

<b>Ratings:</b>	<b>Standard &amp; Poor's:</b>	<b>Insured</b>	<b>Underlying</b>
	<b>Moody's:</b>	<b>AAA</b>	<b>AAA</b>
	<b>(See "Ratings" herein)</b>	<b>Aaa</b>	<b>Aa2</b>

*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 2003 Series B Bonds will not be included in the gross income of holders of the 2003 Series B Bonds for federal income tax purposes. Interest on the 2003 Series B 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 2003 Series B 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 2003 Series B Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the 2003 Series B Bonds are exempt from Massachusetts personal property taxes. See "Tax Exemption" herein.*



**\$93,375,000**  
**Massachusetts Bay Transportation Authority**  
**Senior Sales Tax Bonds**  
**\$50,000,000 2003 Series B-1**  
**\$43,375,000 2003 Series B-2**

**Dated: Date of Delivery**

**Price: 100%**

**Due: March 1, 2023**

The Senior Sales Tax Bonds, 2003 Series B-1 and Senior Sales Tax Bonds, 2003 Series B-2 (collectively, the "2003 Series B Bonds") will initially be issued in the Dutch Auction Rate mode in denominations of \$25,000 or any whole multiple thereof. Interest on the 2003 Series B Bonds shall be payable on each March 1 and September 1, commencing September 1, 2003, computed on the basis of a 360-day year for the actual number of days calculated.

The 2003 Series B Bonds will be issued only as fully registered bonds under a book-entry method, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"). Interest on and the principal of the 2003 Series B Bonds will be paid to DTC by U.S. Bank National Association, Boston, Massachusetts, as Trustee (the "Trustee"). So long as DTC or its nominee is the Owner of the 2003 Series B Bonds, disbursement of such payment to the ultimate purchasers ("Beneficial Owners") is the responsibility of DTC Participants or other nominees of the Beneficial Owners. There will be no distribution of 2003 Series B Bonds to the Beneficial Owners thereof. See "THE 2003 SERIES B BONDS - Book-Entry Only System."

The 2003 Series B Bonds are subject to mandatory and optional redemption and mandatory tender for purchase prior to maturity as described herein.

Payment of the principal of and interest on the 2003 Series B Bonds when due will be insured by the municipal bond new issues insurance policy to be issued by Financial Guaranty Insurance Company simultaneously with the delivery of the 2003 Series B Bonds.



**Financial Guaranty Insurance Company**

FGIC is a registered service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. Government agency.

The 2003 Series B Bonds will constitute special obligations of the Massachusetts Bay Transportation Authority (the "Authority") payable solely from and secured by a pledge of Pledged Revenues and funds and accounts established under the Sales Tax Bond Trust Agreement dated as of July 1, 2000, by and between the Authority and State Street Bank and Trust Company, as trustee, as supplemented by the Fifth Supplemental Trust Agreement dated as of January 1, 2003, by and 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 2003 Series B Bonds and neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to such payment, except as described herein.

Series	Initial Auction Date	Length of Auction Period	Auction Date
2003 Series B-1	March 11, 2003	28-day	Each Fourth Tuesday
2003 Series B-2	March 25, 2003	28-day	Each Fourth Tuesday

The 2003 Series B 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 Gadsby Hannah LLP, Boston, Massachusetts. The 2003 Series B Bonds are expected to be available for delivery on or about February 26, 2003, at or through DTC in New York, New York.

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

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY

**BOARD OF DIRECTORS**

DANIEL GRABAUSKAS, CHAIRMAN  
ROBERTA L. BRUNDRETT  
FRANK F. CHIN  
WILLIE J. DAVIS  
RICHARD M. FIELDING  
JANICE LOUX  
BARON H. MARTIN  
JOSEPH M. TROLLA  
RICHARD C. WALKER, III

**SENIOR MANAGEMENT**

MICHAEL H. MULHERN, GENERAL MANAGER

STEPHEN A. BERRANG .....Assistant General Manager for Strategic Planning  
JOSEPH C. CARTER ..... Chief of Police  
JONATHAN R. DAVIS .....Deputy General Manager and Chief Financial Officer  
PATRICIA A. DAY ..... Assistant General Manager for Labor Relations  
DENNIS A. DIZOGLIO ..... Assistant General Manager for Planning and Real Estate  
ANNE Y. HERZENBERG .....Chief Operating Officer  
JOAN M. MARTIN .....Deputy General Manager for Organizational Diversity,  
Labor Relations and Employee Relations  
WILLIAM A. MITCHELL, JR. ....General Counsel  
ROSS J. RODINO ..... Assistant General Manager for Intergovernmental Affairs and Public Relations  
DAVID W. RYAN ..... Assistant General Manager for Design and Construction  
GERALDINE SCOLL ..... Assistant General Manager for Environmental Affairs  
PORTIA E. SCOTT ..... Chief of Staff  
WESLEY G. WALLACE, JR. .... Treasurer-Controller

