year since 2000. During such period, operating expenses have continued to and are expected to continue to grow in the future based on the rising cost of health care, energy, paratransit services, commitments under collective bargaining agreements and other factors. As described under "THE AUTHORITY – Operations," on March 6, 2008, the Authority approved a preliminary budget of current operating expenses and debt service costs for Fiscal Year 2009. Such preliminary budget, which is subject to approval by the Advisory Board, is balanced, but relies on the refinancing and defeasance of existing debt, including through the issuance of the Bonds and the 2008 Series B Bonds, and utilization of all of the current balance in the Deficiency Fund and a portion of the Capital Maintenance Fund. In addition, the Authority implemented a hiring freeze and is taking steps to cut costs while not adversely affecting service delivery. Absent such debt restructuring and use of reserves, the Authority projects that the Fiscal Year 2009 budgeted operating

expenses and debt service costs would exceed the Dedicated Revenues and other revenues by approximately \$75 million. However, the Bonds are secured by a first lien on Dedicated Sales Tax and other Pledged Revenues, prior to the payment of operating expenses. See “SECURITY FOR THE SALES TAX BONDS – Additional Indebtedness” for information regarding debt service coverage on the Bonds.

The Authority has identified cost management and revenue enhancement initiatives which it believes to be necessary to provide for the short-term and long-term operation and maintenance of the Authority’s transportation system. 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 Dedicated Revenues is not contingent upon the Authority’s provision of transportation services. Subject to the limitations with respect to the Assessments described under “ASSESSMENT BOND TRUST AGREEMENT AND ASSESSMENTS” and with respect to the Dedicated Sales Tax described under “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 “ASSESSMENT BOND TRUST AGREEMENT AND ASSESSMENTS – Legal Obligations of Assessed Cities and Towns” and “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 Standby Bond Purchase Agreement, the Sales Tax Bond Trust Agreement and the Assessment Bond Trust Agreement. All references herein to the Enabling Act, the Forward Funding Legislation, the Standby Bond Purchase Agreement, the Sales Tax Bond Trust Agreement and the Assessment Bond Trust Agreement are qualified in their entirety by reference to such law and documents, copies of which are available from the Authority or the Trustee, and all references to the Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Sales Tax Bond Trust Agreement.

Appendix A is a summary of certain provisions of the Sales Tax Bond Trust Agreement. Appendix B sets forth certain information regarding Bonds bearing interest at the Weekly Rate and the Daily Rate. Appendix C is a summary of certain provisions of the Assessment Bond Trust Agreement. Appendix D sets forth the proposed form of opinion of Bond Counsel. Appendix E sets forth the proposed Form of Continuing Disclosure Agreement to be executed by the Authority and the Trustee. Appendix F sets forth certain information regarding Assessments and Local Aid. Appendix G contains the list of Refunded Bonds to be refunded with the proceeds of the Bonds. Appendix H is a summary of certain provisions of the Standby Bond Purchase Agreement. Appendix I sets forth certain information regarding the Bank.

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

THE AUTHORITY

The Authority was created in 1964 by the Prior Act and is a body politic and corporate and a political subdivision of the Commonwealth. Under the Enabling Act, the territorial area of the Authority consists generally of 175 cities and towns directly or indirectly receiving Authority service. The 175 cities and towns are grouped into three categories, based upon the weighting of each member's allocable percentage of Assessments: (i) the 14 cities and towns; (ii) the 51 cities and towns; and (iii) the other served communities. See APPENDIX F – "INFORMATION REGARDING ASSESSMENTS AND LOCAL AID" 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:

BERNARD COHEN, *Chairman, Boston, Massachusetts, ex officio.*

Secretary of Transportation; former Director, Federal Transportation Administration's Lower Manhattan Recovery Office; former Deputy Managing Director, Massachusetts Bay Commuter Railroad Co.; former Senior Manager, Massachusetts Bay Transportation Authority; former Senior Manager, New York Metropolitan Transportation Authority; and former Senior Manager, Southeastern Pennsylvania Transportation Authority.

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, 2009.*

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, 2009.*

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.

GRACE S. SHEPARD, *Director, Sherborn, Massachusetts, term expires June 30, 2009.*

Representative, Metropolitan Area Planning Council Executive Committee; former President, Secretary, and Treasurer of Metropolitan Area Planning Council Executive Committee; formerly a Sherborn selectwoman.

JOSEPH M. TROLLA, *Director, Marlborough, Massachusetts, term expires June 30, 2008.*

Vice President of Construction at Ryan Development, of Westford; formerly held positions at the Marlborough Planning Department and at Brook Realty Trust; and former Superintendent at Flatley Construction.

DARNELL L. WILLIAMS, *Director, Boston, Massachusetts, term expires June 30, 2009.*

President and CEO of the Urban League of Eastern Massachusetts; former Manager of Management Recruitment and Development at Massachusetts General Hospital; former

Diversity Consultant for Health Services for the Homeless; former President of the Springfield branch of the National Association for the Advancement of Colored People (NAACP); and former President of the NAACP New England Area Conference.

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 March 1, 2008, the Authority employed approximately 5,500 full-time and approximately 700 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. The collective bargaining agreement between the Authority and Local 589 Amalgamated Transit Union expired on June 30, 2006. Arbitration between the parties is currently in process and no decisions have been made.

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) for Fiscal Year 2006 and Fiscal Year 2007 were approximately \$938 million and \$980 million, respectively, and are estimated to be \$1.037 billion for Fiscal Year 2008 and are preliminarily budgeted to be \$1.087 billion for Fiscal Year 2009. Debt service for each of the foregoing Fiscal Years was, or, in the case of Fiscal Years 2008 and 2009, is expected or preliminarily budgeted to be approximately \$337 million, \$363 million, \$374 million and \$368 million, respectively.

Dedicated Revenues for Fiscal Year 2008 are projected to total approximately \$899 million, including approximately \$756 million of Dedicated Sales Tax and approximately \$143 million of Assessments. The Dedicated Sales Tax figure is the base revenue amount certified by the Comptroller on March 1, 2007 to be credited to the State and Local Contribution Fund during Fiscal Year 2008, which is anticipated to exceed the dedicated sales tax revenue amount for such Fiscal Year (approximately \$717 million). On March 1, 2008, the Comptroller certified, with respect to Fiscal Year 2009, that the projected base revenue amount is \$767.06 million and that the projected dedicated sales tax amount is \$722.53 million. See "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 in Fiscal Year 2006. For Fiscal Year 2007 and thereafter, aggregate Assessments are adjusted annually for inflation, but are not permitted to increase by more than 2.5% per year. Aggregate Assessments in Fiscal Year 2007 were \$139 million and are projected to be approximately \$143 million in Fiscal Year 2008 and \$146 million in Fiscal Year 2009. For more information regarding Assessments, see "ASSESSMENT BOND TRUST AGREEMENT AND ASSESSMENTS."

As shown in the table under the heading "DEDICATED SALES TAX," since 2000 the growth in the Dedicated Sales Tax has been much slower than overall historic trends. In addition, based on the limited growth in the inflation index, the Authority has not received an increase in the base revenue amount in each year since 2000. During such period, operating expenses have continued to and are expected to continue to grow in the future based on the rising cost of health care, energy, paratransit services, commitments under collective bargaining agreements and other factors. On March 6, 2008, the Authority approved a preliminary budget of current operating expenses and debt service costs for Fiscal Year 2009. Such preliminary budget, which is subject to approval by the Advisory Board, is balanced, but relies on the refinancing and defeasance of existing debt, including through the issuance of the Bonds and the 2008 Series B Bonds, and utilization of all of the current balance in the Deficiency Fund and a portion of the Capital Maintenance Fund. In addition, the Authority implemented a hiring freeze and is taking steps to cut costs while not adversely affecting service delivery. Absent the debt restructuring, use of reserves and other measures, the Authority projects that the Fiscal Year 2009 budgeted operating expenses and debt service costs would exceed the Dedicated Revenues and other revenues by approximately \$75 million. However, the Bonds are secured by a first lien on Dedicated Sales Tax and other Pledged Revenues, prior to the payment of operating expenses. See "SECURITY FOR THE SALES TAX BONDS – Additional Indebtedness" for information regarding debt service coverage on the Bonds.

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 \$420 million for Fiscal Year 2006, was approximately \$471 million for Fiscal Year 2007 and are projected to be approximately \$514 million for Fiscal Year 2008 and have been preliminarily budgeted to be approximately \$522 million for Fiscal Year 2009.

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 2003, 2004, 2005, 2006 and 2007, respectively, the Authority paid 41%, 43%, 43%, 45% and 48% of its operating expenses excluding debt service from system revenues. In Fiscal Year 2008, the Authority anticipates paying 50% 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 January, 2007 the Authority implemented a new fare structure, including an overall increase in fares of approximately 25%.

Prior to such increase, the Authority implemented on January 1, 2007 (February 1, 2007 for monthly passes), an approximately overall increase of 25% in fares and an approximately overall increase of 24.4% in fares in January and February, 2006.

Under the Enabling Act, the obligation of cities and towns in the Authority's territory to pay Assessments is not contingent upon the Authority's provision of specified transportation services to those cities and towns, though the Massachusetts Supreme Judicial Court has held that the method by which Authority costs are assessed on particular communities must be reasonable and not arbitrary. For more information regarding the obligation of cities and towns to pay Assessments, see "ASSESSMENT BOND TRUST AGREEMENT AND ASSESSMENTS – Legal Obligation of Assessed Cities and Towns." The Authority has developed management plans, including a finance plan and cost 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 long-term operation and maintenance of the Authority's transportation system, particularly in the short-term.

Certain of such issues were raised in the findings dated March 28, 2007 of the Massachusetts Transportation Finance Commission (the "Transportation Finance Commission"), a statutorily-mandated commission composed of civic leaders from the public and private sector, created to analyze the long-term capital and operating transportation needs of the Commonwealth. However, under the Enabling Act, the pledge and receipt of Dedicated Revenues is not contingent upon the Authority's provision of transportation services. See "INTRODUCTION – Forward Funding."

On September 17, 2007, the Transportation Finance Commission issued its second report, containing recommendations for closing the funding gaps identified in the commission's first report. The commission recommended 22 reform initiatives, which it estimated could save approximately \$2.5 billion over 20 years. The report also included six proposals for transportation revitalization; the commission estimated that these proposals could generate more than \$18.7 billion in new revenue to fund transportation infrastructure improvements over 20 years.

The Governor Deval Patrick administration is working on major transportation reform initiatives with the objectives of better coordinating statewide transportation policy, more efficiently managing the Commonwealth's road, bridge and transit assets and more effectively financing its transportation infrastructure investments. The Administration has not announced any details with respect to such initiatives, which could impact the Authority. Under the Enabling Act, while any bonds or notes, including the Bonds, issued or assumed by the Authority remain outstanding, the powers, duties and existence of the Authority and the provisions for payments by the Commonwealth to the Authority shall not be diminished

or impaired in any way that will affect adversely the interests and rights of the holders of such bonds or notes, including the Bonds. Any legislation implementing any transportation reform, including legislation modifying the foregoing provision of the Enabling Act, would be subject to the provisions of the United States Constitution and the Massachusetts Constitution restricting any law impairing obligations under contracts and therefore could not unconstitutionally impair the obligations of the Authority with respect to the Bonds and other Outstanding Sales Tax Bonds and the Trust Agreement.

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 March 1, 2008, the Authority had outstanding \$1,201,015,000 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 \$223,825,000 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. 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 March 1, 2008, there were outstanding \$14,585,000 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 2008 to 2012. The Authority also has entered into several fully defeased leases under which there are no regularly scheduled payments by the Authority. In addition to its regularly scheduled lease payments, the Authority, under certain circumstances, may be required to pay additional amounts to the lessor. Furthermore, in the event the Authority draws upon any of its liquidity facilities for its variable rate indebtedness, the Authority would be required to repay the liquidity provider the principal amount of such draw with interest at a variable rate substantially in excess of the rates assumed in the table of Prior Obligation Debt Service Requirements below.

The following table sets forth the total annual regularly scheduled debt service requirements on outstanding Prior Obligations for each Fiscal Year:

Prior Obligations Debt Service Requirements ⁽¹⁾

Fiscal Year	Principal	Interest ⁽²⁾	Total	Year	Principal	Interest ⁽²⁾	Total
2009	\$115,516,972	60,879,349	176,396,321	2020	\$19,095,000	\$11,203,050	\$30,298,050
2010	127,603,377	54,970,782	182,574,159	2021	20,420,000	9,881,400	30,301,400
2011	121,891,975	48,098,513	169,990,488	2022	10,955,000	8,467,825	19,422,825
2012	96,161,737	41,527,999	137,689,736	2023	10,740,000	7,714,700	18,454,700
2013	128,777,169	36,420,238	165,197,407	2024	11,495,000	6,962,900	18,457,900
2014	107,270,000	28,843,740	136,113,740	2025	12,300,000	6,158,250	18,458,250
2015	82,090,000	22,259,909	104,349,909	2026	13,160,000	5,297,250	18,457,250
2016	37,580,000	17,300,248	54,880,248	2027	14,080,000	4,376,050	18,456,050
2017	17,245,000	14,896,275	32,141,275	2028	15,065,000	3,390,450	18,455,450
2018	17,315,000	13,711,700	31,026,700	2029	16,120,000	2,335,900	18,455,900
2019	18,840,000	12,507,675	31,347,675	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. Reflects debt service after the issuance of the Bonds and the refunding of the Refunded Bonds.

(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 and for the General Transportation System Bonds, Variable Rate Demand Obligations, 2000 Series outstanding in the principal amount of \$188 million, both of which bear interest at a variable rate reset weekly.

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

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

The payment of Prior Obligations each year is provided for under the Sales Tax Bond Trust Agreement to be paid from the Dedicated Sales Tax. Under the Enabling Act, the Dedicated Sales Tax may not be less than the base revenue amount (as defined in the Enabling Act), which was or is expected to be approximately \$713 million in Fiscal Year 2006, \$734 million in Fiscal Year 2007, \$756 million in Fiscal Year 2008 and \$767 million in Fiscal Year 2009 and is subject to upward adjustment in future years in accordance with the Enabling Act. See “DEDICATED SALES TAX.”

Hedge Agreements. In December, 2001, the Authority entered into two swaptions with Bear Stearns Financial Products Inc. (“Bear Stearns”) 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 SIFMA 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 SIFMA Index and pay a fixed rate of 5.61%. This 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 Bond 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 SALES TAX BONDS” and APPENDIX A – “SUMMARY OF CERTAIN PROVISIONS OF THE SALES TAX BOND TRUST AGREEMENT – Hedging Transactions.” Pursuant to a Guaranty Agreement, effective as of March 16, 2008, JPMorgan Chase & Co. has unconditionally guaranteed all obligations as well as the due and punctual payment of all liabilities of Bear Stearns under these swap agreements.

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. This 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”). This 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 SIFMA Index and pay a fixed rate of 4.132%. This 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 SALES TAX BONDS” and APPENDIX A – “SUMMARY OF CERTAIN PROVISIONS OF THE SALES TAX BOND TRUST AGREEMENT – Hedging Transactions.”

In September, 2006, the Authority entered into two swap agreements with Lehman Brothers Special Financing Inc. in the notional amounts of \$19,260,000 and \$5,000,000, respectively, which is equal to the par amounts of the CPI Bonds issued in connection with its Assessment Bonds, 2006 Series A. These swaps provide that the Authority will pay a fixed rate of 4.67% and 4.66%, respectively, on the notional amounts and will receive a floating rate on the notional amounts based on the MUNI-CPI Rate. These 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 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.”

In November, 2006, the Authority entered into the 2006 Swap Agreement with the Swap Provider in the notional amount of \$131,910,000, which is equal to the par amount of the 2008 Series A-1 Bonds. Pursuant to such swap, effective February 28, 2008, the Authority pays the Swap Provider a fixed rate of 3.834% on the notional amount. In exchange, the Swap Provider pays the Authority a variable rate on the

notional amount equal to the SIFMA Index. The 2006 Swap Agreement is not a Qualified Hedge Agreement under the Sales Tax Bond Trust Agreement, so payments under such swap agreement are made under the Sales Tax Bond Trust Agreement from the General Fund, and payments received by the Authority are deposited in the Pledged Revenue Fund.

In connection with the issuance of the 2008 Series A-2 Bonds, the Authority has entered into an interest rate swap agreement (the “2008 Swap Agreement”) with the Swap Provider in a notional amount equal to \$124,465,000, the par amount of the 2008 Series A-2 Bonds. Pursuant to such agreement, effective the date of issuance of the Bonds, the Authority will pay the Swap Provider a fixed rate on the notional amount, and the Swap Provider will pay the Authority a variable rate on the notional amount equal to the SIFMA Index for the period through but excluding July 1, 2010, and thereafter, the sum of 62% of LIBOR and 24 basis points. The 2008 Swap Agreement is not expected to be a Qualified Hedge Agreement under the Sales Tax Bond Trust Agreement, so payments under such swap agreement are made under the Sales Tax Bond Trust Agreement from the General Fund, and payments received by the Authority are deposited in the Pledged Revenue Fund. Any payments made by the Authority in the event the counterparty is in default will be general unsecured obligations of the Authority. See “SECURITY FOR THE SALES TAX BONDS” and APPENDIX A – “SUMMARY OF CERTAIN PROVISIONS OF THE SALES TAX BOND TRUST AGREEMENT – Hedging Transactions.”

In December, 2000, the Authority entered into a swaption with UBS AG in an initial notional amount of \$49,122,655, an amount equal to the Debt Service Reserve Fund requirements for the Authority’s then outstanding Assessment Bonds and Sales Tax Bonds. If exercised, the Authority will receive a fixed rate of 5.60% and pay a variable rate equal to the SIFMA Index. This 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 this swaption is exercised, the Authority’s payments to the counterparty under such swap agreement, including fees and termination payments, will be subordinate to the payment of debt service on Sales Tax Bonds.

Assessment Bonds. The Authority has issued four series of Assessment Bonds, which, as of March 1, 2008 were outstanding in the aggregate principal amount of \$458,960,000. Under the Assessment Bond Trust Agreement, the Authority pledges to the payment of obligations thereunder pledged revenues, including Assessments. The outstanding Assessment Bonds amortize through July 1, 2035. See “ASSESSMENT BOND TRUST AGREEMENT AND ASSESSMENTS.” As described above, the Authority has entered into forward starting swaps hedging Assessment Bonds to be issued to currently refund outstanding Assessment Bonds.

Sales Tax Bonds. As of March 1, 2008, \$3,211,349,759 in aggregate principal amount of Sales Tax Bonds was outstanding. On March 5, 2008, the Authority redeemed \$50,000,000 in aggregate principal amount of its outstanding Senior Sales Tax Bonds, Variable Rate Demand Obligations, 2003 Series B-1 bearing interest in the auction rate mode (the “2003 Series B-1 Bonds”). The Authority also redeemed, on March 19, 2008, \$43,375,000 in aggregate principal amount of its outstanding Senior Sales Tax Bonds, Variable Rate Demand Obligations, 2003 Series B-2 bearing interest in the auction rate mode (the “2003 Series B-2 Bonds”). Such redemptions were funded through the issuance of commercial paper Sales Tax Bond Anticipation Notes.

The bond anticipation note program under the Sales Tax Bond Trust Agreement shall not exceed \$250 million outstanding aggregate principal. As of March 1, 2008, \$29,750,000 in aggregate principal amount of such notes were outstanding and excludes the notes issued to redeemed the 2003 Series B-1 Bonds and the 2003 Series B-2 Bonds, as set forth above.

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.

Equipment Leases. The Authority has entered into numerous 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 March 1, 2008, approximately \$3.1 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.

Additionally, 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) (FY2008-2012) equal approximately \$3.2 billion. Of such amount, approximately \$1.41 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. The current federal multi-year authorization is the Safe Accountable Flexible Efficient Transportation Equity Act: A Legacy for Users ("SAFETEA-LU"), which provides funding through federal Fiscal Year 2009. 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 25 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.

The Authority has begun its process of updating the current Program. The new Program will address the Authority's capital needs, including those set forth in the findings released March 28, 2007 of the Transportation Finance Commission.

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.