IN CONNECTION WITH THE OFFERING OF THE 2003 SERIES B BONDS, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH 2003 SERIES B 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. 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, its 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 2003 Series B Bonds offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

All quotations from and summaries and explanations of provisions of laws, resolutions, the 2003 Series B Bonds and other documents herein do not purport to be complete; reference is made to said laws, resolutions, the 2003 Series B 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**  
**2003 SERIES B-1 and 2003 SERIES B-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 sale by the Massachusetts Bay Transportation Authority (the “Authority” or “MBTA”) of its \$50,000,000 Senior Sales Tax Bonds, 2003 Series B-1 (the “2003 Series B-1 Bonds”) and \$43,375,000 Senior Sales Tax Bonds, 2003 Series B-2 (the “2003 Series B-2 Bonds” and collectively with the 2003 Series B-1 Bonds, the “2003 Series B Bonds”). Unless otherwise defined herein, certain capitalized terms used herein shall have the meanings set forth in APPENDIX B - “SUMMARY OF CERTAIN PROVISIONS OF THE SALES TAX BOND TRUST AGREEMENT - Definitions”, in the case of the Dutch Auction Procedures, the meanings set forth in APPENDIX A - “DUTCH AUCTION PROCEDURES,” 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 2003 Series B Bonds are to be issued initially at the Dutch Auction Rate, but may be converted to variable rate bonds as described herein. Upon such conversion, the 2003 Series B Bonds are subject to mandatory purchase. The converted 2003 Series B Bonds will be remarketed pursuant to a new remarketing or offering memorandum. Accordingly, this Official Statement does not include details about the 2003 Series B Bonds in Interest Rate Modes other than the Dutch Auction Rate.

**The 2003 Series B Bonds**

The 2003 Series B Bonds are authorized to be issued pursuant to the Enabling Act (hereinafter defined), and are to be issued under a Sales Tax Bond Trust Agreement dated as of July 1, 2000 by and between the Authority and State Street Bank and Trust Company, Boston, Massachusetts, as trustee (the “Trust Agreement”), as supplemented by the Fifth Supplemental Trust Agreement (the “Fifth Supplemental Trust Agreement” and together with the Trust Agreement, the “Sales Tax Bond Trust Agreement”) dated as of January 1, 2003 by and between the Authority and U.S. Bank National Association, as Trustee (the “Trustee”). The 2003 Series B Bonds are being issued for the following purposes:

- to current refund the Authority’s outstanding General Transportation System Bonds, 1993 Series A Refunding maturing March 1, 2022;
- to fund the Senior Debt Service Reserve Fund; and
- to pay costs of issuing the 2003 Series B Bonds.

See “APPLICATION OF PROCEEDS” and “PLAN OF REFUNDING.” As used herein, the term “Senior Sales Tax Bonds” means the 2003 Series B Bonds and all other Senior Sales Tax Bonds previously or hereafter issued under the Trust Agreement on parity with the 2003 Series B 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 2003 Series B 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 2003 Series B-1 Bonds and 2003 Series B-2 Bonds are the fourth and fifth series of Sales Tax Bonds, respectively, to be issued under the Trust Agreement. See “SECURITY FOR THE SALES TAX BONDS” and APPENDIX B - “SUMMARY OF CERTAIN PROVISIONS OF THE SALES TAX BOND TRUST AGREEMENT.”

**The Authority has no taxing power. Neither the Commonwealth of Massachusetts (the “Commonwealth”) nor any other political subdivision thereof shall be obligated to pay the 2003 Series B Bonds and neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to such payment, except as described herein.**

## **Background**

The Authority was originally created in 1964 pursuant to Chapter 161A of Massachusetts General Laws, as amended prior to July 1, 2000 (“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 (the “Section 28 Assistance”). Furthermore, the Commonwealth paid to the Authority the total amount of expenses in excess of revenues (the “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, are collectively referred to herein as the “Enabling Act.”

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

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

The Dedicated Revenues are credited upon receipt, without appropriation, to the Commonwealth’s state and local contribution fund (the “Fund” or the “State and Local Contribution Fund”). Such amounts shall be disbursed upon the request of the General Manager to the Authority so long as the Authority shall certify that it has provided in its budget each year for the payment of the Prior Obligations due during such year. In connection with its Fiscal Year 2003 budget, the Authority has certified that it has provided for the payment of Prior Obligations during Fiscal Year 2003 in such annual budget. See “SECURITY FOR THE SALES TAX BONDS - Provision for the Payment of Prior Obligations” and “ASSESSMENT BOND TRUST AGREEMENT AND ASSESSMENTS.”