The CA/T Project transit commitments refer to certain transit projects intended to mitigate the potential adverse air quality impacts of the CA/T Project, which transit projects were originally set forth in regulations of the Massachusetts Department of Environmental Protection ("DEP") as well as in an Administrative Consent Order (the "ACO") entered into by the Executive Office of Transportation and Construction and DEP in September, 2000 in connection with the CA/T Project. In December, 2006, following a lawsuit by the Conservation Law Foundation against the Authority, various officials of the Commonwealth and the Massachusetts Turnpike Authority, DEP issued final amendment to the transit regulation 310 CMR 7.36. This regulatory change incorporates the proposal made by the Executive Office of Transportation to DEP to substitute certain transit projects from those originally in such regulations. As adopted, this regulatory change is under review by the U.S. Environmental Protection Agency ("EPA") for inclusion into the Commonwealth's State Implementation Plan. The lawsuit is expected to be dismissed upon approval by the EPA of the Commonwealth's State Implementation Plan incorporating the transit projects set forth in the new regulations.

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 "ASSESSMENT BOND TRUST AGREEMENT AND ASSESSMENTS – Legal Obligations of Assessed Cities and Towns" and "DEDICATED SALES TAX."

APPLICATION OF PROCEEDS

The proceeds from the sale of the Bonds are expected to be applied as follows:

To refund the Refunded Bonds	\$242,438,400.53
To fund the Senior Debt Service Reserve Fund	12,818,750.00
To pay the costs of issuance of the Bonds, including underwriters' discount	<u>1,117,849.47</u>
Total Application of Funds	\$256,375,000.00

PLAN OF FINANCE

In November, 2006, the Authority entered into the 2006 Swap Agreement with the Swap Provider in the notional amount of \$131,910,000, which is equal to the par amount of the 2008 Series A-1 Bonds. This swap, which became effective February 28, 2008, provides that the Authority pays the Swap Provider a fixed rate of 3.834% on the notional amount. In exchange, the Swap Provider pays the Authority a variable rate on the notional amount equal to the SIFMA Index.

In connection with the issuance of the 2008 Series A-2 Bonds, the Authority has entered into the 2008 Swap Agreement with the Swap Provider in a notional amount equal to \$124,465,000, the par amount of the 2008 Series A-2 Bonds. Pursuant to the 2008 Swap Agreement, effective the date of issuance of the Bonds, the Authority will pay the Swap Provider a fixed rate on the notional amount, and the Swap Provider will pay the Authority a variable rate on the notional amount equal to the SIFMA Index for the period through but excluding July 1, 2010, and thereafter, the sum of 62% of LIBOR and 24 basis points.

A portion of the proceeds of the Bonds will be used to refund the Refunded Bonds listed in APPENDIX G – “LIST OF REFUNDED BONDS.” Such proceeds will be deposited in accounts of the refunding trust fund held by U.S. Bank National Association, Boston, Massachusetts, as refunding trustee, in amounts which will be invested in obligations of the United States of America or one or more of its agencies or instrumentalities. According to the report described in “VERIFICATION OF MATHEMATICAL COMPUTATIONS,” such investments will mature at such times and earn interest in such amounts that will produce sufficient moneys to provide for the payment of principal of and redemption premium, if any, and interest on the Refunded Bonds as set forth in APPENDIX G – “LIST OF REFUNDED BONDS.” The refunding is contingent upon delivery of the Bonds.

THE BONDS

General

The Bonds will be issued in the aggregate principal amount of \$256,375,000, which consists of \$131,910,000 2008 Series A-1 Bonds and \$124,465,000 2008 Series A-2 Bonds. The Bonds will initially bear interest at the Weekly Rate and will be dated the date of delivery. The 2008 Series A-1 Bonds will mature on July 1, 2021, and the 2008 Series A-2 Bonds will mature on July 1, 2026. The Bonds will be subject to redemption and mandatory tender for purchase and optional tender for purchase prior to maturity as set forth below. The Principal Installments, Tender Price or Redemption Price of the Bonds is payable to Beneficial Owners by DTC Participants (as defined below) through the facilities of DTC, while the Bonds are in the book-entry only system described below. Otherwise, the Principal Installments, Tender Price or Redemption Price of the Bonds is payable at the corporate trust office of the Trustee. Purchases of the Bonds may be made only in book-entry form in denominations of \$100,000 or any \$5,000 integral multiple in excess thereof in the Daily Rate Period or the Weekly Rate Period and in denominations of \$5,000 and any integral multiple thereof in the Fixed Rate Period.

So long as the Bonds bear interest at the Daily Rate, the Weekly Rate or the Fixed Rate, interest on the Bonds will be payable on July 1 and January 1, commencing July 1, 2008 (the “Interest Payment Dates”); provided that, if any such date is not a Business Day, the Interest Payment Date shall be the next succeeding Business Day.

The Bonds may bear interest at a Daily Rate or a Weekly Rate while in a Daily Rate Period or a Weekly Rate Period, respectively (“Interest Periods”), selected from time to time by the Authority. In addition, the Bonds may be converted to bear interest at a Fixed Rate. The rate of interest to be borne by the Bonds during any particular Interest Period will be determined as described below under “Description of Bonds – Interest Rate Determination” by Lehman Brothers Inc., as Remarketing Agent for the Bonds (the “Remarketing Agent”) under the Remarketing Agreement dated April 2, 2008 between the Remarketing Agent and the Authority (the “Remarketing Agreement”).

Depending on which interest rate is then in effect for the Bonds, the dates on which notices of tender are required to be given, the dates on which such Bonds are to be tendered, the dates for notices of conversion to another interest rate and provisions for mandatory purchase applicable to such Bonds will vary. See “Description of Bonds” below and APPENDIX B – “CERTAIN INFORMATION REGARDING BONDS IN THE WEEKLY RATE PERIOD AND DAILY RATE PERIOD” for further details.

Description of Bonds

The Bonds may bear interest at the Daily Rate, the Weekly Rate or the Fixed Rate, respectively.

Interest. The Bonds shall initially bear interest at a Weekly Rate determined by the Remarketing Agent as described under “Interest Rate Determination” below. Interest on the Bonds will become due and payable on the Interest Payment Dates in each year to and including the Maturity Date, and on each Redemption Date. At the option of the Authority, Bonds bearing interest in the Daily Rate Period or the Weekly Rate Period may be changed to any other Interest Rate Period, including the Fixed Rate Period, as described below and in APPENDIX B – “CERTAIN INFORMATION REGARDING BONDS IN THE WEEKLY RATE PERIOD AND DAILY RATE PERIOD.”

Interest Rate Determination. During the Weekly Rate Period, the Bonds shall bear interest at the Weekly Rate, which shall be determined by the Remarketing Agent by 5:00 p.m., initially on the Business Day prior to the original issuance of the Bonds and thereafter on Tuesday of each week during the Weekly Rate Period, or if such day is not a Business Day, then on the next succeeding Business Day. The first Weekly Rate for each Weekly Rate Period shall be determined on or prior to the first day of such Weekly Rate Period and shall apply to the period commencing on the first day of such Weekly Rate Period and ending on and including the next succeeding Tuesday. Thereafter, each Weekly Rate shall apply to the period commencing on and including Wednesday and ending on and including the next succeeding Tuesday, unless such Weekly Rate Period ends on a day other than Tuesday, in which event the last Weekly Rate for such Weekly Rate Period shall apply to the period commencing on and including the Wednesday preceding the last day of such Weekly Rate Period and ending on and including the last day of such Weekly Rate Period.

Each Weekly Rate with respect to the Bonds shall be the rate of interest per annum determined by the Remarketing Agent to be the minimum interest rate which, if borne by the Bonds, would enable the Remarketing Agent to sell all of the Bonds on the effective date of that rate at a price (without regard to accrued interest) equal to the principal amount thereof.

If the Remarketing Agent fails to establish a Weekly Rate for any week with respect to the Bonds bearing interest at such rate, then the Weekly Rate for such week with respect to such Bonds shall be the same as the immediately preceding Weekly Rate if such Weekly Rate was determined by the Remarketing Agent. If the immediately preceding Weekly Rate was not determined by the Remarketing

Agent, or if the Weekly Rate determined by the Remarketing Agent is held to be invalid or unenforceable by a court of law, then the Weekly Rate for such week, as determined by the Remarketing Agent, shall be equal to 110% of the SIFMA Index, or if such index is no longer available, 85% of the interest rate on thirty day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* on the day such Weekly Rate would otherwise be determined as provided herein for such Weekly Rate Period. No Weekly Rate on the Bonds may exceed 12% per annum, the Maximum Rate. For a description of the procedures for determining Daily Rates and Fixed Rates, see APPENDIX B – “CERTAIN INFORMATION REGARDING BONDS IN THE WEEKLY RATE PERIOD AND DAILY RATE PERIOD.”

During each Daily Rate Period, the Bonds shall bear interest at the Daily Rate, which shall be determined by the Remarketing Agent on each Business Day for such Business Day.

Each Daily Rate with respect to the Bonds shall be the rate of interest per annum determined by the Remarketing Agent on or before 9:30 a.m. on a Business Day to be the minimum interest rate which, if borne by the Bonds, would enable the Remarketing Agent to sell all of the Bonds on such Business Day at a price (without regard to accrued interest) equal to the principal amount thereof. The Daily Rate for any day which is not a Business Day shall be the same as the Daily Rate for the immediately preceding Business Day.

If for any reason a Daily Rate for the Bonds is not established for any Business Day by the Remarketing Agent, the Daily Rate for such Business Day shall be the same as the Daily Rate for the immediately preceding day and such rate shall continue until the earlier of (i) the date on which the Remarketing Agent determines a new Daily Rate or (ii) the seventh (7th) day succeeding the first such day on which such Daily Rate is not determined by the Remarketing Agent. In the event that the Daily Rate shall be held to be invalid or unenforceable by a court of law, or the Remarketing Agent fails to determine a new Daily Rate for a period of seven (7) days as described in clause (ii) of the immediately preceding sentence, the interest rate applicable to the Bonds, as determined by the Remarketing Agent, shall be the interest rate per annum equal to 110% of the SIFMA Index, or if such index is no longer available, 85% of the interest rate on thirty (30) day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* as reported for each Business Day (and for the immediately preceding Business Day for each day which is not a Business Day) until such Daily Rate is again validly determined by the Remarketing Agent.

Optional Tender for Purchase. During any Weekly Rate Period, any Bond (other than a Bank-Owned Bond) bearing interest at a Weekly Rate shall be purchased in an Authorized Denomination (provided that the amount of any such Bond not to be purchased shall also be in an Authorized Denomination) from its Bondowner at the option of the Bondowner on any Business Day at a purchase price equal to the Tender Price, payable in immediately available funds, upon delivery to the Trustee at its principal office for delivery of Bonds, and to the Remarketing Agent, of an irrevocable written notice which states the principal amount of such Bond, the principal amount thereof to be purchased and the date on which the same shall be purchased, which date shall be a Business Day not prior to the seventh (7th) day after the date of the delivery of such notice to the Trustee. Any notice delivered to the Trustee after 4:00 p.m. shall be deemed to have been received on the next succeeding Business Day. Bank-Owned Bonds may not be tendered for purchase at the option of the Bondowner thereof. For payment of the Tender Price on the Tender Date, such Bond must be delivered at or prior to 10:00 a.m. on the Tender Date to the Trustee at its principal office for delivery of Bonds accompanied by an instrument of transfer, in form satisfactory to the Trustee executed in blank by the Bondowner or its duly authorized attorney, with such signature guaranteed by a commercial bank, trust company, or member firm of the New York Stock Exchange.

During any Daily Rate Period, any Bond (other than a Bank-Owned Bond) bearing interest at a Daily Rate shall be purchased in an Authorized Denomination (provided that the amount of any such Bond not to be purchased shall also be in an Authorized Denomination) from its Bondowner at the option of the Bondowner on any Business Day at a purchase price equal to the Tender Price, payable in

immediately available funds, upon delivery to the Trustee at its principal office for delivery of Bonds, and to the Remarketing Agent, by no later than 10:00 a.m. on such Business Day, of an irrevocable written notice or an irrevocable telephonic notice, promptly confirmed by telecopy or other writing, which states the principal amount of such Bonds to be purchased and the date of purchase. For payment of such purchase price on the date specified in such notice, such Bonds must be delivered, at or prior to 10:00 a.m., on such Business Day, to the Trustee at its principal office for delivery of Bonds, accompanied by an instrument of transfer thereof, in form satisfactory to such Trustee, executed in blank by the Bondowner thereof or its duly authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

Mandatory Tender Upon Interest Period Change Date. Bonds to be converted from one Interest Rate Period to another Interest Rate Period are subject to mandatory purchase on the Interest Period Change Date at the Purchase Price equal to 100% of the principal amount of the Bonds, plus accrued interest.

Mandatory Purchase Upon Termination, Replacement or Expiration of Standby Bond Purchase Agreement. The Bonds shall be subject to mandatory purchase in the event of the termination, replacement or expiration of the term, as extended, of the Standby Bond Purchase Agreement, including but not limited to termination at the option of the Authority in accordance with the terms of the Standby Bond Purchase Agreement.

Book-Entry Bonds. For so long as the Bonds are registered in the name of Cede & Co., as nominee for DTC, the tender option rights of Bondowners described above may be exercised only by a Direct Participant of DTC acting directly or indirectly on behalf of a Beneficial Owner of Bonds by giving notice of its election to tender Bonds or portions thereof at the times and in the manner described above. Beneficial Owners will not have any rights to tender Bonds directly to the Trustee. Procedures under which a Beneficial Owner may direct a Direct Participant of DTC or an Indirect Participant of DTC acting through a Direct Participant of DTC to exercise a tender option right in respect of any Bonds or portions thereof shall be governed by standing instructions and customary practices determined by such Direct Participant or Indirect Participant.

For so long as the Bonds are registered in the name of Cede & Co., as nominee for DTC, notices of mandatory tender for purchase of Bonds shall be given to DTC only, and neither the Authority, the Trustee nor the Remarketing Agent shall have any responsibility for the delivery of any of such notices by DTC to any Direct Participants of DTC, by any Direct Participants to any Indirect Participants of DTC or by any Direct Participants or Indirect Participants to Beneficial Owners of the Bonds.

For so long as the Bonds are registered in the name of Cede & Co., as nominee for DTC, delivery of Bonds required to be tendered for purchase shall be effected by the transfer by a Direct Participant on the applicable Purchase Date of a book entry credit to the account of the Paying Agent of a beneficial interest in such Bonds or portions thereof required to be tendered for purchase on that date.

For so long as the Bonds are registered in the name of Cede & Co., as nominee for DTC, payment of the Purchase Price shall be paid directly to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants. See "Book-Entry Only System"

Remarketing Agreement. The Remarketing Agent is required to use its best efforts to remarket Bonds properly tendered for purchase.

Redemption Provisions

Optional Redemption. The Bonds bearing interest at a Daily Rate or a Weekly Rate shall be subject to optional redemption at the written direction of the Authority, in whole or in part, at a redemption price of 100% of the principal amount thereof at any time.

Mandatory Sinking Fund Redemption. The 2008 Series A-1 Bonds are subject to mandatory sinking fund redemption and shall be redeemed prior to their stated maturity, from sinking fund installments, payable on July 1 of the years and in the amounts set forth below, at a price of 100% of the principal amount of such 2008 Series A-1 Bonds called for redemption, plus accrued interest to the redemption date.

<u>Year</u>	<u>Sinking Fund Redemption</u>
2013	\$ 135,000
2014	735,000
2015	765,000
2016	18,990,000
2017	19,745,000
2018	20,545,000
2019	21,375,000
2020	21,085,000
2021	28,535,000

The 2008 Series A-2 Bonds are subject to mandatory sinking fund redemption and shall be redeemed prior to their stated maturity, from sinking fund installments, payable on July 1 of the years and in the amounts set forth below, at a price of 100% of the principal amount of such 2008 Series A-2 Bonds called for redemption, plus accrued interest to the redemption date.

<u>Year</u>	<u>Sinking Fund Redemption</u>
2010	\$ 465,000
2011	485,000
2012	500,000
2013	515,000
2014	535,000
2015	550,000
2016	570,000
2017	585,000
2018	605,000
2019	625,000
2020	645,000
2021	670,000
2022	23,515,000
2023	24,295,000
2024	25,095,000
2025	25,925,000
2026	18,885,000

The Authority may purchase Bonds of any maturity and credit them against the sinking fund installment for such maturity at the principal amount thereof by delivering them to the Trustee for cancellation at least forty-five (45) days before the sinking fund installment date. Upon the purchase or redemption of any Bonds for which sinking fund installments shall have been established, an amount equal to the principal amount of the Bonds so purchased or redeemed shall be credited toward future sinking fund installments in such order as the Authority shall determine.

Partial Redemption. If less than all of the Bonds of any maturity or sinking fund installment are called for redemption and such Bonds are not held in the Book-Entry Only System, the Bonds to be so redeemed shall be selected by the Trustee in any customary manner of selection as determined by the Trustee, subject to the provisions of the Sales Tax Bond Trust Agreement, at their principal amounts plus accrued interest to the redemption date; provided, that Bank-Owned Bonds shall be redeemed prior to other 2008 Series A Bonds So long as all of the Bonds are held in the Book-Entry Only System, if less than all of the Bonds of any one maturity or sinking fund installment are to be redeemed, the particular Bonds or portions of the Bonds of such maturity or sinking fund installment to be redeemed shall be selected by DTC in such manner as DTC may determine; provided, that Bank-Owned Bonds shall be redeemed prior to other 2008 Series A Bonds.

Notice of Redemption. So long as DTC or its nominee is the Bondowner, the Authority and Trustee will recognize DTC or its nominee as the Bondowner for all purposes, including notices and voting. Conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants, and by DTC Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory and regulatory requirements which may be in effect from time to time. So long as DTC or its nominee is the Bondowner, any failure on the part of DTC or failure on the part of a nominee of a Beneficial Owner (having received notice from a DTC Participant or otherwise) to notify the Beneficial Owner so affected shall not affect the validity of the redemption.

Except as described below, notice of redemption shall be given by the Trustee not less than thirty (30) nor more than forty-five (45) days prior to the date fixed for redemption by first class mail, postage prepaid, to the registered owner of each Bond to be redeemed, at the address of such registered owner shown on the registry books maintained by the Trustee; provided, however, that if any Bondowner shall be the registered owner of \$1,000,000 or more in aggregate principal amount of any Bonds or portion of Bonds to be redeemed, the Trustee shall mail a copy of such notice by certified mail, return receipt requested. The notice shall require that such Bonds be surrendered at the principal corporate trust office of the Trustee for redemption at the redemption price and shall state that further interest on such Bonds will not accrue from and after the redemption date. CUSIP number identification with appropriate dollar amounts for each CUSIP number also shall accompany all redemption notices. However, any error in a CUSIP number or contained in any notice of redemption shall not affect the validity of the redemption proceedings.

Effect of Redemption. Notice of redemption having been given in the manner provided above, and money sufficient for the redemption being held by the Trustee for the purpose, the Bonds so called for redemption shall become due and payable on the redemption date, and interest thereon shall cease to accrue and the owners of the Bonds so called for redemption shall thereafter no longer have any security or benefit under the Sales Tax Bond Trust Agreement except to receive payment of the redemption price for such Bonds. If such moneys are not available on the redemption date, the Bonds or portions thereof will continue to bear interest until paid at the same rate they would have borne had they not been called for redemption. If, at the time of mailing of the notice of optional redemption, moneys have not been deposited with the Trustee in an amount sufficient to redeem all the Bonds called for redemption, such notice shall state that it is conditional, i.e., subject to the deposit of sufficient moneys not later than the opening of business on the redemption date, and any such notice shall be of no effect unless such moneys are deposited.

Special Considerations Relating to the Bonds

The Remarketing Agent is Paid by the Authority. The Remarketing Agents' responsibilities include determining the interest rate from time to time and remarketing Bonds that are optionally or mandatorily tendered by the owners thereof (subject to the terms of the Remarketing Agreement). The Remarketing Agent is appointed by the Authority and is paid by the Authority for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of Bonds.

The Remarketing Agent Routinely Purchases Bonds for Its Own Account. The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, each in its sole discretion, routinely purchases such obligations for its own account in order to achieve a successful remarketing of the obligations (i.e., because there are otherwise not enough buyers to purchase the obligations) or for other reasons. The Remarketing Agent is permitted, but not obligated, to purchase tendered Bonds for its own account and, if it does so, it may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Bonds by routinely purchasing and selling Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent may also sell any Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Bonds. The purchase of Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Bonds in the market than is actually the case. The practices described above also may result in fewer Bonds being tendered in a remarketing.

Bonds May be Offered at Different Prices on Any Date Including an Interest Rate Determination Date. Pursuant to the Remarketing Agreement, the Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Bonds bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the Rate Determination Date. The interest rate will reflect, among other factors, the level of market demand for the Bonds (including whether the Remarketing Agent is willing to purchase Bonds for its own account). There may or may not be Bonds tendered and remarketed on a Rate Determination Date, the Remarketing Agent may or may not be able to remarket any Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Bonds at the remarketing price. In the event the Remarketing Agent owns any Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Bonds on any date, including the Rate Determination Date, at a discount to par to some investors.

The Ability to Sell the Bonds other than through Tender Process May Be Limited. The Remarketing Agent may buy and sell Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require holders that wish to tender their Bonds to do so through the Trustee with appropriate notice. Thus, investors who purchase the Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Bonds other than by tendering the Bonds in accordance with the tender process.

Under Certain Circumstances, the Remarketing Agent May Be Removed, Resign or Cease Remarketing the Bonds, Without a Successor Being Named. Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement.

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 securities 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. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money

market instruments (from over 100 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 include 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 Ratings Group 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 and www.dtc.org.

Purchases of 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 ("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 interests 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 interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI 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 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 detail information from the Authority or Trustee, on 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. Payment of 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 Underwriter 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 depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. In addition, the Authority may determine that continuation of the system of book-entry transfers through DTC (or a successor securities depository) is not in the best interests of the Beneficial Owners of the Bonds. If for either reason the Book-Entry Only System is discontinued, Bond certificates will be delivered as described in the Sales Tax Bond Trust Agreement and the Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the Bondowner. Thereafter, the Bonds may be exchanged for an equal aggregate principal amount of the Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the principal corporate trust office of the Trustee. The transfer of any Bond may be registered on the books maintained by the Trustee for such purpose only upon assignment in form satisfactory to the Trustee. For every exchange or registration of transfer of the Bonds, the Authority and the Trustee may make a charge sufficient to reimburse them for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge may be made to the Bondowner for any exchange or registration of transfer of the Bonds. The Trustee will not be required to transfer or exchange any Bond during the notice period preceding any redemption if such Bond (or any part thereof) is eligible to be selected or has been selected for redemption.

Transfer and Exchange

In the event that the Book-Entry Only System is discontinued, the following provisions would apply: Bonds of a series may be exchanged for an equal aggregate principal amount of Bonds in other authorized denominations and of the same maturity, upon surrender thereof at the principal corporate trust office of the Trustee. The transfer of any Bond may be registered on the books maintained by the Trustee for such purpose only upon the surrender thereof by the registered owner or by such owner's attorney duly authorized in writing to the Trustee with a duly executed assignment in form satisfactory to the Trustee. For

every exchange or registration of transfer of Bonds the Authority and the Trustee may make a charge to the owner an amount sufficient to reimburse them for any tax, fee or other governmental charge required to be paid with respect to such exchange or registration of transfer, and, except for (i) with respect to the delivery of definitive Bonds in exchange for temporary bonds; (ii) in the case of a bond issued upon the first exchange or transfer of a Bond surrendered for such purpose within sixty (60) days after the first authentication and delivery of the Bonds; or (iii) as otherwise provided in the Sales Tax Bond Trust Agreement, the Trustee may charge a sum sufficient to pay the cost of preparing each new Bond issued upon such exchange or transfer, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer.

Neither the Authority nor the Trustee shall be required (i) to register, transfer or exchange Bonds for a period of fifteenth (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 (ii) to register, transfer or exchange any Bonds called for redemption.

STANDBY BOND PURCHASE AGREEMENT

Standby Bond Purchase Agreement

The Standby Bond Purchase Agreement provides that the Bank agrees to purchase any unremarketed tendered or deemed tendered Bonds bearing interest at the Weekly Rate or the Daily Rate from time to time in an amount not to exceed the principal amount thereof plus accrued interest thereon at an interest rate not exceeding 12% per annum, subject to the terms and provisions set forth in the Standby Bond Purchase Agreement. See APPENDIX H – “SUMMARY CERTAIN PROVISIONS OF THE STANDBY BOND PURCHASE AGREEMENT” for a summary of certain provisions of the Standby Bond Purchase Agreement and APPENDIX I – “INFORMATION CONCERNING THE BANK” for certain information concerning the Bank. All information concerning the Bank has been provided by the Bank, and the Authority is not responsible for its accuracy or completeness.

The Authority will provide advance notice of the proposed substitution of the Standby Bond Purchase Agreement or Alternate Liquidity Facility to the Trustee, the Remarketing Agent and the Bank at least ten (10) days prior to the date of substitution.

Risk of Termination of Standby Bond Purchase Agreement

The Standby Bond Purchase Agreement may be terminated prior to its Expiration Date immediately upon the occurrence of certain Events of Default specified therein for which no termination notice is required. In the event of such termination, the Bonds are not subject to mandatory tender for purchase solely as a result of such termination. The Paying Agent must give notice to the registered holders of Bonds promptly after becoming aware of the early termination of the Standby Bond Purchase Agreement. See APPENDIX H – “SUMMARY CERTAIN PROVISIONS OF THE STANDBY BOND PURCHASE AGREEMENT.”

Amendment to Trust Agreement

Section 801 of the Nineteenth Supplemental Trust Agreement provides that, notwithstanding anything in the Trust Agreement to the contrary, the Standby Bond Purchase Agreement, or any Alternate Liquidity Facility assigned by the Rating Agencies ratings of “AA” or “Aa” (without regard to gradation) is deemed to be a Liquidity Facility provided by a Qualified Institution solely for the purposes of the Bonds.

The Bondowners, by their purchase of the Bonds, have deemed to have consented to the aforementioned amendment of the Trust Agreement. Such amendment to the Trust Agreement is adopted pursuant to Section 802 of the Trust Agreement and shall take effect upon receipt by the Authority and the Trustee of all certificates and opinions required by the Trust Agreement. Any such consent shall be binding upon the Bondowner of the Bonds giving such consent and, anything in the Trust Agreement to the contrary notwithstanding, upon any subsequent owner of such Sales Tax Bonds and of any Sales Tax Bonds issued in exchange therefor (whether or not such subsequent owner thereof has notice thereof).

The Bank

For information concerning the Bank, see APPENDIX I – “INFORMATION CONCERNING THE BANK.”

DEBT SERVICE REQUIREMENTS ON SENIOR SALES TAX BONDS

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

Fiscal Year Ending June 30	Debt Service on Outstanding Senior Sales Tax Bonds*	Principal on the Bonds	Interest on the Bonds**	Total Debt Service on the Bonds	Total Debt Service on Senior Sales Tax Bonds
2009	\$177,707,938	--	\$6,646,307	\$ 6,646,307	\$184,354,245
2010	195,932,653	--	8,894,685	8,894,685	204,827,338
2011	198,802,372	\$ 465,000	8,887,517	9,352,517	208,154,889
2012	230,292,251	485,000	8,872,873	9,357,873	239,650,124
2013	225,080,067	500,000	8,857,689	9,357,689	234,437,756
2014	232,562,233	650,000	8,839,455	9,489,455	242,051,688
2015	245,119,088	1,270,000	8,806,592	10,076,592	255,195,680
2016	262,444,121	1,315,000	8,761,111	10,076,111	272,520,232
2017	292,048,023	19,560,000	8,365,143	27,925,143	319,973,166
2018	274,288,467	20,330,000	7,604,789	27,934,789	302,223,256
2019	245,416,169	21,150,000	6,814,086	27,964,086	273,380,255
2020	260,663,660	22,000,000	5,991,519	27,991,519	288,655,179
2021	261,953,315	21,730,000	5,157,984	26,887,984	288,841,299
2022	296,955,488	29,205,000	4,186,497	33,391,497	330,346,985
2023	221,431,613	23,515,000	3,266,670	26,781,670	248,213,283
2024	275,824,463	24,295,000	2,529,679	26,824,679	302,649,142
2025	216,255,188	25,095,000	1,768,332	26,863,332	243,118,520
2026	198,121,163	25,925,000	981,858	26,906,858	225,028,021
2027	198,117,888	18,885,000	291,112	19,176,112	217,294,000
2028	197,902,469	--	--	--	197,902,469
2029	170,479,125	--	--	--	170,479,125
2030	165,108,013	--	--	--	165,108,013
2031	141,429,219	--	--	--	141,429,219
2032	126,709,644	--	--	--	126,709,644
2033	96,675,575	--	--	--	96,675,575
2034	80,553,381	--	--	--	80,553,381
2035	125,392,413	--	--	--	125,392,413
2036	37,067,500	--	--	--	37,067,500
2037	21,595,000	--	--	--	21,595,000
2038	21,590,000	--	--	--	21,590,000
2039	--	--	--	--	--

* Includes the \$93,375,000 principal amount of the Senior Sales Tax Bonds, 2003 Series B, which were issued as auction rate securities in two subseries. Such bonds were optionally redeemed by the Authority on March 5 and 19, 2008, from the proceeds of commercial paper Sales Tax Bond Anticipation Notes. Debt Service assumes that the \$87,805,000 principal amount thereof bears interest at the fixed rate under the swap agreement associated with the 2003 Series B Bonds and that the remaining, unhedged portion bears interest at the rate of 7% per annum. In addition, Debt Service assumes that the \$25,005,000 principal amount of the CPI Bonds of the 2003 Series C Bonds bears interest at the fixed rate of 4.13% per annum under the interest rate swap associated with those bonds. For a description of such swap agreements, see "THE AUTHORITY – Indebtedness – Hedge Agreements."

**Assumes that the Bonds bear interest at the fixed rates under the swap agreements related to the Bonds. See "PLAN OF FINANCE."

SECURITY FOR THE SALES TAX BONDS

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

Sales Tax Bonds are secured by the Senior Debt Service Fund and the Senior Debt Service Reserve Fund and only Subordinated Sales Tax Bonds are secured by the Subordinated Debt Service Fund and the Subordinated Debt Service Reserve Fund.

The Bonds and the 2008 Series B Bonds will be the sixteenth and seventeenth series, respectively, of Sales Tax Bonds to be issued under the Sales Tax Bond Trust Agreement. The Sales Tax Bond Trust Agreement provides that the Authority may incur particular obligations, including without limitation Senior Sales Tax Bonds, Subordinated Sales Tax Bonds and notes, and provides for the payment of Prior Obligations, funding the Senior Debt Service Reserve Fund and Subordinated Debt Service Reserve Fund and payment of debt service on Assessment Bonds to the extent there are insufficient funds available therefor under the Assessment Bond Trust Agreement.

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

The Authority intends to provide for the payment of the Prior Obligations under the Sales Tax Bond Trust Agreement. See "THE AUTHORITY – Indebtedness." In addition, the Authority maintains a commercial paper program under the Sales Tax Bond Trust Agreement in the aggregate principal amount not to exceed \$250 million. Such commercial paper notes are secured by the Sales Tax Bond Trust Agreement and repaid by the proceeds of other notes, Senior Sales Tax Bonds or the Dedicated Sales Tax. On February 29, 2008, the Authority issued \$29,750,000 in aggregate principal amount of such notes, the proceeds of which were used to pay certain Prior Obligations coming due March 1, 2008. Such notes will be repaid from a portion of the proceeds of the Bonds. On March 4, 2008 and March 18, 2008, the Authority issued an additional \$50,000,000 and \$43,375,000, respectively, in aggregate principal amount of such notes to redeem the total outstanding principal amount of auction rate securities, Senior Sales Tax Bonds, 2003 Series B.

Pledge Under the Sales Tax Bond Trust Agreement

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

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

Subject to the foregoing, the above are pledged for the payment, first, of the Senior Sales Tax Bonds, second, of the Subordinated Sales Tax Bonds, third, of the Assessment Bonds, and, fourth, of the Prior Obligations, as the respective interests of the holders thereof may appear, in accordance with the respective terms of such Bonds and the Sales Tax Bond Trust Agreement; provided, however, that in the event the Authority is unable to make the below-described certification, payment of the Prior Obligations

shall be made prior to the deposit to the Senior Debt Service Fund established under the Sales Tax Bond Trust Agreement. See “Provision for Payment of Prior Obligations.”

In accordance with the Sales Tax Bond Trust Agreement, the Dedicated Sales Tax credited to the State and Local Contribution Fund shall be deposited as soon as practicable to the Pledged Revenue Fund; provided, however, that the Authority has certified to the Commonwealth that it has provided for the payment of its Prior Obligations in its annual budget. In connection with its Fiscal Year 2008 budget, the Authority has certified that it has provided for the payment of Prior Obligations during Fiscal Year 2008 in such annual budget. Final adoption of the Fiscal Year 2009 operating budget as preliminarily approved on March 6, 2008 would permit the Authority to make such certification with respect to Fiscal Year 2009.

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

Under the Sales Tax Bond Trust Agreement, “Dedicated Payments” (referred to herein as the “Sales Tax Dedicated Payments”) means any revenues of the Authority which are not Pledged Revenues as defined in the Sales Tax Bond Trust Agreement as initially entered into, which the Authority subsequently pledges as additional security for its payment obligations on Sales Tax Bonds pursuant to a resolution of the Authority and which are specifically designated as Sales Tax Dedicated Payments by the Authority in accordance with the limitations of the Sales Tax Bond Trust Agreement and, accordingly, are to be deposited in the Senior Debt Service Fund and the Subordinated Debt Service Fund upon receipt. See APPENDIX A – “SUMMARY OF CERTAIN PROVISIONS OF THE SALES TAX BOND TRUST AGREEMENT.” As of March 1, 2008, there are no such Sales Tax Dedicated Payments.

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

Flow of Funds

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

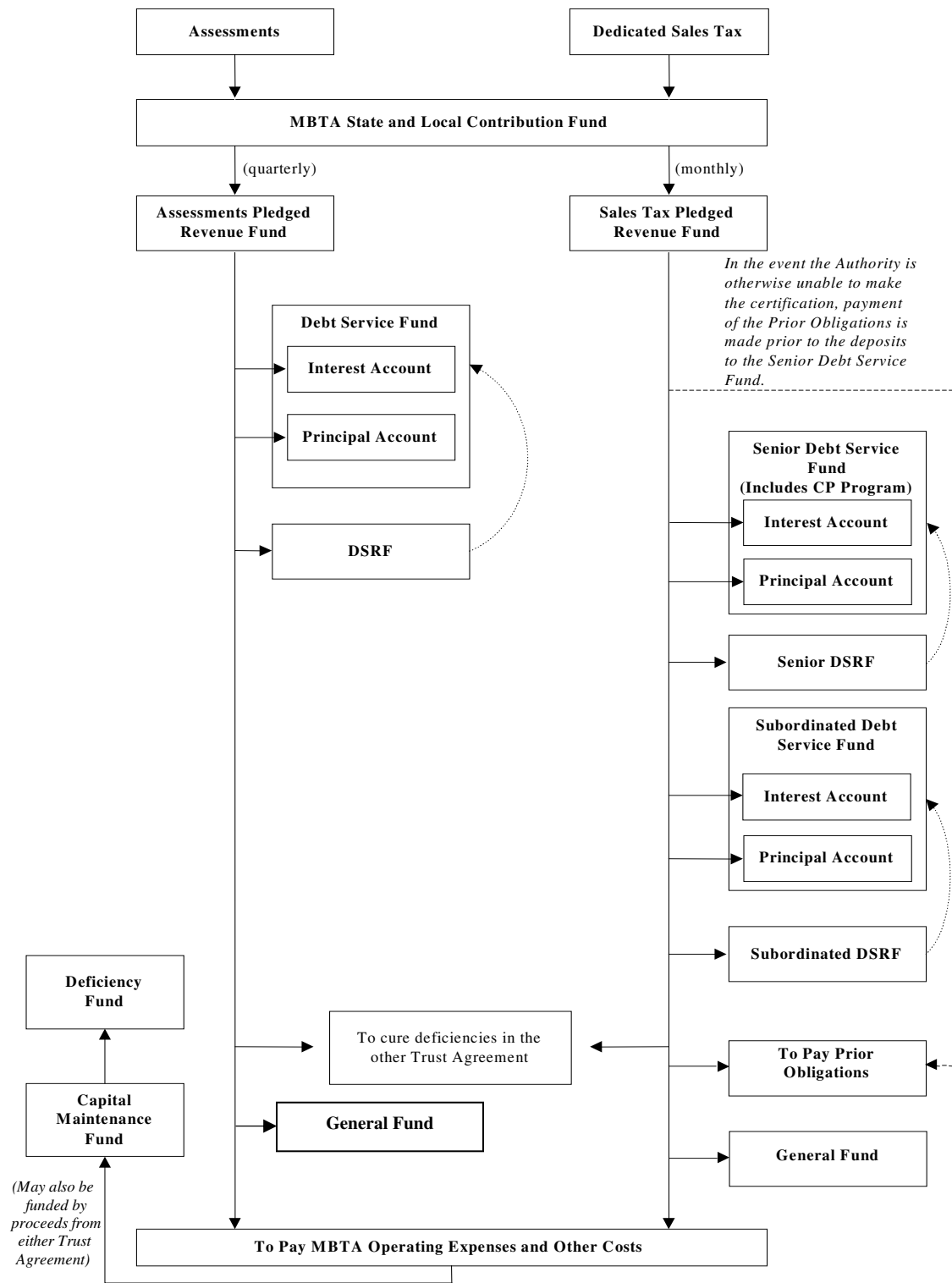
- (1) the Pledged Revenue Fund;
- (2) the Senior Debt Service Fund;
- (3) the Senior Debt Service Reserve Fund;
- (4) the Subordinated Debt Service Fund;
- (5) the Subordinated Debt Service Reserve Fund; and
- (6) the General Fund.

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

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

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

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



Provision for the Payment of Prior Obligations

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

Pledge of Amounts Payable Under the Assessment Bond Trust Agreement

Under the Assessment Bond Trust Agreement, the Authority pledges to the payment of Assessment Bonds pledged revenues, including the Assessments. There are four series of Assessment Bonds outstanding, in the aggregate principal amount of \$458,960,000 as of March 1, 2008. A portion of such Assessment Bonds may be refunded from the proceeds of the Authority 2008 Series B Bonds.

For Fiscal Year 2001, Assessments equaled \$144,578,734. Beginning in Fiscal Year 2002 and each Fiscal Year thereafter through Fiscal Year 2006, Assessments were reduced in five equal installments until the Assessments in Fiscal Year 2006 total \$136,026,868. Each year thereafter, Assessments are adjusted for inflation, provided that such amount shall not increase by more than 2.5% annually. Assessments for Fiscal Year 2008 shall be \$142,913,229. Total Assessments for Fiscal Year 2009 are expected to be \$146,486,059. Under the Sales Tax Bond Trust Agreement, to the extent the amounts in the Senior Debt Service Fund or the Subordinated Debt Service Fund are insufficient to pay Net Debt Service on Sales Tax Bonds, including the Bonds, the Trustee shall deliver a certificate to the Authority and the trustee under the Assessment Bond Trust Agreement setting forth the amount of the shortfall and shall receive such amount from the Pledged Revenue Fund under the Assessment Bond Trust Agreement, to the extent available after deposits are made to pay debt service on, to fund the debt service reserve fund for and to pay rebate with respect to any Assessment Bonds issued under the Assessment Bond Trust Agreement. For further information relating to the Assessment Bond Trust Agreement and Assessments, see "ASSESSMENT BOND TRUST AGREEMENT AND ASSESSMENTS" and APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE ASSESSMENT BOND TRUST AGREEMENT."

Pledge Under Sales Tax Bond Trust Agreement to Assessment Bonds

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

Senior Debt Service Reserve Fund

To the extent that amounts in the Senior Debt Service Fund, together with amounts transferred from the Assessment Bond Trust Agreement as described under "Pledge of Amounts Payable Under the Assessment Bond Trust Agreement," are insufficient to pay Net Debt Service, when due, on Senior Sales Tax Bonds, deficiencies shall be made up from amounts in the Senior Debt Service Reserve Fund. The Sales Tax Bond Trust Agreement requires the Authority to maintain cash and investment obligations or surety bonds, insurance policies, letters of credit or similar instruments in the Senior Debt Service Reserve Fund equal to the amount set forth in a certificate of an Authorized Officer of the Authority filed with the Trustee by July 1 of each year, which certificate may be modified from time to time by such Authorized Officer (the "Senior Debt Service Reserve Fund Requirement"); provided that such amount shall not be less than the

Minimum Senior Debt Service Reserve Requirement. The Minimum Senior Debt Service Reserve Requirement shall equal the sum of the least of the following amounts for the Bonds and any series of Senior Sales Tax Bonds: one-half of the least of (i) 10% of the original net proceeds from the sale of such series; (ii) 125% of average annual Debt Service for such series; and (iii) the maximum amount of Debt Service due on such series in any future Fiscal Year, or, in any event, such lesser amount as may be required to comply with the Code. See APPENDIX A – “SUMMARY OF CERTAIN PROVISIONS OF THE SALES TAX BOND TRUST AGREEMENT – Definitions” and “Senior Debt Service Reserve Fund.” To the extent that the amount on deposit in the Senior Debt Service Reserve Fund is less than the Senior Debt Service Reserve Fund Requirement, the Authority is required to restore the amount on deposit in such Senior Debt Service Reserve Fund. Upon issuance of the Bonds, the Senior Debt Service Reserve Fund will be fully funded.