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

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

To the extent that the Dedicated Revenues are insufficient in any year to provide for the payment of the Prior Obligations in such year, the Commonwealth shall remain liable to pay such Prior Obligations to the same extent as under the Prior Act; provided, however, that any such payment by the

Commonwealth shall be repayable within five years by the Authority, without interest, from the Dedicated Revenues.

Under the Enabling Act, the Authority is no longer authorized to issue indebtedness supported by the Commonwealth Guaranty. Furthermore, the Commonwealth no longer shall pay Net Cost of Service or Section 28 Assistance. Instead, in general, Authority indebtedness may be a general obligation of the Authority or may be secured by a pledge or conveyance of all or a portion of revenues, receipts or other assets or funds of the Authority, including without limitation, the Dedicated Sales Tax and Assessments. Pursuant to the Sales Tax Bond Trust Agreement, the 2003 Series B 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 (the "Assessment Bond Trust Agreement") by and between the Authority and State Street Bank and Trust Company, as trustee (the "Assessment Bond Trustee"), the Assessments, along with other Authority revenues as described under "SECURITY FOR THE SALES TAX BONDS - Pledge Under the Sales Tax Bond Trust Agreement to the Assessment Bonds."

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

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

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

## **Official Statement**

There follows in this Official Statement a description of the Authority, together with summaries of the terms of the 2003 Series B Bonds and certain provisions of the Enabling Act, the Forward Funding Legislation, the Sales Tax Bond Trust Agreement and the Assessment Bond Trust Agreement. All references herein to the Enabling Act, the Forward Funding Legislation, the Sales Tax Bond Trust Agreement and the Assessment Bond Trust Agreement are qualified in their entirety by reference to such law and documents, copies of which are available from the Authority or the Trustee, and all references to the 2003 Series B 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 includes a summary of the Dutch Auction Procedures. Appendix B is a summary of certain provisions of the Sales Tax Bond Trust Agreement. 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 a form of Municipal Bond New Issue Insurance Policy (the “Policy”) to be issued by Financial Guaranty Insurance Company (“Financial Guaranty” or the “Bond Insurer”).

This Official Statement does not contain the audited financial statements of the Authority or general financial and operating information about the Authority because the 2003 Series B 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.

## **THE AUTHORITY**

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

### **Board of Directors**

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

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



The Authority's directors are:

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

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

ROBERTA L. BRUNDRETT, *Director, Springfield, Massachusetts, term expires June 30, 2003.*

Practicing Attorney and Director of the Robert F. Kennedy Children's Action Corp.; former member of the Executive Committee of the Judicial Nominating Counsel; former Chair of the Western Regional Committee of the Judicial Nominating Counsel; former Director of the YMCA of Western Massachusetts; and former Corporator of the Springfield Library and Museums.

FRANK F. CHIN, *Director, Boston, Massachusetts, term expires June 30, 2003.*

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, 2003.*

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.

RICHARD M. FIELDING, *Director, Lawrence, Massachusetts, term expires June 30, 2004.*

Employed at Raytheon Company; member of Local 1505 and Vice Chairman of the Board of the Lawrence Housing Authority.

JANICE LOUX, *Director, Boston, Massachusetts, term expires June 30, 2004.*

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, 2004.*

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

JOSEPH M. TROLLA, *Director, Marlborough, Massachusetts, term expires June 30, 2004.*

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

RICHARD C. WALKER, III, *Newton Corner, Massachusetts, term expires June 30, 2003.*

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

## **Administration**

The Authority's principal officers are as follows:

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

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

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

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

JOAN M. MARTIN, *Deputy General Manager for Organizational Diversity, Labor Relations and Employee Relations.*

Former Assistant General Manager for Employee Relations and Administration, MBTA; former Director of Organizational Diversity, MBTA; former Manager of Training and Development, MBTA.

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 MBTA is responsible for an estimated 1.2 million passenger trips every business day and operates over 64 miles of rapid transit rail routes. It owns more than 1,000 buses which cover routes totaling 730 miles. The MBTA's commuter rail service operates over 440 units of passenger rail equipment providing service between Boston and 117 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 January 1, 2003, the Authority employed approximately 5,500 full-time and approximately 590 part-time employees. Approximately 5,900 employees are represented by one of 29 labor organizations. The largest, Local 589 Amalgamated Transit Union, represents nearly 3,800 Authority employees.

## **Operations**

Under the Enabling Act, the Authority is required to meet all of its expenditures, both operating and capital, from a combination of Dedicated Revenues, federal assistance and revenues generated from operation of the Authority's transportation system. For information regarding capital expenditures and federal assistance therefor, see "Capital Investment Program" herein. The Authority's operating expenses (excluding debt service) for Fiscal Year 2001 were approximately \$737 million, and approximately \$773 million for Fiscal Year 2002 and are projected for Fiscal Year 2003 at approximately \$801 million. Debt service for each of the foregoing Fiscal Years is approximately \$291 million, \$341 million and \$358 million, respectively.