Deficiency Fund and Capital Maintenance Fund

Under a separate resolution, the Authority has created a Deficiency Fund and a Capital Maintenance Fund, each of which are pledged to the holders of 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 March 1, 2008, the Deficiency Fund Requirement and the Capital Maintenance Fund Requirement equaled \$15.3 million and \$39.8 million, respectively. The Deficiency Fund is held by the Authority and is expected to be used in its entirety to pay debt service on Authority bonds, notes and other obligations and other expenses of the Authority during Fiscal Year 2009. The Capital Maintenance Fund is held by the Authority, a portion of which is expected to be use during Fiscal Year 2009 to pay a portion of the Authority’s expenses. See “THE AUTHORITY - Operations.”

Additional Indebtedness

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

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

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

For Fiscal Years 2008 - 2038, coverages for purposes of the additional bonds tests described in the preceding paragraph are projected to be approximately 14.06 to 73.63 for the purpose of the test set forth in clause (iii) above and approximately 1.89 to 34.61 for the test set forth in clause (iv)(a) above, in each case after giving effect to the issuance of the Bonds and the refunding of the Refunded Bonds. Pursuant to the Trust Agreement, for any bonds of the Authority bearing interest at a variable rate (for which the interest rate has not yet been determined) such coverages were calculated utilizing the “25-year revenue bond index” most recently published in The Bond Buyer.

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

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

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

Statutory Covenant

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

In order to increase the marketability of any bonds or notes of the Authority which may be secured by or payable from amounts held in the Commonwealth's MBTA State and Local Contribution Fund, the sums to be credited to the Fund ... are hereby impressed with a trust for the benefit of the Authority and the holders from time to time of any such bonds or notes, and, in consideration of the acceptance of payment for any such bonds or notes, the Commonwealth covenants with the purchasers and all subsequent holders and transferees of any such bonds or notes that while any such bond or note shall remain outstanding, and so long as the principal of or interest on any such bond or note shall remain unpaid, the sums to be credited to the Fund ... shall not be diverted from the purposes identified [in the Enabling Act] and, so long as such sums are necessary, as determined by the Authority in accordance with any applicable trust agreement, bond resolution, or credit enhancement agreement, for the purposes for which they have been pledged, the rates of the excises imposed by said chapters 64H and 64I shall not be reduced below the dedicated sales tax revenue amount or the base revenue amount and the amount to be assessed on cities and towns pursuant to [the Enabling Act] shall not be reduced below \$136,026,868 per Fiscal Year.

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

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

DEDICATED SALES TAX

Under the Enabling Act, the Dedicated Sales Tax consists of the greater of the base revenue amount or the dedicated sales tax revenue amount. The dedicated sales tax revenue amount is equal to the amount raised by a one percent (1%) statewide sales tax, which equals 20% of the existing statewide 5% sales tax (excluding meals tax). The base revenue amount 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.

The following table sets forth, for Fiscal Year 2001 through Fiscal Year 2009, the base revenue amount as certified by the Comptroller in accordance with the Enabling Act:

Fiscal Year	Base Revenue Amount	Percent Increase
2001	\$645,000,000	---
2002	664,350,000	3.00%
2003	684,280,500	3.00
2004	684,280,500	0.00
2005	704,808,915	3.00
2006	712,585,739	1.10
2007	733,963,311	3.00
2008	755,982,210	3.00
2009	767,056,684	1.46

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 2007, the base revenue amount of \$733.96 million exceeded the preliminary dedicated sales tax revenue estimate of \$696.3 million and the difference was credited to the State and Local Contribution Fund. On March 1, 2007, the Comptroller certified, with respect to Fiscal Year 2008, that the projected base revenue amount was \$755.98 million. Based on Fiscal Year 2008 consensus estimates, the Department of Revenue currently estimates that the projected dedicated sales tax revenue amount for Fiscal Year 2008 will be \$700.74 million, below the base revenue amount of \$755.98 million. The difference is credited to the State and Local Contribution Fund. On March 1, 2008, the Comptroller certified, with respect to Fiscal Year 2009, that the projected base revenue amount was \$767.06 million. Based on Fiscal Year 2009 consensus estimates, the Department of Revenue currently estimates that the projected dedicated sales tax revenue amount for Fiscal Year 2009 will be \$722.53 million, below the base revenue amount of \$767.06 million. The difference is 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 2007, 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 2003, 2004, 2005, 2006 and 2007 were \$34,898, \$55,573, \$992,105, \$956,735 and \$1,664,557, 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	1993	\$1,820,971,551	\$364,194,310	8.2
1978	520,701,180	104,140,236	17.8	1994	1,978,773,555	395,754,711	8.7
1979	577,811,734	115,562,347	11.0	1995	2,136,971,274	427,394,255	8.0
1980	608,428,226	121,685,645	5.3	1996	2,252,083,428	450,416,686	5.4
1981	704,188,866	140,837,773	15.7	1997	2,494,701,986	498,940,397	10.8
1982	753,147,231	150,629,446	7.0	1998	2,572,447,261	514,489,452	3.1
1983	865,291,925	173,058,385	14.9	1999	2,833,016,602	566,603,320	10.1
1984	1,041,797,387	208,359,477	20.4	2000	3,107,166,500	621,433,300	9.7
1985	1,209,522,818	241,904,564	16.1	2001	3,272,953,839	654,590,768	5.3
1986	1,452,092,246	290,418,449	20.1	2002	3,193,946,638	638,789,328	(2.4)
1987	1,600,004,046	320,000,809	10.2	2003	3,196,008,691	639,201,738	0.1
1988	1,733,312,576	346,662,515	8.3	2004	3,211,141,238	642,228,248	0.5
1989	1,787,062,915	357,412,583	3.1	2005	3,330,838,208	666,167,642	3.7
1990	1,660,519,469	332,103,894	(7.1)	2006	3,420,208,843	684,041,769	2.7
1991	1,617,727,175	323,545,435	(2.6)	2007	3,458,884,551	691,776,910	1.1
1992	\$1,682,319,431	\$336,463,886	4.0				

Source: Massachusetts Department of Revenue

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

** Estimated dedicated sales tax revenue amount.

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

ASSESSMENT BOND TRUST AGREEMENT AND ASSESSMENTS

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

Pledge Under the Assessment Bond Trust Agreement

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

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

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

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

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

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

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

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

Flow of Funds

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

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

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

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

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

Indebtedness Under the Assessment Bond Trust Agreement

For a description of the conditions to the Authority issuing indebtedness under the Assessment Bond Trust Agreement, see APPENDIX C – “SUMMARY OF CERTAIN PROVISIONS OF THE ASSESSMENT BOND TRUST AGREEMENT.”

Statutory Covenant

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

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

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

Assessments

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

The Dedicated Revenues are credited upon receipt, without appropriation, to the Commonwealth’s State and Local Contribution Fund. Such amounts shall be disbursed to the Authority upon the request of the General Manager 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 2008 budget, the Authority certified that it has provided for the payment of Prior Obligations during Fiscal Year 2008 in such annual budget. The Authority has requested funding for the payment of Prior Obligations in its Fiscal Year 2009 budget and will certify that it has provided for the payment of Prior Obligations during Fiscal Year 2009 upon approval of such annual budget by the Advisory Board.

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. Beginning in Fiscal Year 2006, Assessments cannot be less than \$136,026,868 and are adjusted 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 Years 2007 and 2008 were \$139,427,540 and \$142,913,229, respectively. Total Assessments for Fiscal Year 2009 are expected to be \$146,486,059. 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 F –

“INFORMATION REGARDING ASSESSMENTS AND LOCAL AID” for historical information on the amounts of Local Aid, Authority Assessments and other assessments related to the cities and towns in the Authority’s territory.

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

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

If the amount of assessments and other charges due to the Commonwealth by a particular city or town exceeds the amount of its Local Aid, Section 20 provides that the local treasurer must pay the remaining amount owed to the State Treasurer pursuant to a schedule established by the Secretary of Administration and Finance. If the amount is not paid by the city or town within the time specified, the State Treasurer must notify the local treasurer, who must then pay into the state treasury, in addition to the sum assessed, such further sum as would equal 1% per month during the delinquency from and after the time specified. If the amount remains unpaid after the expiration of ten (10) 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 F – “INFORMATION REGARDING ASSESSMENTS AND LOCAL AID.”

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.

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.

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 2007, the aggregate property tax levy grew from \$3.347 billion to \$10.489 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 Years 2006 and 2007, 18% and 19.6%, respectively, of the Commonwealth's budgeted spending was allocated to direct Local Aid. Since Fiscal Year 2006 Local Aid expenditures are exclusive of the school building assistance program, which was restructured and moved off budget in Fiscal Year 2006. 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 2007 and 2008, respectively, \$3.506 billion and \$3.725 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.

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 the holders of the Bonds for federal income tax purposes. This opinion is expressly conditioned upon compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), which requirements must be satisfied subsequent to the date of issuance of the Bonds in order to ensure that interest on the Bonds is and continues to be excludable from the gross income of the holders thereof. Failure to so comply could cause the interest on the Bonds to be included in the gross income of the holders thereof, 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 and 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, 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 of holding the Bonds. However, prospective purchasers should be aware that (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 the holder's interest expense allocated to the Bonds, (ii) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(1) reduces the deduction for losses incurred by 15% 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 foreign 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 income, including interest on the Bonds, may, pursuant to section 32(i) of the Code, disqualify the recipient from obtaining the earned income credit otherwise provided by section 32(a) of the Code.

Interest paid on tax-exempt obligations such as the Bonds is now generally required to be reported by payors to the Internal Revenue Service ("IRS") and to recipients in the same manner as interest on taxable obligations. In addition, such interest may be subject to "backup withholding" if the Bond owner fails to provide the information required on IRS Form W-9, Request for Taxpayer Identification Number and Certification, or the IRS has specifically identified the Bond owner as being subject to backup withholding because of prior underreporting. Neither the information reporting requirement nor the backup withholding requirement affects the excludability of interest on the Bonds from gross income for federal tax purposes.

In the opinion of Bond Counsel, interest on the Bonds and any profit made on the sale thereof are also exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to the other Massachusetts tax consequences resulting from holding the Bonds. However, prospective purchasers should be aware 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, their transfer and the income therefrom, including any profit made on the sale thereof, under the laws of states other than the Commonwealth.

Prospective purchasers should be aware that the statutory framework on which this exemption from Massachusetts taxation is based is similar to that at issue in *Department of Revenue of Kentucky v. Davis*, 197 S.W. 3d 557 (Ky. App. 2006), cert. granted, 75 U.S.L.W. 3621 (May 21, 2007), in which the Kentucky court held that a statute which provided more favorable income tax treatment for holders of bonds issued by Kentucky issuers than for holders of out-of-state municipal bonds violated the Commerce Clause of the United States Constitution. The United States Supreme Court heard oral arguments on November 5, 2007. Should the Court affirm the holding of the Kentucky court, subsequent Massachusetts judicial decisions and/or legislation designed to ensure the constitutionality of Massachusetts tax law could, among other alternatives, adversely affect the Massachusetts tax exemption of outstanding bonds, including the Bonds, to the extent constitutionally permissible, or result in the exemption from Massachusetts income tax of interest on non-Massachusetts municipal bonds, either of which could affect the market price of the Bonds.

On the date of delivery of the Bonds, the original purchasers of the Bonds will be furnished with an opinion of Bond Counsel substantially in the form shown in "PROPOSED FORM OF OPINION OF BOND COUNSEL" attached hereto as Appendix D.

RATINGS

The Bonds have been assigned long-term ratings of “AAA” and “Aa2” and short-term ratings of “A-1+” and “VMIG-1” by Standard & Poor’s and Moody’s, respectively.

Generally, a rating agency bases its ratings on the information and materials furnished it and on investigations, studies and assumptions by the rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the rating agency originally establishing the rating, circumstances so warrant. The Underwriter has undertaken no responsibility either to bring to the attention of the owners of the Bonds any proposed revision or withdrawal of any rating of the Bonds or to oppose any such proposed revision or withdrawal. Any downward revision or withdrawal of the rating, or either of them, could have an adverse effect on the market price of the Bonds. Any rating should not be taken as a recommendation to buy, sell or hold 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 D will be delivered with the Bonds. Certain legal matters will be passed upon for the Underwriter by Nutter McClennen & Fish LLP, Boston, Massachusetts.

UNDERWRITING

Lehman Brothers Inc. (“Lehman Brothers”), as Underwriter of the Bonds, has agreed, subject to certain conditions, to purchase from the Authority the Bonds at a discount from the initial offering price of the Bonds equal to \$737,750. The initial public offering price of the Bonds may be changed from time to time by Lehman Brothers. Lehman Brothers 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 Underwriter 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: (i) 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 fund to provide for the payment of the principal of and interest and redemption premiums, if any, on the Refunded Bonds; and (ii) 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 Underwriter in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the "Rule"), the Authority will enter into a Continuing Disclosure Agreement with the Trustee for the benefit of owners of the Bonds setting forth the undertaking of the Authority regarding continuing disclosure with respect to the Bonds. The proposed form of the Continuing Disclosure Agreement is set forth in Appendix E. Pursuant to prior 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 for Prior Obligations was filed on July 1, 2005. The Authority has not failed to comply with any other undertaking to provide annual reports or notices of material events for the Sales Tax Bonds or the Assessment Bonds in accordance with the Rule.

MISCELLANEOUS

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

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

U.S. Bank National Association by acceptance of its duties as Trustee under the Sales Tax Bond Trust Agreement has not reviewed this Official Statement and makes no representations as to the information contained herein, including but not limited to, any representations as to the use of the proceeds of the Bonds or related activities.

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 SALES TAX BOND TRUST AGREEMENT

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

Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

City shall mean the City of Boston in the Commonwealth.

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

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

Commonwealth shall mean The Commonwealth of Massachusetts.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Indebtedness shall mean Sales Tax Bonds or Bond Anticipation Notes.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(xi) an Investment Agreement;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Qualified Institution shall mean (i) a bank, a trust company, a national banking association, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America, a corporation, a trust, a partnership, an unincorporated organization, or a government or an agency, instrumentality, program, account, fund, political subdivision or corporation thereof, in each case the unsecured or uncollateralized long-term debt obligations of which, or obligations secured or supported by a letter of credit, contract, agreement or surety bond issued by any such organization, at the time an Investment Agreement, Qualified Hedge Agreement, Credit Facility or Liquidity Facility is entered into by the Authority are rated in a category equal to or higher than its unenhanced, published rating on Outstanding Sales Tax Bonds by each Rating Agency which rates such obligations or (ii) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality. Pursuant to an amendment of the Trust Agreement by the Nineteenth Supplemental Trust Agreement, dated as of March 1, 2008, that certain Standby Bond Purchase Agreement provided by JPMorgan Chase Bank, National Association, or such Alternate Liquidity Facility assigned by the Rating Agencies ratings of “AA” from Standard & Poor’s Rating Group or “Aa” from Moody’s Investors Service, Inc. (without regard to gradation) is deemed to be a Liquidity Facility provided by a Qualified Institution solely for the purposes of the Authority’s Senior Sales Tax Bonds, Variable Rate Demand Obligations, 2008 Series A, consisting of 2008 Series A-1 and 2008 Series A-2.

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;

Notwithstanding anything in the Trust Agreement to the contrary, that certain Standby Bond Purchase Agreement provided by JPMorgan Chase Bank, National Association, or such Alternate Liquidity Facility assigned by the Rating Agencies ratings of "AA" from Standard & Poor's Rating Group or "Aa" from Moody's Investors Service, Inc. (without regard to gradation) is deemed to be a Liquidity Facility provided by a Qualified Institution solely for the purposes of the Authority's Senior Sales Tax Bonds, Variable Rate Demand Obligations, 2008 Series A, consisting of 2008 Series A-1 and 2008 Series A-2.

(5) A certificate of an Authorized Officer:

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

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

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

(iv) demonstrating that:

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

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

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

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

Special Provisions for Refunding Bonds

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

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

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

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

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

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

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

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

Bond Anticipation Notes

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

heading which may be Outstanding at any time shall be limited as and to the extent provided in the Act. (Section 205).

Additional Obligations

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

Hedging Transactions

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

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

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

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

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

(4) fees and termination payments, if any, payable to the Provider pursuant to such Qualified Hedge Agreement, other than solely as a result of an event of default with respect to the Provider or event affecting the Provider, shall be paid from amounts on deposit in the General Fund; and

(5) fees and termination payments, if any, payable to the Provider pursuant to such Qualified Hedge Agreement solely as a result of an event of default with respect to the Provider or event affecting the Provider shall be a general unsecured obligation of the Authority.

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

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

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

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

Redemption of Sales Tax Bonds

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

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

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

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

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

Establishment of Funds and Accounts

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

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

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

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

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

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

by such Supplemental Trust Agreement be held and administered by the Trustee and pledged to the Owners of the Sales Tax Bonds. (*Section 502 and Section 302 of the Fourth Supplemental Trust Agreement*).

Bond Proceeds Fund

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

Pledged Revenue Fund and Application Thereof

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

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

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

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

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

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

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

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

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

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

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

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

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

Rebate Fund

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

Senior Debt Service Fund

The Trustee shall pay out of the Senior Debt Service Fund to the respective Paying Agents (i) on or before each interest payment date for any of the Senior Sales Tax Bonds, the amount required for the interest payable on such date; (ii) on or before each Principal Installment due date, the amount required for the Principal Installment for Senior Sales Tax Bonds payable on such due date; and (iii) on or before any redemption date for the Senior Sales Tax Bonds, the amount required for the payment of the Redemption Price of and interest on the Senior Sales Tax Bonds then to be redeemed; provided, however, that if with respect to any Series of Senior Sales Tax Bonds or portions thereof the amounts due on any such interest payment date and/or Principal Installment due date and/or redemption date are intended to be paid from a source other than amounts in the Senior Debt Service Fund prior to any application of

amounts in the Senior Debt Service Fund to such payments, the Trustee shall not pay any such amounts to the Paying Agent until such amounts have failed to be provided from such other source at the time required and, if any such amounts due are paid from such other source, the Trustee shall apply the amounts in the Senior Debt Service Fund to provide reimbursement for such payment from such other source, as provided in the agreement governing reimbursement of such amounts to such other source. Such amounts shall be applied by the Paying Agents on and after the due dates thereof. The Trustee shall also pay out of the Senior Debt Service Fund (i) the accrued interest included in the purchase price of Senior Sales Tax Bonds purchased for retirement and (ii) upon written instruction of the Authority, any fees and charges related to Credit Facilities, Liquidity Facilities and Qualified Hedge Agreements with respect to Senior Sales Tax Bonds.

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

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

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

Senior Debt Service Reserve Fund

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

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

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

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

utilized by the Authority to repay any drawings on such surety bond, letter of credit or other similar obligation, but only if such repayment will result in a reinstatement of the amount available to be drawn under such surety bond, letter of credit or other similar obligation in an amount at least equal to the amount of such repayment. Notwithstanding the foregoing and anything in the Sales Tax Bond Trust Agreement to the contrary, any funds deposited to restore the Senior Debt Service Reserve Fund shall be applied to reinstate any surety bond, insurance policy, letter of credit or other similar obligation prior to depositing additional moneys and Investment Obligations therein.

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

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

Subordinated Debt Service Fund

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

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

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

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

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

Subordinated Debt Service Reserve Fund

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

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

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

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

surety bond, letter of credit or other similar obligation, but only if such repayment will result in a reinstatement of the amount available to be drawn under such surety bond, letter of credit or other similar obligation in an amount at least equal to the amount of such repayment.