Dedicated Revenues for Fiscal Year 2003 are estimated to total approximately \$825 million, including approximately \$684.3 million of Dedicated Sales Tax and approximately \$141 million of Assessments. The approximately \$684.3 million of Dedicated Sales Tax consists of the base revenue amount certified by the Comptroller on March 1, 2002 to be credited to the State and Local Contribution Fund during Fiscal Year 2003 which is anticipated to exceed the dedicated sales tax revenue amount for such Fiscal Year. See "DEDICATED SALES TAX." Under a transition provision related to the new Enabling Act, the annual Assessments will be reduced in five equal amounts from the approximately \$144 million in Fiscal Year 2001 to approximately \$136 million Fiscal Year 2006. After Fiscal Year 2006, aggregate Assessments will be adjusted annually for inflation, but will not be permitted to increase by more than 2.5% per year. For more information regarding Assessments, see "ASSESSMENT BOND TRUST AGREEMENT AND ASSESSMENTS."

The Authority generates significant revenues from operation of its transportation system, including both fare revenues and non-fare revenues such as those derived from parking and advertising. The Authority also generates other non-operating revenues. The aggregate of all fare revenues and non-fare revenues was approximately \$346 million for Fiscal Year 2001 and \$336 million for Fiscal Year 2002. While fare revenues and non-fare revenues are budgeted for Fiscal Year 2003 at approximately \$350 million, the amount derived from such revenues is not anticipated to meet that budget. However, the Authority anticipates having for such Fiscal Year overall revenues sufficient to meet all expenses.

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 1999, 2000, 2001 and 2002, respectively, the Authority paid 41%, 40%, 47% and 44% of its operating expenses excluding debt service from system-related revenues. In Fiscal Year 2003, the Authority anticipates paying 43% of its operating expenses excluding debt service from system-related revenues. The Blue Ribbon Committee established by the Secretary in April 2000 to make recommendations regarding the implementation of the Forward Funding Legislation proposed a goal of increasing revenues to recover at least 50% of operating expenses. The Board then authorized the General Manager to do all things necessary to update the Authority's Fare Policy Statement and to recommend a new fare structure for Board approval. After a series of public hearings and in accordance with the Enabling Act, in September 2000 the Authority implemented a new fare structure. In particular, local bus fares rose from \$.60 to \$.75, and subway fares rose from \$.85 to \$1.00. Express bus fares rose by 25% and commuter rail fares increased by 17% to 25%, depending upon the zone (measured by distance traveled). Fares for senior citizens and persons with disabilities rose from \$.10 to \$.15 for local buses and \$.20 to \$.25 for subway, and the fare for "The Ride" increased from \$1.00 to \$1.25. The cost of monthly passes also increased. The cost of a monthly local bus pass rose from \$20 to \$25, the cost of a monthly subway pass rose from \$27 to \$35. In addition, the incremental cost increase for

commuter rail passes rose from a range of \$20 to \$33 depending upon the zone. In addition, the Authority implemented a weekly pass program and free bus to bus transfers. The fare increase was the first one since 1991.

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

## **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 January 1, 2003, the Authority had outstanding approximately \$3.3 billion aggregate principal amount of General Transportation System Bonds issued under its General Bond Resolution adopted February 15, 1967, as amended. The General Transportation System Bonds include \$247,695,000 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 shall not exceed 9% per annum. As described in the table below, the Authority has hedged \$188 million of the variable rate obligations. Because under the Enabling Act the Authority is no longer authorized to issue bonds supported by the Commonwealth Guaranty or the Section 28 Assistance, the Authority does not expect to issue any additional General Transportation System Bonds.

As of January 1, 2003, there were outstanding \$25.6 million of BMD obligations. The BMD will not issue debt other than periodic refunding issues which will be necessary from time to time in order to level out the maturities of its debt and to correlate its debt maturities with the Authority's obligations to the BMD.

The Authority has entered into five long-term leases providing for the lease of equipment to the Authority. Under the terms of such leases the Authority is required to make annual rental payments of approximately \$12.8 million in the years 2002 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 as of February 1, 2003, but excluding debt service on the portion of the Authority's General Transportation System Bonds, 1993 Series A Refunding anticipated to be refunded from a portion of the proceeds of the 2003 Series B Bonds:

**Prior Obligations Debt Service Requirements (1)**

<u>Fiscal Year</u>	<u>Principal(2)</u>	<u>Interest(3)</u>	<u>Total</u>
2003	\$121,565,497	\$ 81,433,357	\$202,998,854
2004	98,555,569	155,398,832	253,954,401
2005	99,874,715	151,105,163	250,979,878
2006	111,733,462	148,313,923	260,047,385
2007	129,261,879	145,139,235	274,401,114
2008	142,795,451	138,423,077	281,218,528
2009	137,830,613	131,169,565	269,000,178
2010	143,472,492	123,954,297	267,426,789
2011	138,511,492	116,420,772	254,932,264
2012	127,295,443	108,905,377	236,200,820
2013	160,549,766	102,457,504	263,007,270
2014	151,980,198	93,344,949	245,325,147
2015	135,155,061	84,101,240	219,256,301
2016	122,560,000	76,374,297	198,934,297
2017	106,570,000	69,621,601	176,191,601
2018	107,415,000	63,881,775	171,296,775
2019	113,575,000	58,125,244	171,700,244
2020	118,645,000	51,932,794	170,577,794
2021	125,000,000	45,587,550	170,587,550
2022	120,835,000	38,875,876	159,710,876
2023	120,395,000	32,601,794	152,996,794
2024	116,110,000	26,337,519	142,447,519
2025	108,195,000	20,281,287	128,476,287
2026	86,365,000	14,602,300	100,967,300
2027	63,935,000	9,974,550	73,909,550
2028	41,200,000	6,383,400	47,583,400
2029	28,795,000	3,902,500	32,697,500
2030	30,685,000	2,013,600	32,698,600

Source: The MBTA

(1) Excludes debt service on the portion of the Authority's General Transportation System Bonds, 1993 Series A Refunding anticipated to be refunded from a portion of the proceeds of the 2003 Series B Bonds.

(2) Includes both principal and interest portions of lease payments.

(3) Assumes a 7% interest rate per annum for (a) the General Transportation System Bonds, Variable Rate Demand Obligations, 1999 Series outstanding in the principal amount of approximately \$60 million bearing interest at a rate reset weekly and (b) after expiration on September 1, 2005 of an interest rate swap agreement entered into with Bear Stearns Capital Markets Inc. ("Bear Stearns") with respect to the General Transportation System Bonds, Variable Rate Demand Obligations, 2000 Series, outstanding in the principal amount of \$188 million bearing interest at a rate reset weekly. Until the September 1, 2005 expiration of the interest rate swap agreement, such 2000 Bonds are assumed to bear interest at the fixed swap rate, 4.9284%. Under the swap, the Authority receives a variable rate equal to BMA. On July 18, 2001, the Authority entered into a swap with UBS AG to further hedge the 2000 Bonds, which swaption is exercisable upon the expiration of the existing swap. If exercised, the Authority will receive a variable rate equal to 67% of LIBOR and pay a fixed rate of 5%. The Authority's payments to Bear Stearns under the swap agreement in effect until September 1, 2005 are subordinate to the payment of debt service on Sales Tax Bonds. If the swaption is exercised, such agreement shall constitute a Qualified Hedge Agreement under the Sales Tax Bond Trust Agreement and payments received and paid by the Authority under such agreement shall be directly deposited to and paid from the Senior Debt Service Fund. See "SECURITY FOR THE SALES TAX BONDS" and Appendix B - "SUMMARY OF CERTAIN PROVISIONS OF THE SALES TAX BOND TRUST AGREEMENT - Hedging Transactions."

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. However, any such payment by the Commonwealth shall be repayable within five years by the Authority, without interest, from Dedicated Revenues.

The Enabling Act provides that in order to draw upon Dedicated Revenues credited to the State and Local Contribution Fund, including Dedicated Sales Tax, for any Fiscal Year, the Authority shall have certified that it has provided in its annual budget for each year for the payment of Prior Obligations during such year. In connection with its Fiscal Year 2003 budget, the Authority has certified that it has provided for the payment of Prior Obligations during Fiscal Year 2003 in such annual budget. See “SECURITY FOR THE SALES TAX BONDS - Pledge Under the Sales Tax Bond Trust Agreement” and “ASSESSMENT BOND TRUST AGREEMENT AND ASSESSMENTS.”

The payment of Prior Obligations each year is provided for under the Sales Tax Bond Trust Agreement to be paid from the Dedicated Sales Tax. Under the Enabling Act, the Dedicated Sales Tax may not be less than the base revenue amount (as defined in the Enabling Act), which is \$684.3 million in Fiscal Year 2003 and is subject to upward adjustment in future years in accordance with the Enabling Act. See “DEDICATED SALES TAX.”

*Hedge Agreements.* In addition to the hedge agreements entered into in connection with the \$188 million of variable rate General Transportation System Bonds, the Authority has entered into several swaptions, which if exercised would result in the Authority paying a fixed rate to a counterparty and receiving a variable rate. In particular, in December 2001, the Authority entered into two swaptions with Bear Stearns Financial Products Inc. in initial notional amounts of \$87,805,000 and \$79,645,000, respectively, equal to the approximate amount needed to current refund portions of the Authority’s General Transportation System Bonds, 1993 Series A Refunding maturing March 1, 2022 (the “1993 Bonds”) and 1999 Series B maturing March 1, 2026 and March 1, 2030 (the “1999 Bonds”). The first swaption has been exercised and will hedge an \$87,905,000 portion of the 2003 Series B Bonds. In addition, the Authority shall receive an exercise premium from Bear Stearns Financial Products Inc. (the “Swap Exercise Premium”) in the amount of \$2,019,519 which shall be applied, together with a portion of the proceeds of the 2003 Series B Bonds, to refund the 1993 Bonds. Pursuant to such swap agreement, effective March 1, 2003, the Authority will receive a variable rate equal to the Bond Market Association Municipal Swap Index™ (“BMA”) and pay a fixed rate of 5.20%.

The swaption for the 1999 Bonds is exercisable beginning in 2009. If exercised, the Authority will receive a variable rate equal to BMA and pay a fixed rate of 5.61%.

Each of the foregoing swap agreements, if the respective options are exercised, shall constitute a Qualified Hedge Agreement under the Sales Tax Trust Agreement. Accordingly, payments received and paid under such agreement shall be directly deposited to and paid from the Senior Debt Service Fund. See “SECURITY FOR THE SALES TAX BONDS” and Appendix B - “SUMMARY OF CERTAIN PROVISIONS OF THE SALES TAX BOND TRUST AGREEMENT - Hedging Transactions.”

On January 16, 2003, the Authority entered into two swaptions with UBS AG in the initial aggregate notional amount of \$219,255,000, an amount approximately equal to the amount needed to current refund (i) on or after March 1, 2005, a portion of the Authority’s outstanding General Transportation System Bonds, 1995 Series B maturing March 1, 2013 through March 1, 2025 (the “2005 Option”) and (ii) on or after March 1, 2006, a portion of the Authority’s outstanding General Transportation System Bonds, 1996 Series A maturing March 1, 2016 and March 1, 2019 and 1996 Series B maturing March 1, 2017, March 1, 2020 and March 1, 2026 (the “2006 Option”). If exercised, the Authority will receive a variable rate equal to BMA (as defined below) and pay a fixed rate equal to 5.093% with respect to the 2005 option and 5.037% with respect to the 2006 Option. The Authority’s

payments to UBS AG under the swaps if the swaptions are exercised, shall be subordinate to the payment of debt service on Sales Tax Bonds.

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 requirement 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 BMA. Such swaption is exercisable commencing July 1, 2010, the date on which the investment contract for such Debt Service Reserve Fund is subject to termination without penalty. The Authority's payments to the counterparty under the swap agreement, if the swaption is exercised, shall be subordinate to the payment of debt service on Sales Tax Bonds.

*Sales Tax Bonds.* The 2003 Series B Bonds are the fourth and fifth Series of Sales Tax Bonds issued pursuant to the Sales Tax Bond Trust Agreement. See "DEBT SERVICE REQUIREMENTS ON SENIOR SALES TAX BONDS." The Authority expects to issue additional Sales Tax Bonds for the purposes set forth in the Sales Tax Bond Trust Agreement. Subject to compliance with the conditions to issuing Sales Tax Bonds thereunder, the Sales Tax Bond Trust Agreement does not limit the amount of Sales Tax Bonds to be issued. However, the Enabling Act limits the amount of outstanding bonds of the Authority. See "Limitation on Debt Under the Enabling Act." As of February 1, 2003, \$737,655,000 in aggregate principal amount of Sales Tax Bonds is outstanding. The Authority also maintains a commercial paper program under the Sales Tax Bond Trust Agreement in the aggregate principal amount not to exceed \$100 million. As of February 1, 2003, there were none of such notes outstanding. As described above, the Authority has entered into or expects to enter into swaptions, which, if exercised, will result in the Authority entering into a Qualified Hedge Agreement under the Sales Tax Bond Trust Agreement, including the swap hedging the 2003 Series B Bonds.

*Assessment Bonds.* On August 16, 2000, the Authority issued the first series of Assessment Bonds, which, as of February 1, 2003, are outstanding in the aggregate principal amount of \$496,645,000 (the "2000 Series B Assessment Bonds") pursuant to the Assessment Bond Trust Agreement dated as of July 1, 2000 and a First Supplemental Trust Agreement dated as of July 1, 2000. Under the Assessment Bond Trust Agreement, the Authority pledges to the payment of obligations thereunder pledged revenues, including the Assessments. The 2000 Series B Assessment Bonds which amortize through July 1, 2030 are the only series of Assessment Bonds outstanding under the Assessment Bond Trust Agreement. See "ASSESSMENT BOND TRUST AGREEMENT AND ASSESSMENTS."

*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 February 1, 2003, approximately \$2.9 billion is outstanding for the purposes of the debt limits. The Authority also is authorized to issue bonds for the purpose of refunding bonds. Such bonds and refunding bonds may be general obligations of the Authority or may be secured by a pledge or conveyance of any revenue, receipts or other assets or funds of the Authority, or any combination of the foregoing. The Authority is further authorized to issue temporary notes for operating purposes, which notes shall be a general obligation of the Authority or for capital purposes, as bond anticipation notes. There are no such operating notes outstanding as of February 1, 2003, nor does the Authority currently intend to issue such notes in the near future.