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

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

General Fund

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

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

Investment of Funds

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

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

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

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

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

Satisfaction of Sinking Fund Installments

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

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

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

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

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

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

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

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

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

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

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

Particular Covenants of the Authority:

Payment of Sales Tax Bonds

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

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

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

Dedicated Payments

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

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

Accounts and Reports

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

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

Tax Covenant

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

Funding of Deficiency Fund and Capital Maintenance Fund

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

General

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

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

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

Trustee and Paying Agent

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

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

Supplemental Trust Agreements Not Requiring Consent of Bondowners

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

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

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

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

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

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

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

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

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

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

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

Supplemental Trust Agreements Effective with Consent of Bondowners

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

Amendments

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

For the purposes of this paragraph, a Series shall be deemed to be affected by a modification or amendment of the Sales Tax Bond Trust Agreement if the same adversely affects or diminishes the rights of the Owners of Sales Tax Bonds of such Series. The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment, Sales Tax Bonds of any particular Series or maturity would be affected by any modification or amendment of the Sales Tax Bond Trust Agreement. Any such determination may be based upon the written advice of Bond Counsel, if so requested by the Trustee, and shall be binding and conclusive on the Authority and all Owners of Sales Tax Bonds. For purposes of the provisions under this heading, the Owners of the Sales Tax Bonds may include the initial holders thereof, regardless of whether such Sales Tax Bonds are being held for immediate resale. (*Section 902*).

Events of Default

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

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

Remedies

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

Trustee for Subordinated Bondowners

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

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

Application of Pledged Revenues and Other Moneys After Default

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

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

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

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

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

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

Third: To the payment to the persons entitled thereto of all installments of interest then due on Subordinated Sales Tax Bonds in the order of the maturity of such installments, ratably, according

to the amounts of interest due thereon, to the persons entitled thereto, without any discrimination or preference; and

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

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

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

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

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

Defeasance

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

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

If, at any time (i) prior to the maturity date of defeased Sales Tax Bonds which are not to be redeemed prior to their maturity date or (ii) prior to the mailing of the notice of redemption referred to in clause (a) with respect to any defeased Sales Tax Bonds which are to be redeemed on any date prior to their maturity, the Authority shall purchase or otherwise acquire any such Sales Tax Bonds and deliver such Sales Tax Bonds to the Trustee prior to their maturity date or redemption date, as the case may be, the Trustee shall immediately cancel all such Sales Tax Bonds so delivered; such delivery of Sales Tax

Bonds to the Trustee shall be accompanied by directions from the Authority to the Trustee as to the manner in which such Sales Tax Bonds are to be applied against the obligation of the Trustee to pay or redeem defeased Sales Tax Bonds; all in accordance with the Assessment Bond Trust Agreement.

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

(3) For purposes of determining whether Variable Interest Rate Bonds are defeased, the interest to come due on such Variable Interest Rate Bonds on or prior to the maturity or redemption date thereof, as the case may be, shall be calculated at the maximum rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Variable Interest Rate Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys and Investment Obligations on deposit with the Trustee for the payment of interest on such Variable Interest Rate Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Variable Interest Rate Bonds in order to satisfy the second sentence of paragraph (2) under this heading, the Trustee shall, if requested, by the Authority, pay the amount of such excess to

the Authority free and clear of any trust, lien, security interest, pledge or assignment securing the Sales Tax Bonds or otherwise existing under the Sales Tax Bond Trust Agreement.

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

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

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

(7) In the event that after compliance with the provisions of paragraph (5) under this heading the Investment Obligations described in clause (z) of paragraph (2) under this heading are included in the Investment Obligations deposited with the Trustee in order to satisfy the requirements of clause (b) of paragraph (2) the provisions under this heading, then any notice of redemption to be mailed by the Trustee and any set of instructions relating to a notice of redemption given to the Trustee may provide, at the option of the Authority, that any redemption date or dates in respect of all or any portion of the Sales Tax Bonds to be redeemed on such date or dates may at the option of the Authority be changed to any other permissible redemption date or dates and that redemption dates may be established for any Sales

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

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

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

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

(11) Anything in the Sales Tax Bond Trust Agreement to the contrary notwithstanding, agreements and obligations of the Authority under the Sales Tax Bond Trust Agreement shall not be discharged and satisfied until all outstanding payment obligations to the provider of any surety bond, insurance policy, letter of credit or other similar obligation held in the Senior Debt Service Reserve Fund shall have been satisfied. (*Section 1005*).

**CERTAIN INFORMATION REGARDING BONDS IN THE
WEEKLY RATE PERIOD AND DAILY RATE PERIOD**

The following sets forth certain information found in the Nineteenth Supplemental Trust Agreement, including certain terms used in the Nineteenth Supplemental Trust Agreement not used elsewhere in this Official Statement, relating to Bonds bearing interest at the Weekly Rate and the Daily Rate. This summary does not purport to be complete and reference is made to the Nineteenth Supplemental Trust Agreement for full and complete statements of such terms and provisions.

Definitions (Section 101)

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

Accrual Period shall mean the period during which a 2008 Series A Bond accrues interest payable on any Interest Payment Date applicable thereto. The Accrual Period shall commence on (and include) the last Interest Payment Date to which interest has been paid (or, if no interest has been paid in such Interest Rate Period, from the date of original authentication and delivery of such 2008 Series A Bond, or the Interest Period Change Date, as the case may be) to, but not including, the Interest Payment Date on which interest is to be paid. If, at the time of authentication of any 2008 Series A Bond, interest is in default or overdue on the 2008 Series A Bonds, such 2008 Series A Bond shall bear interest from the date to which interest has previously been paid in full or made available for payment in full on Outstanding 2008 Series A Bonds.

Alternate Liquidity Facility shall mean any liquidity facility, insurance policy, line of credit, standby bond purchase agreement or other liquidity support or mechanism obtained, delivered, made, entered into or otherwise obtained for the purpose of providing for the purchase of tendered or deemed tendered 2008 Series A Bonds and as a replacement for or in substitution of the Standby Bond Purchase Agreement.

Authorized Denomination shall mean (i) with respect to 2008 Series A Bonds bearing interest at a Weekly Rate and a Daily Rate, \$100,000 and any integral multiple of \$5,000 in excess thereof; and (ii) with respect to 2008 Series A Bonds bearing interest at a Fixed Rate, \$5,000 and any integral multiple thereof.

Bank shall mean initially JPMorgan Chase Bank, National Association, as provider of the Standby Bond Purchase Agreement, its successors and assigns, or any provider of an Alternate Liquidity Facility.

Bank-Owned Bonds shall mean any 2008 Series A Bonds purchased by the Bank or its assignee pursuant to the Standby Bond Purchase Agreement or an Alternate Liquidity Facility and registered in the name of the Bank pursuant to the Nineteenth Supplemental Trust Agreement.

Business Day shall mean any day other than a Saturday, Sunday, a day on which banking institutions are authorized or required by law or executive order to be closed for commercial banking purposes in the State of New York or the Commonwealth, or any day on which banks in the cities in which the corporate trust office of the Trustee and the principal offices of the Bank and the Remarketing Agent are located are not authorized or required by law to remain closed and on which the New York Stock Exchange is not closed.

Conversion shall mean a conversion of the 2008 Series A Bonds from one Interest Rate Period to another Interest Rate Period pursuant to the Nineteenth Supplemental Trust Agreement.

Conversion Date shall mean the effective date of a Conversion of the 2008 Series A Bonds.

Daily Rate shall mean the per annum interest rate on any 2008 Series A Bond in the Daily Rate Period determined pursuant to the Nineteenth Supplemental Trust Agreement.

Daily Rate Period shall mean the Interest Rate Period during which the 2008 Series A Bonds bear interest at the Daily Rate.

Favorable Opinion of Bond Counsel shall mean, with respect to any action the occurrence of which requires such an opinion, an unqualified Opinion of Counsel, which shall be delivered by Bond Counsel, to the effect that such action is permitted under the Act and the Nineteenth Supplemental Trust Agreement and will not impair the exclusion of interest on the 2008 Series A Bonds from gross income for purposes of Federal income taxation (subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of the 2008 Series A Bonds).

Fixed Rate shall mean the per annum interest rate on any 2008 Series A Bond in the Fixed Rate Period determined pursuant to the Nineteenth Supplemental Trust Agreement.

Fixed Rate Period shall mean the Interest Rate Period during which all or a particular portion of the 2008 Series A Bonds bear interest at a Fixed Rate(s).

Interest Payment Date shall mean each July 1 and January 1, commencing July 1, 2008; provided that, if any such date is not a Business Day, the Interest Payment Date shall be the next succeeding Business Day; with respect to Bank-Owned Bonds, the Interest Payment Date shall have the meaning provided in the Standby Bond Purchase Agreement.

Interest Period Change Date shall mean, with respect to any 2008 Series A Bond in a particular Interest Rate Period, the day on which another Interest Rate Period for such 2008 Series A Bond begins.

Interest Period Change Notice shall mean the notice from the Authority to the other Notice Parties of the Authority's intention to change Interest Rate Periods.

Interest Rate Period shall mean each Daily Rate Period, Weekly Rate Period and Fixed Rate Period.

Mandatory Standby Tender shall mean the mandatory tender of the 2008 Series A Bonds pursuant to the Nineteenth Supplemental Trust Agreement upon receipt by the Trustee of written notice from the Bank that an event with respect to a Standby Bond Purchase Agreement has occurred which requires or gives the Bank the option to terminate such Standby Bond Purchase Agreement upon notice. Mandatory Standby Tender shall not include circumstances where the Bank may suspend or terminate its obligations to purchase securities without notice, in which case there will be no mandatory tender.

Maturity Date shall mean (i) with respect to the 2008 Series A-1 Bonds, July 1, 2021; and (ii) with respect to the 2008 Series A-2 Bonds, July 1, 2026.

Maximum Interest Rate shall mean the lessor of (i) 12% per annum; and (ii) the maximum rate of interest on the relevant obligation permitted by law; provided that with respect to Bank-Owned Bonds, the Maximum Interest Rate shall be defined solely by reference to subclause (ii) of the preceding clause.

Moody's shall mean Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating

agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority and approved by the Bank (which shall not be under any liability by reason of such approval).

Notice Parties shall mean the Authority, the Trustee, the Remarketing Agent, the Paying Agent and the Bank.

Paying Agent shall mean U.S. Bank National Association, a national association established under the laws of the United States of America, or any other commercial bank or trust company which may be substituted in its place as provided in the Trust Agreement.

Person shall mean a corporation, association, partnership, limited liability company, joint venture, trust, organization, business, individual or government or any governmental agency or political subdivision thereof.

Principal Payment Date shall mean any date upon which the principal amount of 2008 Series A Bonds is due hereunder, including the Maturity Date or any Redemption Date.

Rate Determination Date shall mean the date on which the interest rate on a 2008 Series A Bond shall be determined, which, (i) in the case of the Weekly Rate Period, shall be no later than the Business Day prior to the Interest Period Change Date, and thereafter, shall be each Tuesday or, if Tuesday is not a Business Day, the next succeeding day or, if such day is not a Business Day, then the Business Day next preceding such Tuesday; (ii) in the case of the Daily Rate Period, shall be each Business Day commencing with the first (1st) day the 2008 Series A Bonds become subject to the Daily Rate Period; and (iii) in the case of the Fixed Rate Period, shall be a date determined by the Remarketing Agent which shall be at least one (1) Business Day prior to the Interest Period Change Date to a Fixed Rate Period.

Record Date shall mean, with respect to 2008 Series A Bonds in a Daily Rate Period or a Weekly Rate Period, the Business Day next preceding each Interest Payment Date, and with respect to 2008 Series A Bonds in a Fixed Rate Period, the fifteenth (15th) day (whether or not a Business Day) of the month next preceding each Interest Payment Date.

Redemption Date shall mean the date fixed for redemption of 2008 Series A Bonds subject to redemption in any notice of redemption given in accordance with the terms of the Nineteenth Supplemental Trust Agreement.

Remarketing Agent shall mean Lehman Brothers Inc., or any other investment banking firm which may at any time be substituted in its place as provided in the Nineteenth Supplemental Trust Agreement.

Remarketing Agreement shall mean that certain Remarketing Agreement, dated April 2, 2008, by and between the Authority and the Remarketing Agent or any similar agreement between the Authority and any successor Remarketing Agent, as it may be amended or supplemented from time to time in accordance with its terms.

S&P shall mean Standard & Poor’s Rating Group, a division of McGraw-Hill, duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority and approved by the Bank (which shall not be under any liability by reason of such approval).

Securities Depository shall mean The Depository Trust Company, New York, New York or, if applicable, any successor securities depository appointed pursuant to the Nineteenth Supplemental Trust Agreement.

SIFMA Index shall mean, on any date, a rate determined on the basis of the seven (7) day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Securities Industry & Financial Markets Association (formerly the Bond Market Association) (“SIFMA”) or any Person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Authority and the Trustee and effective from such date.

Standby Bond Purchase Agreement shall mean that certain Standby Bond Purchase Agreement, dated as of March 1, 2008, by and between the Bank and the Authority, as the same may be amended or modified from time to time, or, if an Alternate Liquidity Facility has been issued, the standby bond purchase agreement, or corresponding agreement, if any, in connection with such Alternate Liquidity Facility.

Tender Date shall mean the date on which 2008 Series A Bonds are required to be purchased pursuant to the Nineteenth Supplemental Trust Agreement.

Tender Price shall mean the purchase price to be paid to the Bondowners of 2008 Series A Bonds purchased pursuant to the terms of the Nineteenth Supplemental Trust Agreement, which shall be equal to the principal amount thereof tendered for purchase, without premium, plus accrued interest from the immediately preceding Accrual Period to the Tender Date (if the Tender Date is not an Interest Payment Date).

Undelivered Bond shall mean any 2008 Series A Bond which constitutes an Undelivered Bond under the provisions of the Nineteenth Supplemental Trust Agreement.

Weekly Rate shall mean the per annum interest rate on any 2008 Series A Bond in the Weekly Rate Period determined pursuant to the Nineteenth Supplemental Trust Agreement.

Weekly Rate Period shall mean the Interest Rate Period during which the 2008 Series A Bonds bear interest at the Weekly Rate.

Weekly Rate and Weekly Rate Period (Section 208(d))

Determination of Weekly Rate. During each Weekly Rate Period, the 2008 Series A Bonds shall bear interest at the Weekly Rate, which shall be determined by the Remarketing Agent by 5:00 p.m. on Tuesday of each week during the Weekly Rate Period, or if such day is not a Business Day, then on the next succeeding Business Day. The first Weekly Rate for each Weekly Rate Period shall be determined on or prior to the first (1st) day of such Weekly Rate Period and shall apply to the period commencing on the first (1st) day of such Weekly Rate Period and ending on and including the next succeeding Tuesday. Thereafter, each Weekly Rate shall apply to the period commencing on and including Wednesday and ending on and including the next succeeding Tuesday, unless such Weekly Rate Period ends on a day other than Tuesday, in which event the last Weekly Rate for such Weekly Rate Period shall apply to the period commencing on and including the Wednesday preceding the last day of such Weekly Rate Period and ending on and including the last day of such Weekly Rate Period.

Each Weekly Rate with respect to the 2008 Series A Bonds shall be the rate of interest per annum determined by the Remarketing Agent (based on an examination of tax exempt obligations comparable, in the judgment of the Remarketing Agent, to the 2008 Series A Bonds and known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest

rate which, if borne by the 2008 Series A Bonds, would enable the Remarketing Agent to sell all of the 2008 Series A Bonds on the effective date of that rate at a price (without regard to accrued interest) equal to the principal amount thereof.

If the Remarketing Agent fails to establish a Weekly Rate for any week with respect to the 2008 Series A Bonds bearing interest at such rate, then the Weekly Rate for such week with respect to such 2008 Series A Bonds shall be the same as the immediately preceding Weekly Rate if such Weekly Rate was determined by the Remarketing Agent. If the immediately preceding Weekly Rate was not determined by the Remarketing Agent, or if the Weekly Rate determined by the Remarketing Agent is held to be invalid or unenforceable by a court of law, then the Weekly Rate for such week, as determined by the Remarketing Agent, shall be equal to 110% of the SIFMA Index, or if such index is no longer available, 85% of the interest rate on thirty (30) day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* on the day such Weekly Rate would otherwise be determined as provided herein for such Weekly Rate Period.

Conversion to Weekly Rate. Subject to certain provisions of the Nineteenth Supplemental Trust Agreement, the Authority may, from time to time, by written direction to the Trustee, the Remarketing Agent and the Bank, elect that the 2008 Series A Bonds shall bear interest at a Weekly Rate. The direction of the Authority shall specify (A) the proposed effective date of the Conversion to a Weekly Rate, which shall be a Business Day not earlier than the thirtieth (30th) day following the second (2nd) Business Day after receipt by the Trustee of such direction and (B) the Tender Date for the 2008 Series A Bonds to be purchased, which shall be the proposed effective date of the Conversion to a Weekly Rate. In addition, the direction of the Authority shall be accompanied by a form of notice to be mailed to the Bondowners of the 2008 Series A Bonds by the Trustee as provided in the Nineteenth Supplemental Trust Agreement. During each Weekly Rate Period for the 2008 Series A Bonds commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Interest Rate Period, the interest rate borne by the 2008 Series A Bonds shall be a Weekly Rate.

Notice of Conversion to Weekly Rate. The Trustee shall give notice by first class mail of a Conversion to a Weekly Rate to the Bondowners of the 2008 Series A Bonds not less than thirty (30) days prior to the proposed effective date of such Weekly Rate Period. Such notice shall state (A) that the interest rate shall be converted to a Weekly Rate unless the Authority rescinds its election to convert the interest rate to a Weekly Rate as provided in the Nineteenth Supplemental Trust Agreement; (B) the proposed effective date of the Weekly Rate Period; (C) that the 2008 Series A Bonds are subject to mandatory tender for purchase on the proposed effective date and setting forth the Tender Price and the place of delivery for purchase of the 2008 Series A Bonds; and (D) such other information set forth in the Nineteenth Supplemental Trust Agreement.

Daily Rate and Daily Rate Period (Section 208(e))

Determination of Daily Rate. During each Daily Rate Period, the 2008 Series A Bonds shall bear interest at the Daily Rate, which shall be determined by the Remarketing Agent on each Business Day for such Business Day.

The Daily Rate shall be the rate of interest per annum determined by the Remarketing Agent (based on an examination of tax exempt obligations comparable, in the judgment of the Remarketing Agent, to the 2008 Series A Bonds and known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) on or before 9:30 a.m. on a Business Day to be the minimum interest rate which, if borne by such 2008 Series A Bonds, would enable the Remarketing Agent to sell all of such 2008 Series A Bonds on such Business Day at a price (without regard to accrued interest) equal to the principal amount thereof. The Daily Rate for any day which is not a Business Day shall be the same as the Daily Rate for the immediately preceding Business Day.

If for any reason a Daily Rate for the 2008 Series A Bonds is not so established for any Business Day by the Remarketing Agent, the Daily Rate for such Business Day shall be the same as the Daily Rate for the immediately preceding day and such rate shall continue until the earlier of (A) the date on which the Remarketing Agent determines a new Daily Rate or (B) the seventh (7th) day succeeding the first such day on which such Daily Rate is not determined by the Remarketing Agent. In the event that the Daily Rate shall be held to be invalid or unenforceable by a court of law, or the Remarketing Agent fails to determine a new Daily Rate for a period of seven (7) days as described in clause (B) of the immediately preceding sentence, the interest rate applicable to the 2008 Series A Bonds, as determined by the Remarketing Agent, shall be the interest rate per annum equal to 110% of the SIFMA Index, or if such index is no longer available, 85% of the interest rate on thirty (30) day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* as reported for each Business Day (and for the immediately preceding Business Day for each day which is not a Business Day) until such Daily Rate is again validly determined by the Remarketing Agent.

Conversion to Daily Rate. Subject to certain provisions of the Nineteenth Supplemental Trust Agreement, the Authority may, from time to time, by written direction to the Trustee, the Bank and the Remarketing Agent, elect that the 2008 Series A Bonds shall bear interest at a Daily Rate. The direction of the Authority shall specify (A) the proposed effective date of such Conversion to a Daily Rate, which shall be a Business Day not earlier than the thirtieth (30th) day following the second (2nd) Business Day after receipt by the Trustee of such direction, and (B) the Tender Date for the 2008 Series A Bonds to be purchased, which shall be the proposed effective date of the Conversion to a Daily Rate. In addition, the direction of the Authority shall be accompanied by a form of notice to be mailed to the Bondowners of the 2008 Series A Bonds by the Trustee as provided in the Nineteenth Supplemental Trust Agreement. During each Daily Rate Period for the 2008 Series A Bonds commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Interest Rate Period, the interest rate borne by the 2008 Series A Bonds shall be a Daily Rate.

Notice of Conversion to Daily Rate. The Trustee shall give notice by first class mail of a Conversion to a Daily Rate Period to the Bondowners of the 2008 Series A Bonds not less than thirty (30) days prior to the proposed effective date of such Daily Rate Period. Such notice shall state (A) that the interest rate shall be converted to a Daily Rate unless the Authority rescinds its election to convert the interest rate to a Daily Rate as provided in the Nineteenth Supplemental Trust Agreement; (B) the proposed effective date of the Daily Rate Period; (C) that the 2008 Series A Bonds are subject to mandatory tender for purchase on the proposed effective date and setting forth the Tender Price and the place of delivery for purchase of such 2008 Series A Bonds and (D) such other information set forth in the Nineteenth Supplemental Trust Agreement.

Conversion of Interest Rate Periods (Section 209)

At the direction of the Authority from time to time, the 2008 Series A Bonds (unless in the Fixed Rate Period) may be converted, in whole or in part, from an Interest Rate Period to another Interest Rate Period (other than the Fixed Rate) as provided in the Nineteenth Supplemental Trust Agreement. If the 2008 Series A Bonds commence to bear interest at the Fixed Rate, the interest rate on such 2008 Series A Bonds may not thereafter be changed to another Interest Rate Period.

Notice Upon Converting Interest Rate. If the Authority elects to convert the interest rate of the 2008 Series A Bonds to a Weekly Rate, a Daily Rate or a Fixed Rate as provided in the Nineteenth Supplemental Trust Agreement, the written direction furnished by the Authority to the Trustee, the Bank and the Remarketing Agent as required by the Nineteenth Supplemental Trust Agreement shall be made by registered or certified mail, or by telecopy confirmed by registered or certified mail. That direction shall specify whether the 2008 Series A Bonds are to bear interest at the Weekly Rate, the Daily Rate or the Fixed Rate and shall be accompanied by (1) a copy of the notice required to be given by the Trustee pursuant to the Nineteenth Supplemental Trust Agreement; and (2) a Favorable Opinion of Bond Counsel.

Rescission of Election. In connection with any Conversion of the Interest Rate Period for the 2008 Series A Bonds, the Authority shall have the right to deliver to the Trustee, the Remarketing Agent and the Bank on or prior to 11:00 a.m. on the Business Day preceding the effective date of any such Conversion a notice to the effect that the Authority elects to rescind its election to make such Conversion. If the Authority rescinds its election to make such Conversion, then the 2008 Series A Bonds shall bear interest at a Weekly Rate commencing on the date which would have been the effective date of the Conversion unless the 2008 Series A Bonds were in a Daily Rate Period. If the 2008 Series A Bonds were in a Daily Rate Period immediately prior to such proposed Conversion, then the 2008 Series A Bonds shall continue to bear interest at the Daily Rate as in effect immediately prior to such proposed Conversion. In any event, if notice of a Conversion has been mailed to the Bondowners of such 2008 Series A Bond as provided in the Nineteenth Supplemental Trust Agreement and the Authority rescinds its election to make such Conversion, then the 2008 Series A Bonds shall continue to be subject to mandatory tender for purchase on the date which would have been the effective date of the Conversion as provided in the Nineteenth Supplemental Trust Agreement.

Certain Additional Conditions. No Conversion from one Interest Rate Period to another Interest Rate Period shall take effect under the Nineteenth Supplemental Trust Agreement unless each of the following conditions, to the extent applicable, shall have been satisfied.

(i) With respect to the new Interest Rate Period, there shall be in effect a Standby Bond Purchase Agreement if and as required under the Nineteenth Supplemental Trust Agreement.

(ii) The Trustee shall have received a Favorable Opinion of Bond Counsel with respect to such Conversion dated the effective date of such Conversion.

(iii) In the case of any Conversion with respect to which there shall be no Standby Bond Purchase Agreement in effect to provide funds for the purchase of 2008 Series A Bonds on the Conversion Date, the remarketing proceeds available on the Conversion Date shall not be less than the amount required to purchase all of the 2008 Series A Bonds at the Tender Price (not including any premium).

Failure to Meet Conditions. In the event that any condition to the Conversion of the 2008 Series A Bonds shall not have been satisfied as provided in the Nineteenth Supplemental Trust Agreement, then the 2008 Series A Bonds shall bear interest at a Weekly Rate commencing on the date which would have

been the effective date of the Conversion unless the 2008 Series A Bonds were in a Daily Rate Period immediately prior to such proposed Conversion. If the 2008 Series A Bonds were in a Daily Rate Period immediately prior to such proposed Conversion, then the 2008 Series A Bonds shall continue to bear interest at the Daily Rate as in effect immediately prior to such proposed Conversion. The 2008 Series A Bonds shall continue to be subject to mandatory tender for purchase on the date which would have been the effective date of the Conversion as provided in the Nineteenth Supplemental Trust Agreement.

Conversion to Fixed Rate Period (Section 208(f))

Subject to certain provisions of the Nineteenth Supplemental Trust Agreement, the Authority may, by written direction to the Trustee, the Remarketing Agent and the Bank, elect that the 2008 Series A Bonds shall bear interest at a Fixed Rate for the balance of the term thereof. The direction of the Authority shall specify the proposed effective date of such Conversion to a Fixed Rate, which shall be a Business Day not earlier than the thirtieth (30th) day following the second (2nd) Business Day after receipt by the Trustee of such direction. In addition, the direction of the Authority shall be accompanied by a form of notice to be mailed to the Bondowners of the 2008 Series A Bonds by the Trustee as provided in the Nineteenth Supplemental Trust Agreement. During the Fixed Rate Period for the 2008 Series A Bonds commencing on a date so specified and ending on their stated maturity or earlier redemption thereof, the interest rate borne by the 2008 Series A Bonds shall be a Fixed Rate. If the 2008 Series A Bonds commence to bear interest at the Fixed Rate as provided in the Nineteenth Supplemental Trust Agreement, the interest rate on such 2008 Series A Bonds may not thereafter be changed to another Interest Rate Period.

Notice of Conversion to Fixed Rate. The Trustee shall give notice by first class mail of a Conversion to a Fixed Rate Period to the Bondowners of the 2008 Series A Bonds not less than thirty (30) days prior to the proposed effective date of such Fixed Rate Period. Such notice shall state (A) that the interest rate shall be converted to a Fixed Rate unless the Authority rescinds its election to convert the interest rate to a Fixed Rate as provided in the Nineteenth Supplemental Trust Agreement; (B) the proposed effective date of the Fixed Rate Period; (C) that the 2008 Series A Bonds are subject to mandatory tender for purchase on the proposed effective date and setting forth the Tender Price and the place of delivery for purchase of such 2008 Series A Bonds; and (D) such other information set forth in the Nineteenth Supplemental Trust Agreement.

Optional Tender (Section 302(c) and (d))

During Weekly Rate Period. During any Weekly Rate Period, any 2008 Series A Bond (other than a Bank-Owned Bond) bearing interest at a Weekly Rate shall be purchased in an Authorized Denomination (provided that the amount of any such 2008 Series A Bond not to be purchased shall also be in an Authorized Denomination) from its Bondowner at the option of the Bondowner on any Business Day at a purchase price equal to the Tender Price, payable in immediately available funds, upon delivery to the Trustee at its principal office for delivery of 2008 Series A Bonds, and to the Remarketing Agent, of an irrevocable written notice which states the principal amount of such 2008 Series A Bond, the principal amount thereof to be purchased and the date on which the same shall be purchased, which date shall be a Business Day not prior to the seventh (7th) day after the date of the delivery of such notice to the Trustee. Any notice delivered to the Trustee after 4:00 p.m. shall be deemed to have been received on the next succeeding Business Day. Bank-Owned Bonds may not be tendered for purchase at the option of the Bondowner thereof. For payment of the Tender Price on the Tender Date, such 2008 Series A Bond must be delivered at or prior to 10:00 a.m. on the Tender Date to the Trustee at its principal office for delivery of 2008 Series A Bonds accompanied by an instrument of transfer, in form satisfactory to the Trustee executed in blank by the Bondowner or its duly authorized attorney, with such signature guaranteed by a commercial bank, trust company, or member firm of the New York Stock Exchange.

During any Weekly Rate Period for which the book-entry-only system described in the Nineteenth Supplemental Trust Agreement is in effect, any 2008 Series A Bond bearing interest at the Weekly Rate or portion thereof (provided that the principal amount of such 2008 Series A Bond to be purchased and the principal amount to be retained shall each be an Authorized Denomination) shall be purchased on the date specified in the notice referred to below at the Tender Price. The irrevocable written notice, executed by the participant, shall be delivered on any Business Day by the participant for such 2008 Series A Bond to the Trustee at its principal office for the delivery of such 2008 Series A Bonds, and to the Remarketing Agent. That notice shall state the principal amount of such 2008 Series A Bond (or interest therein), the portion thereof to be purchased and the date on which the same shall be purchased, which date shall be a Business Day at least seven (7) days after the date of delivery of such notice to the Trustee. Upon confirmation by the Securities Depository to the Trustee that such participant has an ownership interest in the 2008 Series A Bonds at least equal to the amount of 2008 Series A Bonds specified in such irrevocable written notice, payment of the Tender Price of such 2008 Series A Bond shall be made as soon as practicably possible upon the receipt by the Trustee of the Tender Price as set forth in the Nineteenth Supplemental Trust Agreement on the Business Day specified in the notice upon the transfer on the registration books of the Securities Depository of the beneficial ownership interest in such 2008 Series A Bond tendered for purchase to the account of the Trustee, or a participant acting on behalf of such Trustee, on the date specified in such notice.

During Daily Rate Period. During any Daily Rate Period, any 2008 Series A Bond (other than a Bank-Owned Bond) bearing interest at a Daily Rate shall be purchased in an Authorized Denomination (provided that the amount of any such 2008 Series A Bond not to be purchased shall also be in an Authorized Denomination) from its Bondowner at the option of the Bondowner on any Business Day at a purchase price equal to the Tender Price, payable in immediately available funds, upon delivery to the Trustee at its principal office for delivery of 2008 Series A Bonds, and to the Remarketing Agent, by no later than 10:00 a.m. on such Business Day, of an irrevocable written notice or an irrevocable telephonic notice, promptly confirmed by telecopy or other writing, which states the principal amount of such 2008 Series A Bonds to be purchased and the date of purchase. For payment of such purchase price on the date specified in such notice, such 2008 Series A Bonds must be delivered, at or prior to 10:00 a.m., on such Business Day, to the Trustee at its principal office for delivery of 2008 Series A Bonds, accompanied by an instrument of transfer thereof, in form satisfactory to such Trustee, executed in blank by the Bondowner thereof or its duly authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

During any Daily Rate Period for which the book entry only system described in the Nineteenth Supplemental Trust Agreement is in effect, any 2008 Series A Bond bearing interest at the Daily Rate or portion thereof (provided that the principal amount of such 2008 Series A Bond to be purchased and the principal amount to be retained shall each be an Authorized Denomination) shall be purchased on the date specified in the notice referred to below at the Tender Price. The irrevocable written notice, executed by the participant, shall be delivered on any Business Day by the participant for such 2008 Series A Bond to the Trustee at its principal office for the delivery of such 2008 Series A Bonds, and to the Remarketing Agent, prior to 10:00 a.m. That notice shall state the principal amount of such 2008 Series A Bond (or interest therein), the portion thereof to be purchased and the date on which the same shall be purchased. Upon confirmation by the Securities Depository to the Trustee that such participant has an ownership interest in the 2008 Series A Bonds at least equal to the amount of 2008 Series A Bonds specified in such irrevocable written notice, payment of the Tender Price of such 2008 Series A Bond shall be made as soon as practicably possible upon the receipt by the Trustee of the Tender Price as set forth in the Nineteenth Supplemental Trust Agreement on the Business Day specified in the notice upon the transfer on the registration books of the Securities Depository of the beneficial ownership interest in such 2008 Series A Bond tendered for purchase to the account of the Trustee, or a participant acting on behalf of such Trustee, on the date specified in such notice.

Mandatory Tender (Section 302(e), (f) and (g))

Mandatory Tender for Purchase on First Day of Each Interest Rate Period. The 2008 Series A Bonds shall be subject to mandatory tender for purchase on the first (1st) day of each Interest Rate Period (or on the day which would have been the first (1st) day of an Interest Rate Period had certain events specified in the Nineteenth Supplemental Trust Agreement not occurred which resulted in the interest rate on such 2008 Series A Bonds not being converted) at the Tender Price, payable in immediately available funds. For payment of the Tender Price on the Tender Date, a 2008 Series A Bond must be delivered at or prior to 10:00 a.m. on the Tender Date. If delivered after that time, the Tender Price shall be paid on the next succeeding Business Day.

Mandatory Tender for Purchase upon Termination, Replacement or Expiration of Standby Bond Purchase Agreement; Mandatory Standby Tender. If at any time the Trustee gives notice, in accordance with the Nineteenth Supplemental Trust Agreement, that the Tender Price on the 2008 Series A Bonds tendered for purchase shall, on the date specified in such notice, cease to be subject to purchase pursuant to the Standby Bond Purchase Agreement then in effect as a result of (i) the termination, replacement or expiration of the term, as extended, of the Standby Bond Purchase Agreement, including but not limited to termination at the option of the Authority in accordance with the terms of the Standby Bond Purchase Agreement; or (ii) the occurrence of a Mandatory Standby Tender, then each such 2008 Series A Bond shall be purchased or deemed purchased at the Tender Price. Any purchase of such 2008 Series A Bond pursuant to Nineteenth Supplemental Trust Agreement shall occur: (1) on the fifth (5th) Business Day preceding any such expiration or termination of the Standby Bond Purchase Agreement without replacement by an Alternate Liquidity Facility or upon any termination thereof as a result of a Mandatory Standby Tender; and (2) on the date of the replacement of the Standby Bond Purchase Agreement, in any case where an Alternate Liquidity Facility has been delivered to the Trustee pursuant to Nineteenth Supplemental Trust Agreement. In the case of any replacement, the existing Standby Bond Purchase Agreement will be drawn to pay the Tender Price, if necessary, rather than the Alternate Liquidity Facility. No such mandatory tender will be effected upon the replacement of the Standby Bond Purchase Agreement in the case where the Standby Bond Purchase Agreement is failing to honor conforming draws. The assignment of any Standby Bond Purchase Agreement which relieves the Bank of its obligation to purchase 2008 Series A Bonds shall be considered a replacement for the purposes of the Nineteenth Supplemental Trust Agreement.

Payment of the Tender Price of any such 2008 Series A Bond shall be made in immediately available funds on the Tender Date upon delivery of such 2008 Series A Bond to the Trustee at its principal office for delivery of 2008 Series A Bonds accompanied by an instrument of transfer, in form satisfactory to the Trustee, executed in blank by the Bondowner with the signature of such Bondowner guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange, at or prior to 10:00 a.m. on the Tender Date specified in Nineteenth Supplemental Trust Agreement.

Notice of Mandatory Tender for Purchase. In connection with any mandatory tender for purchase of 2008 Series A Bonds in accordance with the Nineteenth Supplemental Trust Agreement, the Trustee shall give the notice pursuant to the Nineteenth Supplemental Trust Agreement. Such notice shall state (i) if applicable, the type of Interest Rate Period to commence on such mandatory purchase date; (ii) if applicable, that the Standby Bond Purchase Agreement will expire, terminate or be replaced and that the 2008 Series A Bonds will no longer be payable from the Standby Bond Purchase Agreement then in effect and that any rating applicable to such 2008 Series A Bonds may be reduced or withdrawn; (iii) that the Tender Price of any 2008 Series A Bond subject to mandatory tender for purchase shall be payable only upon surrender of that 2008 Series A Bond to the Trustee at its principal office for delivery of 2008 Series A Bonds, accompanied by an instrument of transfer, in form satisfactory to the Trustee, executed in blank by the Bondowner or its duly authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange; (iv) that, provided that moneys

sufficient to effect such purchase shall have been provided through the remarketing of such 2008 Series A Bonds by the Remarketing Agent, through the Standby Bond Purchase Agreement or funds provided by the Authority, all 2008 Series A Bonds subject to mandatory tender for purchase shall be purchased on the mandatory Tender Date; and (v) that if any Bondowner of a 2008 Series A Bond subject to mandatory tender for purchase does not surrender that 2008 Series A Bond to the Trustee for purchase on the mandatory Tender Date, then that 2008 Series A Bond shall be deemed to be an Undelivered Bond, that no interest shall accrue on that 2008 Series A Bond on and after the mandatory Tender Date and that the Bondowner shall have no rights under the Nineteenth Supplemental Trust Agreement other than to receive payment of the Tender Price.

Irrevocable Notice Deemed to be Tender of Bond; Undelivered Bonds (Section 302(h))

The giving of notice by a Bondowner of 2008 Series A Bonds as provided in the Nineteenth Supplemental Trust Agreement shall constitute the irrevocable tender for purchase of each 2008 Series A Bond with respect to which such notice is given regardless of whether that 2008 Series A Bond is delivered to the Trustee for purchase on the relevant Tender Date.

The Trustee may refuse to accept delivery of any 2008 Series A Bond for which a proper instrument of transfer has not been provided. However, such refusal shall not affect the validity of the purchase of such 2008 Series A Bond as described in the Nineteenth Supplemental Trust Agreement. If any Bondowner of a 2008 Series A Bond who has given notice of tender of purchase pursuant the Nineteenth Supplemental Trust Agreement or any Bondowner of a 2008 Series A Bond subject to mandatory tender for purchase pursuant to the Nineteenth Supplemental Trust Agreement, shall fail to deliver that 2008 Series A Bond to the Trustee at the place and on the Tender Date and at the time specified, or shall fail to deliver that 2008 Series A Bond properly endorsed, that 2008 Series A Bond shall constitute an Undelivered Bond. If funds in the amount of the purchase price of the Undelivered Bond are available for payment to the Bondowner thereof on the Tender Date and at the time specified, then from and after the Tender Date and time of that required delivery (A) the Undelivered Bond shall be deemed to be purchased and shall no longer be deemed to be Outstanding under the Nineteenth Supplemental Trust Agreement; (B) interest shall no longer accrue on the Undelivered Bond; and (C) funds in the amount of the Tender Price of the Undelivered Bond shall be held uninvested by the Trustee for the benefit of the Bondowner thereof (provided that the Bondowner shall have no right to any investment proceeds derived from such funds).

Standby Bond Purchase Agreement (Sections 303 and 306)

The Standby Bond Purchase Agreement, in an amount equal to the sum of outstanding principal and interest of the 2008 Series A Bonds calculated at the Maximum Interest Rate for 364 days, or such other amount as may be approved by the rating agencies then rating the 2008 Series A Bonds, shall be maintained by the Authority for each subseries of 2008 Series A Bonds bearing interest at the Weekly Rate or the Daily Rate.

Requests to Pay Tender Price. If there is not a sufficient amount of money available to pay the Tender Price on a Tender Date on which 2008 Series A Bonds are required to be purchased pursuant the Nineteenth Supplemental Trust Agreement, the Trustee shall make a request(s) under the Standby Bond Purchase Agreement in accordance with its terms, to receive immediately available funds on the Tender Date sufficient to pay the balance of the Tender Price. In determining the amount of the Tender Price then due, the Trustee shall not take into consideration any Bank-Owned Bonds. No request(s) shall be made under the Standby Bond Purchase Agreement to pay the Tender Price of Bank-Owned Bonds or of 2008 Series A Bonds of a subseries which are registered in the name of the Authority or, to the best knowledge of the Trustee or any nominees for (or any Person who owns such 2008 Series A Bonds for the sole benefit of) any of the foregoing. Bank-Owned Bonds may not be tendered for purchase at the option of the Bank or the Authority, respectively.

Notice of Termination, Event of Default or Other Change in Standby Bond Purchase Agreement. The Trustee shall give notice by mail to the Bondowners of the 2008 Series A Bonds secured by the Standby Bond Purchase Agreement (i) on or before the thirtieth (30th) day preceding the replacement, termination or expiration of the Standby Bond Purchase Agreement (except in the case of a termination resulting from an event referred to in the following paragraph) in accordance with its terms; or (ii) in the case of any Mandatory Standby Tender under the Standby Bond Purchase Agreement, as soon as reasonably possible, but no later than the Business Day following the receipt by the Trustee of notice of the Mandatory Standby Tender. The notice shall be accompanied by directions for the purchase of the 2008 Series A Bonds pursuant to the Nineteenth Supplemental Trust Agreement. The notice shall (A) state the date of such termination or expiration and, if applicable, the date of the proposed replacement with an Alternate Liquidity Facility (if any); (B) state that the 2008 Series A Bonds will be purchased pursuant the Nineteenth Supplemental Trust Agreement as a result of such replacement, termination or expiration, including any termination as a result of a Mandatory Standby Tender and the date on which such purchase will occur pursuant to the Nineteenth Supplemental Trust Agreement; and (C) provide any other information required in the notice to the Bondowners of the 2008 Series A Bonds by the Nineteenth Supplemental Trust Agreement. The Authority shall provide the Trustee with written notice of any information required to enable the Trustee to give the foregoing notice.