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

## **Capital Investment Program**

Since 1964, when the Authority assumed control of the properties of its predecessor, the Metropolitan Transit Authority, the Authority has engaged in a major program of capital improvements to modernize its equipment, improve its physical plant, and relocate and extend its rapid transit and commuter rail lines. The program has been financed primarily through the proceeds of Prior Obligations and federal aid.

Total anticipated expenditures under the Authority's current five year capital program (FY2003-2007) equal approximately \$2.8 billion. Of such amount, approximately \$1.1 billion is expected to be funded from federal aid, \$1.6 billion funded from Authority bonds or revenues, with the remainder of \$100 million funded through pay as you go capital funds, including amounts on deposit in the Capital Maintenance Fund from state reimbursements and other financings. The current capital program funds a variety of programs, including those necessary to comply with legal commitments. The federal aid is awarded under the Transportation Equity Act for the Twenty First Century (known as "TEA-21") which expires September 30, 2003. The Authority's capital program assumes a level of federal funding for federal Fiscal Years 2004-2007 which is equal to the level of funding authorized under TEA-21 for federal Fiscal Year 2003.

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

In addition, the Enabling Act requires that each CIP shall identify for each project therein, the purpose and intended benefits, the total budget and timeline, the budget impact for the next Fiscal Year, the impact on operating expenses and revenues, and the cost of scheduled maintenance and useful life and shall prioritize the projects based upon the factors set forth above, with the highest priority to scheduled maintenance to prevent the deferral of routine and scheduled maintenance, projects with greatest benefits with least cost, Central Artery Project 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 amount of debt service the Authority must pay will directly affect the amount of the Dedicated Revenues after the payment of debt service available to the Authority to support its operation, maintenance and capital reinvestment needs. The level or cost of the Authority's transportation services will not affect the availability of the Dedicated Sales Tax, Assessments or other Pledged Revenues to meet debt service requirements on Sales Tax Bonds.



## APPLICATION OF PROCEEDS

The proceeds from the sale of the 2003 Series B Bonds, together with the Swap Exercise Premium, are estimated to be applied as follows:

To fund the Senior Debt Service Reserve Fund	\$ 4,668,750
To current refund the 1993 Bonds	89,839,118
To pay costs of issuance of the 2003 Series B Bonds, including underwriter's discount and premium for the Policy	<u>886,647</u>
Total Application of Funds	\$ 95,394,515

## PLAN OF REFUNDING

A portion of the 2003 Series B Bonds will be issued to current refund the 1993 Bonds. The proceeds from the sale of such portion of the 2003 Series B Bonds, together with the Swap Exercise Premium, will be deposited in the Redemption Fund held by U.S. Bank National Association, Boston, Massachusetts, as successor Fiscal Agent for the 1993 Bonds, in an amount which will be invested in United States Treasury Securities - State and Local Government Series and provide for the payment of principal of and redemption premium, if any, and interest on the 1993 Bonds on March 28, 2003 at a redemption price of 100% plus accrued interest. The refunding is contingent upon delivery of the 2003 Series B Bonds.

## THE 2003 SERIES B BONDS

### General

The 2003 Series B-1 Bonds will be issued in the aggregate principal amount of \$50,000,000. The 2003 Series B-2 Bonds will be issued in the aggregate principal amount of \$43,375,000.

The 2003 Series B Bonds will bear interest at the Dutch Auction Rate until a Conversion to another Interest Rate Mode by the Authority or until the maturity of the 2003 Series B Bonds. The Interest Rate Modes consist of the Daily Rate, the Weekly Rate, the Long Term Rate and the Dutch Auction Rate. In the event the 2003 Series B Bonds are converted to a different Interest Rate Mode, the 2003 Series B Bonds shall be subject mandatory purchase and will be remarketed pursuant to a separate remarketing or offering memorandum. Accordingly, this Official Statement does not include a description of the terms and provisions of the 2003 Series B Bonds while bearing interest in an Interest Rate Mode other than the Dutch Auction Rate.

The 2003 Series B Bonds, while bearing interest at the Dutch Auction Rate, are referred to herein as the "Auction Rate Bonds." Certain capitalized terms used herein with respect to the Auction Rate Bonds are defined in Appendix A.

The 2003 Series B Bonds will be dated their date of issuance and will bear interest from their date at the Dutch Auction Rates described herein and in Appendix A hereto. The 2003 Series B Bonds will mature on March 1, 2023.