If there should occur any event resulting in the immediate termination or suspension of the obligation of the Bank to purchase 2008 Series A Bonds under the terms of any Standby Bond Purchase Agreement, then the Trustee shall as soon as practicably possible thereafter notify the Remarketing Agent and the Bondowners of all the 2008 Series A Bonds then outstanding that: (i) the Standby Bond Purchase Agreement has been terminated or suspended, as the case may be; (ii) the Trustee will no longer be able to purchase 2008 Series A Bonds with moneys available under the Standby Bond Purchase Agreement; and (iii) the Bank is under no obligation to purchase 2008 Series A Bonds or to otherwise advance moneys to fund the purchase of 2008 Series A Bonds.

Alternate Liquidity Facility (Section 304)

Delivery by Authority. Prior to the expiration or termination of the Standby Bond Purchase Agreement relating to the 2008 Series A Bonds, in accordance with the terms of that Standby Bond Purchase Agreement, the Authority may provide for the delivery to the Trustee of an Alternate Liquidity Facility which has a term of at least 364 days. Any Alternate Liquidity Facility delivered to the Trustee pursuant to the Nineteenth Supplemental Trust Agreement shall be delivered and become effective not later than ten (10) days prior to the date on which the former Standby Bond Purchase Agreement terminates or expires and shall contain provisions reasonably acceptable to the Trustee and the Remarketing Agent. On or prior to the date of the delivery of the Alternate Liquidity Facility to the Trustee, the Authority shall furnish to the Trustee (A) if the Alternate Liquidity Facility is issued by a Bank other than a domestic commercial bank, an Opinion of Counsel reasonably satisfactory to the Trustee and the Remarketing Agent that no registration of the Alternate Liquidity Facility is required under the Securities Act, and no qualification of the Nineteenth Supplemental Trust Agreement is required under the Trust Indenture Act, or that all applicable registration or qualification requirements have been fulfilled; and (B) an Opinion of Counsel satisfactory to the Remarketing Agent and the Trustee to the effect that such Alternate Liquidity Facility is a valid and enforceable obligation of the issuer thereof.

Delivery upon Rating Downgrade. In the event that the Bank is downgraded below the top two short term ratings by S&P or the highest short term rating by Moody's (to the extent such rating agency is then rating the Bank), the Authority may provide for delivery of an Alternate Liquidity Facility. Any Alternate Liquidity Facility delivered to the Trustee pursuant to the Nineteenth Supplemental Trust Agreement shall contain provisions reasonably acceptable to the Trustee and the Remarketing Agent.

**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 Fourth 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 to, equal the Debt Service Reserve Requirement as of the last day of the then current quarter; provided, however, that the provisions in the sixth paragraph under the heading “Debt Service Reserve Fund” shall govern any replenishment required after a withdrawal from such Fund;

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

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

(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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Upon the delivery of the Bonds, Bond Counsel proposes to deliver to the Underwriter 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

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 Senior Sales Tax Bonds, Variable Rate Demand Obligations, 2008 Series A-1 and 2008 Series A-2, dated the date of initial delivery thereof (together, the “Bonds”). The Bonds are being issued pursuant to Chapter 161A of the Massachusetts General Laws, as amended (the “Act”), and the Sales Tax Bond Trust Agreement dated as of July 1, 2000 by and between the Authority and U.S. Bank National Association, as successor trustee (the “Trustee”), as amended, and as supplemented by the Nineteenth Supplemental Trust Agreement dated as of March 1, 2008 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.

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

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(c) The Trust Agreement and the Assessment Bond Trust Agreement have been duly and lawfully authorized, executed and delivered, are in full force and effect and are valid and binding agreements of the Authority enforceable upon the Authority in accordance with their respective terms.

(d) Interest on the Bonds will not be included in the gross income of the holders of the Bonds for federal income tax purposes. This opinion is rendered subject to the condition that the Authority comply with certain requirements of the Internal Revenue Code of 1986, as amended, which must be satisfied subsequent to the issuance of the Bonds in order that interest thereon is and continues to be excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be included in the gross income of holders of the Bonds retroactive to the date of issuance of the Bonds. While interest on the Bonds will not constitute a preference item for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations, interest on the Bonds will be included in the “adjusted current earnings” of corporate holders of the Bonds and therefore will be taken into account in the computation of the alternative minimum tax applicable to certain corporations. We express no opinion as to other federal tax consequences resulting from holding the Bonds.

(e) Interest on the Bonds, and any profit made on sale thereof are exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion as to other Massachusetts tax consequences arising with respect to the Bonds nor as to the taxability of the Bonds or the income therefrom under the laws of any state other than Massachusetts.

It should be understood that the rights of the holders of the Bonds, and the enforceability of the Bonds, the Trust Agreement and the Assessment Bond Trust Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases. This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

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

Massachusetts Bay Transportation Authority
Senior Sales Tax Bonds
Variable Rate Demand Obligations
2008 Series A-1
2008 Series A-2
(together, the "Bonds")

Continuing Disclosure Undertaking

Prior to the issuance of the Bonds, the Authority and the Trustee will enter into a continuing disclosure agreement (the "Authority Disclosure Agreement") setting forth the undertakings of the Authority regarding continuing disclosure with respect to the Bonds. In the Authority Disclosure Agreement, the Authority will undertake for the benefit of the registered owners and beneficial owners (the "owners") of the Bonds to provide to the Trustee, no later than 335 days after the end of each fiscal year, (i) the quantitative information for the preceding fiscal year of the type presented in the Official Statement for the Bonds regarding (a) the Dedicated Sales Tax, (b) Assessments, (c) outstanding indebtedness, (d) capital plan, (e) total revenues and operating expenses and (ii) audited financial statements of the Authority for such fiscal year (or unaudited financial statements if such audited financial statements are not then available), or (iii) notice of the Authority's failure, if any, to provide such information. The Trustee agrees to forward the information set forth above, no later than 350 days after the end of each fiscal year, to each nationally recognized municipal securities information repository (each, a "NRMSIR") within the meaning of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule") and to the state information depository for The Commonwealth of Massachusetts, if any (the "SID"), within the meaning of the Rule. If audited financial statements are not available from the Authority within the 335 day period described above, the Authority agrees to deliver to the Trustee such audited financial statements as soon as practicable after the audited financial statements become available and the Trustee undertakes to forward the audited financial statements to each NRMSIR and the SID as soon as practicable after the audited financial statements become available. Any filing with the NRMSIRs or the SID under the Authority 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.

All of the information described above may be included by reference to other documents, including official statements pertaining to debt issued by the Authority, which have been submitted to each NRMSIR. If the document incorporated by reference is a Final Official Statement within the meaning of the Rule, it will also be available from the Municipal Securities Rulemaking Board ("MSRB"). The Authority's annual financial statements for each fiscal year shall consist of the balance sheet of the Authority and the related statements of revenue and expenses and cash flows prepared in accordance with generally accepted accounting principles in effect from time to time. Such financial statements shall be audited by a firm of certified public accountants appointed by the Authority.

In the Authority Disclosure Agreement, the Authority also will undertake for the benefit of the owners of the Bonds to provide in a timely manner to the MSRB and to the SID notice of any of the following events with respect to the Bonds (numbered in accordance with the provisions of the Rule), if material:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;

- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax-exempt status of the security;
- (vii) modifications to rights of security holders;
- (viii) bond calls;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the securities; and
- (xi) rating changes.

Nothing in the Authority Disclosure Agreement shall preclude the Authority from disseminating any information in addition to that required under the Authority Disclosure Agreement. If the Authority disseminates any such additional information, nothing in the Authority Disclosure Agreement shall obligate the Authority to update such information or include it in any future materials disseminated.

To the extent permitted by law, the provisions of the Authority Disclosure Agreement shall be enforceable against the Authority in accordance with the terms thereof by any owner of a Bond, including any beneficial owner acting as a third-party beneficiary (upon proof of its status as a beneficial owner reasonably satisfactory to the Trustee). To the extent permitted by law, any such owner shall have the right, for the equal benefit and protection of all owners of the Bonds, by mandamus or other suit or proceeding at law or in equity, to enforce its rights against the Authority and to compel the Authority and any of its officers, agents or employees to perform and carry out their duties under the foregoing provisions as aforesaid, provided, however, that the sole remedy in connection with such undertakings shall be limited to an action to compel specific performance of the obligations of the Authority in connection with such undertakings and shall not include any rights to monetary damages. The Authority's obligations in respect of the Authority Disclosure Agreement shall terminate if no Bonds remain outstanding (without regard to an economic defeasance) or if the provisions of the Rule concerning continuing disclosure are no longer effective, whichever occurs first. The provisions of the Authority Disclosure Agreement may be amended by the Authority and the Trustee, without the consent of, or notice to, any owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Authority for the benefit of the owners of the Bonds, (d) to modify the contents, presentation and format of the annual financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the undertakings in a manner consistent with the provisions of state legislation establishing the SID or otherwise responding to the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the owners of the Bonds, as determined either by a party unaffiliated with the Authority (such as Authority bond counsel) or by the vote or consent of owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment.

The table beginning on the following page contains a listing of the 175 assessed cities and towns and historical information about Local Aid and assessments (including Assessments) in Fiscal Years 1985, 1990 and 1998 through 2005. Beginning in Fiscal Year 2005 Local Aid as shown in the table does not include school building assistance grants, which are now payable by the Massachusetts School Building Authority rather than the Commonwealth. The amount of such grants in Fiscal Year 2005 is approximately \$396 million.

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

Massachusetts Department of Revenue - Division of Local Services - Local Aid Section
(all amounts in thousands)

Municipality	FY1999			FY1998			FY1990					
	Total Local Aid	All Other Assessments	Assessment	Total Local Aid	All Other Assessments	Assessment	Total Local Aid	All Other Assessments	Assessment			
FOXBOROUGH	7,318	132	0	7,185	6,714	126	0	6,588	4,251	73	0	4,178
FRANKLIN	17,360	458	0	16,901	14,465	434	0	14,031	6,806	277	0	6,529
FREETOWN	1,844	110	0	1,734	1,870	112	0	1,758	1,557	70	0	1,486
GEORGETOWN	3,272	43	0	3,229	2,811	64	0	2,748	1,965	62	0	1,903
GLOUCESTER	11,513	991	0	10,522	10,033	1,009	0	9,025	7,779	897	0	8,883
GRAFTON	5,852	27	0	5,825	5,196	26	0	5,169	3,452	31	0	3,421
GROTON	709	34	0	675	641	27	0	615	782	22	0	760
GROVELAND	940	29	0	912	890	44	0	846	1,187	39	0	1,148
HALIFAX	3,447	30	0	3,417	3,146	28	0	3,118	1,798	10	0	1,787
HANOVER	5,741	67	282	5,392	5,130	176	157	4,797	4,371	27	213	4,130
HANSON	1,522	38	0	1,484	1,436	36	0	1,400	3,261	28	0	3,233
HARVARD	3,657	88	0	3,570	3,435	91	0	3,344	3,014	27	0	2,987
HAVERTHILL	43,776	483	0	43,293	40,617	561	0	40,055	21,882	663	0	21,219
HOLDEN	1,954	83	0	1,872	1,789	92	0	1,697	3,168	60	0	3,108
HOLLISTON	6,736	64	0	6,674	6,148	58	0	6,090	4,071	31	0	4,039
HOPKINTON	3,411	32	0	3,379	3,182	34	0	3,148	1,584	16	0	1,568
IPSWICH	4,052	102	0	3,950	3,782	150	0	3,632	3,041	132	0	2,909
KINGSTON	3,252	59	0	3,193	2,881	65	0	2,816	1,461	25	0	1,437
LAKEVILLE	3,062	58	0	3,004	2,434	67	0	2,368	1,647	27	0	1,620
LANCASTER	892	18	0	874	816	18	0	797	1,961	12	0	1,949
LAWRENCE	110,464	1,177	0	109,287	100,507	1,251	0	98,256	52,902	960	0	51,941
LEICESTER	9,415	60	0	9,355	8,003	67	0	7,936	4,969	63	0	4,927
LEOMINSTER	30,958	479	0	30,479	27,397	460	0	26,938	14,670	308	0	14,362
LITTLETON	1,760	51	0	1,709	1,593	59	0	1,533	1,270	53	0	1,217
LOWELL	130,287	811	0	129,476	119,936	804	0	119,132	57,288	688	0	56,610
LUNENBURG	3,839	68	0	3,771	3,701	66	0	3,635	2,795	9	0	2,787
MANSFIELD	10,521	290	0	10,231	8,553	278	0	8,275	3,743	200	0	3,543
MARLBOROUGH	10,735	166	0	10,569	9,628	166	0	9,462	9,328	113	0	9,215
MARSHFIELD	12,580	113	508	11,960	10,584	356	236	9,992	6,744	57	421	6,266
MAYNARD	4,203	28	0	4,175	3,745	-107	142	3,709	3,520	19	0	3,501
MEDWAY	6,248	86	0	6,162	5,221	83	0	5,139	2,939	47	0	2,891
MERRIMAC	1,122	31	0	1,091	1,070	26	0	1,045	1,456	28	0	1,428
METHUEN	29,197	316	0	28,880	27,019	481	0	26,537	12,483	475	0	11,988
MIDDLEBOROUGH	16,162	111	0	16,052	15,207	107	0	15,100	8,187	40	0	8,148
MILLBURY	6,268	52	0	6,217	5,840	55	0	5,785	4,879	45	0	4,834
MILLIS	3,063	159	197	2,706	2,854	271	87	2,496	2,014	95	159	1,780
NEWBURY	1,386	87	0	1,299	1,340	106	0	1,235	769	60	0	709
NEWBURYPORT	6,163	169	0	5,994	5,840	182	0	5,658	5,607	220	0	5,387
NORTH ANDOVER	6,842	401	0	6,441	5,241	490	0	4,751	3,820	368	0	3,452
NORTH ATTLEBOROUGH	15,707	714	0	14,993	13,953	653	0	13,300	8,327	380	0	7,946
NORTH READING	4,912	34	303	4,576	4,348	125	198	4,025	3,196	44	251	2,901
NORTHBOROUGH	3,251	73	0	3,178	2,955	62	0	2,893	2,222	42	0	2,180
NORTHBRIDGE	12,066	18	0	12,048	11,208	19	0	11,189	6,517	15	0	6,502
NORTON	10,143	183	0	9,960	8,851	179	0	8,672	5,718	130	0	5,588
NORWELL	2,982	253	226	2,504	2,762	336	135	2,291	2,352	139	209	2,004
PAXTON	482	34	0	448	434	34	0	389	685	30	0	655
PEMBROKE	5,873	74	360	5,440	5,422	228	188	5,005	3,186	45	296	2,845
PLYMOUTH	23,445	296	0	23,150	21,231	274	0	20,957	4,555	161	0	4,394
PLYMPTON	744	18	0	725	710	17	0	693	416	8	0	408
PRINCETON	798	8	0	790	765	8	0	757	529	1	0	527
RAYNHAM	1,545	148	0	1,397	1,418	144	0	1,274	2,993	93	0	2,900
REHOBOTH	970	206	0	764	897	203	0	694	575	130	0	445
ROCHESTER	1,519	36	0	1,483	1,444	33	0	1,411	1,124	8	0	1,116
ROCKLAND	11,594	345	360	10,899	10,616	453	226	9,937	7,983	191	290	7,502
ROCKPORT	2,533	170	0	2,363	2,321	202	0	2,119	1,721	210	0	1,510
ROWLEY	980	14	0	966	936	31	0	906	1,249	36	0	1,213
SALISBURY	749	60	0	690	672	85	0	587	1,411	94	0	1,317
SCITUATE	5,285	94	361	4,810	4,944	211	242	4,492	4,154	56	332	3,786
SEEKONK	4,328	216	0	4,122	3,997	210	0	3,788	3,268	142	0	3,126
SHERBORN	509	41	99	370	460	99	55	307	409	25	92	292
SHIRLEY	4,286	23	0	4,263	3,865	22	0	3,844	2,465	8	0	2,458
SHREWSBURY	8,694	154	0	8,539	7,851	164	0	7,686	5,463	94	0	5,370
SOUTHBOROUGH	1,154	54	0	1,100	1,008	52	0	957	782	15	0	747
STERLING	678	31	0	647	621	30	0	591	1,088	15	0	1,073
STOUGHTON	11,290	663	0	10,627	10,285	666	0	9,599	8,707	341	0	8,386
STOW	403	38	0	365	369	37	0	332	738	14	0	724
SUDBURY	4,420	56	346	4,019	3,519	180	205	3,134	2,837	28	288	2,520
SUTTON	4,144	33	0	4,111	3,414	36	0	3,378	3,060	9	0	3,051
TAUNTON	40,283	702	0	39,580	36,346	699	0	35,647	25,635	715	0	24,920
TEWKSBURY	12,296	242	0	12,054	11,386	230	0	11,158	8,653	134	0	8,519
TOWNSEND	1,139	23	0	1,116	1,032	23	0	1,009	798	19	0	780
TYNGSBOROUGH	6,307	25	0	6,281	5,702	25	0	5,677	2,136	25	0	2,110
UPTON	541	12	0	529	500	13	0	487	492	2	0	490
WAREHAM	13,393	429	0	12,964	12,472	400	0	12,072	6,098	220	0	5,878
WAYLAND	3,667	50	289	3,327	3,366	113	209	3,043	2,600	28	284	2,290
WEST BOYLSTON	2,770	36	0	2,734	2,447	21	0	2,426	1,464	15	0	1,449
WEST BRIDGEWATER	2,737	191	0	2,546	2,578	182	0	2,396	2,019	96	0	1,923
WEST NEWBURY	324	14	0	311	502	30	0	472	731	32	0	699
WESTBOROUGH	3,983	84	0	3,899	2,825	77	0	2,846	2,091	32	0	2,059
WESTFORD	7,597	105	0	7,491	6,121	96	0	6,025	3,824	66	0	3,867
WESTMINSTER	700	29	0	671	640	27	0	613	479	9	0	470
WHITMAN	2,030	40	0	1,989	1,875	46	0	1,830	4,975	32	0	4,943
WORCESTER	172,805	1,821	0	170,983	162,771	1,653	0	161,118	101,080	1,270	0	99,810
WRENTHAM	4,205	84	0	4,120	3,983	81	0	3,902	1,951	41	0	1,910

Massachusetts Department of Revenue - Division of Local Services - Local Aid Section
(all amounts in thousands)

Municipality	FY1985			Net Local Aid
	Total Local Aid	All Other Assessments	Assessment	
<u>FOURTEEN CITIES AND TOWNS</u>				
ARLINGTON	11,791	2,247	2,273	7,271
BELMONT	3,962	1,555	1,134	1,274
BOSTON	354,242	7,544	42,103	304,595
BROOKLINE	10,627	3,013	3,883	3,730
CAMBRIDGE	35,358	3,759	5,270	26,328
CHELSEA	13,661	637	1,059	11,765
EVERETT	8,060	2,622	1,671	3,787
MALDEN	20,059	1,970	2,285	15,804
MEDFORD	16,301	2,870	2,851	10,581
MILTON	3,898	1,371	1,080	1,447
NEWTON	13,708	5,447	3,391	4,870
REVERE	17,525	1,445	2,090	13,990
SOMERVILLE	36,906	2,817	3,583	30,506
WATERTOWN	8,897	1,826	1,437	5,633
<u>FIFTY-ONE CITIES AND TOWNS</u>				
BEDFORD	2,383	525	222	1,636
BEVERLY	7,947	858	606	6,484
BRAINTREE	8,460	1,644	758	6,049
BURLINGTON	6,171	904	493	4,774
CANTON	4,085	896	285	2,903
COHASSET	1,513	212	101	1,200
CONCORD	2,895	484	230	2,181
DANVERS	4,914	615	427	3,872
DEDHAM	5,175	1,064	537	3,574
DOVER	531	287	77	167
FRAMINGHAM	12,747	1,972	887	9,888
HAMILTON	683	203	119	361
HINGHAM	3,866	957	356	2,554
HOLBROOK	3,791	246	282	3,282
HULL	4,274	225	154	3,896
LEXINGTON	5,316	1,700	610	3,005
LINCOLN	1,231	206	146	879
LYNN	36,841	1,573	1,477	33,791
LYNNFIELD	2,177	389	187	1,601
MANCHESTER	786	229	75	481
MARBLEHEAD	2,739	843	393	1,502
MEDFIELD	2,835	180	141	2,514
MELROSE	8,670	1,347	690	6,633
MIDDLETON	683	120	65	499
NAHANT	533	183	113	236
NATICK	6,655	904	488	5,283
NEEDHAM	4,407	1,487	483	2,437
NORFOLK	1,171	102	77	991
NORWOOD	6,288	1,218	573	4,497
PEABODY	13,595	1,101	762	11,732
QUINCY	29,549	3,605	2,560	23,384
RANDOLPH	8,775	723	593	7,458
READING	4,952	682	425	3,846
SALEM	10,633	933	649	9,051
SAUGUS	5,718	1,156	587	3,975
SHARON	3,628	255	248	3,123
STONEHAM	5,106	1,144	370	3,592
SWAMPSCOTT	2,539	554	314	1,671
TOPSFIELD	977	185	85	707
WAKEFIELD	5,038	1,186	500	3,352
WALPOLE	4,655	498	302	3,855
WALTHAM	12,419	3,306	949	8,165
WELLESLEY	4,780	1,498	417	2,864
WENHAM	459	82	62	315
WESTON	2,377	776	176	1,425
WESTWOOD	2,447	671	258	1,518
WEYMOUTH	17,019	1,823	1,127	14,069
WILMINGTON	4,324	530	282	3,532
WINCHESTER	3,984	1,177	439	2,369
WINTHROP	6,261	725	440	5,096
WOBURN	8,303	1,458	736	6,109
<u>OTHER SERVED COMMUNITIES</u>				
ABINGTON	4,089	173	0	3,916
ACTON	2,330	437	0	1,893
AMESBURY	4,836	289	0	4,547
ANDOVER	5,345	999	0	4,346
ASHBURNHAM	789	91	0	698
ASHBY	171	29	0	142
ASHLAND	2,016	263	154	1,599
ATTLEBORO	10,382	703	0	9,679
AUBURN	3,404	412	0	2,992
AYER	3,235	127	0	3,108
BELLINGHAM	5,012	170	0	4,842
BERKLEY	785	60	0	725
BILLERICA	10,709	730	0	9,979
BOXBOROUGH	360	81	0	278
BOXFORD	747	196	0	551
BRIDGEWATER	4,362	287	0	4,094
BROCKTON	42,261	2,248	0	40,014
CARLISLE	596	115	0	481
CARVER	1,689	122	0	1,567
CHELMSFORD	8,122	631	0	7,491
DRACUT	6,376	315	0	6,061
DUXBURY	2,937	336	114	2,487
EAST BRIDGEWATER	3,147	154	0	2,993
EASTON	4,349	364	0	3,985
ESSEX	535	74	0	461
FITCHBURG	13,588	730	0	12,868

Massachusetts Department of Revenue - Division of Local Services - Local Aid Section
(all amounts in thousands)

FY1985

Municipality	Total Local Aid	All Other Assessments	Assessment	Net Local Aid
FOXBOROUGH	3,892	259	0	3,632
FRANKLIN	5,482	309	0	5,183
FREETOWN	1,006	179	0	827
GEORGETOWN	1,661	126	0	1,535
GLOUCESTER	6,554	934	0	5,620
GRAFTON	2,996	249	0	2,747
GROTON	662	161	0	500
GROVELAND	927	92	0	835
HALIFAX	1,146	73	0	1,073
HANOVER	3,589	217	164	3,209
HANSON	2,320	132	0	2,188
HARVARD	2,403	196	0	2,207
HAVERHILL	16,410	918	0	15,492
HOLDEN	2,294	385	0	1,909
HOLLISTON	3,864	241	0	3,423
HOPKINTON	1,519	110	0	1,409
IPSWICH	2,716	280	0	2,436
KINGSTON	1,064	128	0	935
LAKEVILLE	780	125	0	655
LANCASTER	1,466	147	0	1,320
LAWRENCE	31,464	1,200	0	30,264
LEICESTER	3,500	202	0	3,298
LEOMINSTER	9,932	791	0	9,141
LITTLETON	1,277	161	0	1,116
LOWELL	38,701	1,481	0	37,220
LUNENBURG	2,313	214	0	2,099
MANSFIELD	2,934	433	0	2,502
MARLBOROUGH	7,860	524	0	7,336
MARSHFIELD	5,321	408	246	4,668
MAYNARD	2,456	174	0	2,282
MEDWAY	2,666	157	0	2,511
MERRIMAC	1,042	61	0	981
METHUEN	8,333	763	0	7,570
MIDDLEBOROUGH	5,095	262	0	4,833
MILLBURY	4,148	247	0	3,901
MILLIS	1,750	120	91	1,539
NEWBURY	717	140	0	577
NEWBURYPORT	3,961	335	0	3,626
NORTH ANDOVER	3,489	577	0	2,912
NORTH ATTLEBOROUGH	5,638	477	0	5,161
NORTH READING	3,025	230	207	2,588
NORTHBOROUGH	2,040	325	0	1,715
NORTHBRIDGE	4,166	225	0	3,941
NORTON	4,642	233	0	4,408
NORWELL	2,557	252	141	2,164
PAXTON	621	97	0	524
PEMBROKE	2,681	243	197	2,241
PLYMOUTH	4,989	931	0	4,059
PLYMPTON	276	41	0	234
PRINCETON	501	68	0	433
RAYNHAM	2,071	200	0	1,872
REHOBOTH	1,477	228	0	1,249
ROCHESTER	470	70	0	401
ROCKLAND	6,387	274	236	5,876
ROCKPORT	764	294	0	471
ROWLEY	640	96	0	544
SALISBURY	1,092	162	0	930
SCITUATE	4,450	399	253	3,799
SEEKONK	2,390	358	0	2,032
SHERBORN	547	152	57	338
SHIRLEY	2,130	69	0	2,061
SHREWSBURY	4,463	679	0	3,784
SOUTHBOROUGH	1,064	249	0	815
STERLING	1,050	138	0	911
STOUGHTON	6,264	664	0	5,600
STOW	798	124	0	673
SUDBURY	3,003	357	214	2,431
SUTTON	1,546	152	0	1,394
TAUNTON	17,312	776	0	16,536
TEWKSBURY	7,177	380	0	6,798
TOWNSEND	534	119	0	416
TYNGSBOROUGH	1,491	102	0	1,388
UPTON	426	91	0	336
WAREHAM	3,517	390	0	3,127
WAYLAND	2,930	346	220	2,364
WEST BOYLSTON	1,315	186	0	1,129
WEST BRIDGEWATER	1,725	154	0	1,571
WEST NEWBURY	507	65	0	441
WESTBOROUGH	2,594	468	0	2,125
WESTFORD	3,671	269	0	3,402
WESTMINSTER	759	142	0	617
WHITMAN	3,590	178	0	3,412
WORCESTER	76,577	3,186	0	73,411
WRENTHAM	1,355	112	0	1,243

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TABLE OF REFUNDED BONDS

The bonds of the Authority to be refunded from the proceeds of the Bonds are described below.

Bonds	Maturity or Sinking Fund Installment Date	Interest Rate	Par Amount	Redemption Date	Redemption Date	CUSIP†
General Transportation System Bonds, Series 1974	03/01/2009	6.600%	\$1,725,000	**	**	575566NJ
General Transportation System Bonds, 1995 Series A	03/01/2009	5.700%	\$5,440,000	**	**	5755663D4
General Transportation System Bonds, 1998 Series A	03/01/2016	4.750%	\$18,195,000	05/19/2008	101%	575567JT0
	03/01/2017	4.750	19,050,000	05/19/2008	101	575567JU7
	03/01/2018	5.000	19,960,000	05/19/2008	101	575567JV5
	03/01/2019*	4.750	20,955,000	05/19/2008	101	575567JW3
	03/01/2020*	4.750	20,800,000	05/19/2008	101	"
	03/01/2021*	4.750	21,790,000	05/19/2008	101	"
	03/01/2022*	4.500	22,825,000	05/19/2008	100	575567JX1
	03/01/2023*	4.500	23,855,000	05/19/2008	100	"
	03/01/2024*	4.500	24,925,000	05/19/2008	100	"
	03/01/2025*	4.500	26,045,000	05/19/2008	100	"
	03/01/2026*	4.500	13,095,000	05/19/2008	100	"

* Sinking fund installment.

** Noncallable; payable at maturity.

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

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SUMMARY OF STANDBY BOND PURCHASE AGREEMENT

The Standby Bond Purchase Agreement (the "Standby Agreement") contains various provisions, covenants and conditions, certain of which are summarized below. This summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Standby Agreement to which reference is made hereby. Investors are urged to obtain and review a copy of the Standby Agreement in order to understand all of the terms of that document. Copies of the Standby Agreement may be obtained from the Trustee upon request.

General

Various words or terms used in the following summary are defined in this Reoffering Circular, the Standby Agreement or the Bonds, and reference thereto is made for full understanding of their import.

The Standby Agreement will be effective on April 2, 2008 (the "**Effective Date**"). The Standby Agreement requires JPMorgan Chase Bank, National Association (the "**Bank**") to purchase Eligible Bonds (i.e. Bonds other than Bank Bonds, Bonds owned by or on behalf of the Authority or Bonds bearing interest at a rate other than a Daily Rate or a Weekly Rate) that have been tendered and not remarketed, subject to certain conditions described below. Bonds purchased and held by the Bank will bear interest at the Bank Rate (or, if applicable, the Default Rate) in accordance with (and as such terms are defined in) the Standby Agreement.

The Standby Agreement shall be effective from the Effective Date until the earliest of (i) the close of business on April 1, 2009 or to an extended date as may become effective under the Standby Agreement, (ii) the date on which no Bonds are Outstanding, (iii) the close of business on the date on which a Substitute Liquidity Facility becomes effective in accordance with the terms of the Bonds, so long as the Bank has honored any purchase of Bonds resulting from such substitution in accordance with the terms of the Standby Agreement, (iv) the Business Day next succeeding the date on which the Bonds have been converted to a rate other than a Daily Rate or a Weekly Rate, so long as the Bank has honored any purchase of Bonds resulting from such conversion in accordance with the terms of the Standby Agreement, (iv) the date on which the Bank is no longer required to purchase Tendered Bonds pursuant to paragraph (i), (ii) or (iii) under "Remedies" below, or (v) the close of business on the date the Available Commitment is reduced to zero.

On each date on which Eligible Bonds are to be purchased by the Bank pursuant to an optional tender or mandatory tender for purchase, by no later than 12:00 p.m., noon, New York time, the Trustee shall give notice to the of the Eligible Bonds required to be purchased by the Bank pursuant to the Standby Agreement, and the amount of principal and interest, respectively, required for such purchase. Upon receipt of such notice, the Bank, subject to satisfaction of the conditions precedent to purchase as set forth in the Standby Agreement, shall, by no later than 2:00 p.m., New York time, transfer to the Trustee, in immediately available funds, an amount equal to the Purchase Price of all applicable Eligible Bonds required to be purchased by the Bank.

The obligations of the Bank to purchase Eligible Bonds pursuant to the Standby Agreement is subject to the condition precedent that no Immediate Termination Event (hereinafter defined) or Suspension Event (hereinafter defined) shall have occurred. **An Immediate Termination Event will result in, and, under certain circumstances, a Suspension Event may result in, the immediate termination, without notice, of the Bank's obligation to purchase Eligible Bonds, as more fully set forth in paragraphs (i), (ii) and (iii) under "Remedies."**

Covenants

The Authority makes certain representations, warranties and covenants under the Standby Agreement relating to various matters, including, without limitation, authorization and validity, compliance with laws and contracts, litigation, disclosure and inspection rights. The covenants and agreements contained in the Standby Agreement run only in favor of the Bank and may be waived at any time in the sole discretion of the Bank or amended at any time upon the agreement of the Authority and the Bank. Holders are not entitled to and should not rely upon any of the covenants and agreements in the Standby Agreement.

Events of Termination

Each of the following events constitute an "Event of Termination" under the Standby Agreement:

- (a) any principal or interest due on the Bonds (including any Bank Bonds) is not paid when due, whether on any regularly scheduled interest payment date, at maturity, upon redemption or acceleration, or otherwise;
- (b) nonpayment of any other amounts payable by the Authority to the Bank when and as due under the Standby Agreement;
- (c) the Standby Agreement, the Trust Agreement or the Bonds or any material provision thereof with respect to the payment of principal or interest on the Bonds (including Bank Bonds) or with respect to the security therefor shall for any reason cease to be valid and binding on the Authority, or an authorized officer of the Authority shall deny that the Authority has any or further liability under the Standby Agreement, the Trust Agreement or the Bonds or any material provision thereof with respect to the payment of principal or interest on the Bonds (including Bank Bonds) or with respect to the security therefor, or any Governmental Authority having jurisdiction shall find or rule that the Standby Agreement, the Trust Agreement or the Bonds or any material provision thereof with respect to the payment of principal or interest on the Bonds (including Bank Bonds) or with respect to the security therefor is not valid or binding on the Authority;
- (d) a proceeding is instituted in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect to the Authority or for any substantial part of its property under any applicable bankruptcy, insolvency or other similar law now or hereafter

in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) and such proceeding is not terminated within sixty (60) days of commencement or such court enters an order granting the relief sought in such proceeding or the Authority shall institute or take any corporate action for the purpose of instituting any such proceeding, or the Authority shall become insolvent or unable to pay its debts as they mature, shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the Authority or for any substantial part of its property, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action in furtherance of any of the foregoing;

- (e) the Authority shall (i) default in any payment of principal of, premium, if any, or interest on any Parity Indebtedness, other than Indebtedness owed pursuant to the Standby Agreement; or (ii) default in the observance or performance of any other agreement or condition relating to any such Parity Indebtedness (other than by virtue of an Event of Termination under the Standby Agreement) or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Parity Indebtedness (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Parity Indebtedness to become due and payable;
- (f) any representation or warranty made by the Authority in the Standby Agreement (or incorporated therein by reference) or in any of the other Related Documents or in any certificate, document, instrument, opinion or financial or other statement contemplated by or made or delivered pursuant to or in connection with the Standby Agreement or with any of the other Related Documents, shall prove to have been incorrect, incomplete or misleading in any material respect when made;
- (g) default in the due observance or performance by the Authority of certain covenants set forth in the Standby Agreement;
- (h) default in the due observance or performance by the Authority of any other term, covenant or agreement set forth (or incorporated by reference) in the Standby Agreement and the continuance of such default for sixty (60) days after the occurrence thereof;
- (i) the occurrence of an "event of default" under any of the Related Documents;
- (j) any final, non-appealable judgment or judgments, writ or writs or warrant or warrants of attachment, or any similar process or processes in an aggregate amount in excess of \$5,000,000 shall be rendered against the Authority or against

any of its Property and remain unvacated, unbonded, uninsured, or unstayed for a period of sixty (60) days; or

- (k) the long-term rating of the Bonds or any Parity Indebtedness is lowered below "BBB-" (or its equivalent) by S&P and "Baa3" (or its equivalent) by Moody's, or such long-term ratings are suspended or withdrawn by S&P and Moody's for credit-related reasons.

Remedies

If any Event of Termination shall have occurred and be continuing:

- (i) In the case of an Event of Termination specified in clause (a), (c), (d), (e)(i), (j) or (k) under the heading "Events of Termination" above (each an "**Immediate Termination Event**"), the Available Commitment and the obligation of the Bank to purchase Bonds shall immediately terminate without prior notice or demand, and thereafter the Bank shall be under no obligation to purchase Bonds. Promptly after the Bank receives notice or otherwise becomes aware of the occurrence of an Immediate Termination Event, the Bank shall give written notice of the same to the Authority, the Trustee and the Remarketing Agent; *provided*, that the Bank shall incur no liability or responsibility whatsoever by reason of its failure to receive or give such notice and such failure shall in no way affect the termination of the Bank's Available Commitment and of its obligation to purchase Bonds pursuant to the Standby Agreement.
- (ii) In the case of an Event of Termination other than as set forth in (i) above, the Bank may terminate the Available Commitment by giving written notice (a "**Notice of Termination**") to the Authority, the Remarketing Agent and the Trustee, specifying the date on which the Available Commitment shall terminate (the "**Termination Date**"), which shall be not less than thirty (30) days from the date of receipt of such notice by the Trustee, and on and after the Termination Date the Bank shall be under no further obligation to purchase Bonds under the Standby Agreement.
- (iii) Upon the occurrence and during the continuance of a Potential Termination Event described in clause (d) under the heading "Events of Termination" above (a "**Suspension Event**"), the obligation of the Bank to purchase Bonds under the Standby Agreement shall be immediately and automatically suspended, without notice, and the Bank shall be under no further obligation under the Standby Agreement to purchase Bonds, until the bankruptcy, insolvency or similar proceeding referred to therein is terminated prior to the court entering an order granting the relief sought in such proceeding. In the event such proceeding is terminated, then the obligations of the Bank under the Standby Agreement shall be automatically reinstated and the terms of the Standby Agreement shall continue in full force and effect (unless the obligation of the Bank to purchase Bonds under the Standby Agreement shall otherwise have terminated as provided under this heading) as if there had been no such suspension. Promptly after the

Bank receives notice or otherwise becomes aware of the occurrence of a Suspension Event, the Bank shall give written notice of the same to the Authority, the Trustee and the Remarketing Agent; *provided*, that the Bank shall incur no liability or responsibility whatsoever by reason of its failure to receive or give such notice and such failure shall in no way affect the suspension of the Bank's Available Commitment and of its obligation to purchase Bonds pursuant to the Standby Agreement.

- (iv) In addition to the rights and remedies set forth in (i), (ii) and (iii) above, in the case of any Event of Termination specified under the heading "Events of Termination" above, upon the election of the Bank, the Bank shall have all the rights and remedies available to it under the Standby Agreement, the Related Documents, or otherwise pursuant to law or equity.

Extension of Standby Agreement

The Stated Expiration Date of the Standby Agreement may be extended from time to time, at the request of the Authority made no earlier than 90 days, and not later than 60 days, prior to the Expiration Date, by agreement in writing between the Authority and the Bank (the period from the preceding Expiration Date to such new Expiration Date being herein sometimes called the "**Extended Bank Purchase Period**"). The Extended Bank Purchase Period may itself be extended in a like manner for additional periods. The Bank has no obligation to agree to any Extended Bank Purchase Period. Notwithstanding anything in this paragraph to the contrary, if the Bank fails to give notice of an election to extend, the Standby Agreement shall expire at the Expiration Date or the end of the Extended Bank Purchase Period then in effect.

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**INFORMATION CONCERNING
JPMORGAN CHASE BANK, NATIONAL ASSOCIATION**

JPMorgan Chase Bank, National Association (the “Bank”) is a wholly owned bank subsidiary of JPMorgan Chase & Co., a Delaware corporation whose principal office is located in New York, New York. The Bank offers a wide range of banking services to its customers, both domestically and internationally. It is chartered and its business is subject to examination and regulation by the Office of the Comptroller of the Currency.

As of December 31, 2007, JPMorgan Chase Bank, National Association, had total assets of \$1,318.9 billion, total net loans of \$488.4 billion, total deposits of \$772.1 billion, and total stockholder’s equity of \$106.3 billion. These figures are extracted from the Bank’s unaudited Consolidated Reports of Condition and Income (the “Call Report”) as at December 31, 2007, prepared in accordance with regulatory instructions that do not in all cases follow U.S. generally accepted accounting principles, which are filed with the Federal Deposit Insurance Corporation. The Call Report, including any update to the above quarterly figures, can be found at www.fdic.gov.

Additional information, including the most recent annual report on Form 10-K for the year ended December 31, 2007, of JPMorgan Chase & Co., the 2007 Annual Report of JPMorgan Chase & Co., and additional annual, quarterly and current reports filed with or furnished to the Securities and Exchange Commission (the “SEC”) by JPMorgan Chase & Co., as they become available, may be obtained without charge by each person to whom this Official Statement is delivered upon the written request of any such person to the Office of the Secretary, JPMorgan Chase & Co., 270 Park Avenue, New York, New York 10017 or at the SEC’s website at www.sec.gov.

The information contained in this Appendix I relates to and has been obtained from the Bank. The delivery of the Official Statement shall not create any implication that there has been no change in the affairs of the Bank since the date hereof, or that the information contained or referred to in this Appendix I is correct as of any time subsequent to its date.

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