The Auction Rate Bonds are issuable only as book-entry only securities. To the extent that DTC determines to discontinue providing its services with respect to the Auction Rate Bonds and no satisfactory successor is found, the Auction Rate Procedures shall be suspended, unless the Bond Insurer shall otherwise direct and agree to provide for the payment of the fees of the Broker-Dealer. So long as Cede & Co. is the registered owner of the 2003 Series B Bonds, principal of, redemption premium, if any,

and interest on the 2003 Series B Bonds are payable by the Trustee to Cede & Co., as nominee of DTC, to the Beneficial Owners as more fully described under “Book-Entry Only System.”

The Auction Rate Bonds will be issued as fully registered bonds without coupons in denominations of \$25,000 or any whole multiple thereof.

### **Interest Payments**

Interest on the Auction Rate Bonds shall accrue for each Interest Period and shall be payable in arrears, on each succeeding Interest Payment Date. The Interest Payment Dates are each March 1 and September 1, commencing September 1, 2003. An “Interest Period” with respect to Auction Rate Bonds means (a) for the 2003 Series B-1 Bonds, initially the period from and including the Closing Date to and including March 11, 2003, (b) for the 2003 Series B-2 Bonds, initially the period from and including the Closing Date to and including March 25, 2003 and (c) thereafter, with respect to the 2003 Series B-1 Bonds and 2003 Series B-2 Bonds, the period from and including the applicable Auction Period. The “Auction Period” for the Auction Rate Bonds, which initially shall be issued in the 28-day mode, means, generally, a period of 28 days beginning on a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on the fourth Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day). See Appendix A.

The rate of interest on the Auction Rate Bonds, subject to a maximum interest rate of the lesser of the maximum rate permitted by applicable law (which currently is not less than 12% per annum) and 12% per annum, will be determined pursuant to the Dutch Auction Procedures on the Business Day preceding the first day of the related Auction Period by the Auction Agent and will remain in effect until the end of the Auction Period. The initial Dutch Auction Rate will be established by the Broker-Dealer on or prior to the Closing Date. The first Auction shall occur on March 11, 2003 for the 2003 Series B-1 Bonds. The first Auction shall occur on March 25, 2003 for the 2003 Series B-2 Bonds. See “APPENDIX A - Dutch Auction Procedures.”

Interest on the 2003 Series B Bonds which bear interest at a Dutch Auction Rate will be computed on the basis of a 360-day year for the number of days actually calculated. Interest payable on any Interest Payment Date will be payable to the Registered Owner of the 2003 Series B Bond as of the Record Date for such payment; provided that interest payable on any 2003 Series B Bond shall be payable to such Registered Owner on the applicable Interest Payment Date and thereafter in immediately available funds by wire transfer to a bank account number of such Registered Owner within the United States or by deposit into a bank account maintained with the Trustee. The Record Date for Auction Rate Bonds will be the second Business Day preceding an Interest Payment Date.

### **Existing Owners and Potential Owners**

Participants in each Auction will include: (a) “Existing Holders,” which shall mean a Person who is listed as the beneficial owner of the Auction Rate Bonds in the records of the Auction Agent; and (b) “Potential Holders,” which shall mean any Person, including any Existing Holder, who may be interested in acquiring Auction Rate Bonds (or in the case of an Existing Owner, an additional principal amount of Auction Rate Bonds). By purchasing Auction Rate Bonds, whether in an Auction or otherwise, each prospective purchaser of Auction Rate Bonds or its Broker-Dealer must agree and will be deemed to have agreed (a) to participate in Auctions on the terms set forth in Appendix A hereto; (b) so long as the beneficial ownership of the Auction Rate Bonds is maintained in book-entry form by DTC, to sell, transfer or otherwise dispose of Auction Rate Bonds only pursuant to a Bid or a Sell Order (each as defined in Appendix A hereto) in an Auction, or to or through a Broker-Dealer; provided that in the case of all transfers other than those pursuant to an Auction or mandatory tenders, the Existing Owner of

Auction Rate Bonds so transferred, its agent member or its Broker-Dealer must advise the Auction Agent of such transfer; and (c) to have its beneficial ownership of Auction Rate Bonds maintained at all times in book-entry form by the securities depository for the account of its Participants of DTC, which in turn will maintain records of such beneficial ownership, and to authorize such Participant to disclose to the Auction Agent such information with respect to such beneficial ownership as the Auction Agent may request.

### **Auction Agent**

The Bank of New York of New York, New York, is appointed as the initial Auction Agent for the Auction Rate Bonds pursuant to the Auction Agent Agreement dated as of January 1, 2003 by and between the Trustee and the Auction Agent. The Auction Agent may resign and be discharged of the duties and obligations under the Fifth Supplemental Trust Agreement and under the Auction Agent Agreement by giving at least 60 days' written notice to the Authority, the Trustee and the Broker-Dealer (45 days' written notice if the Auction Agent has not been paid its fees for more than 45 days). The Auction Agent may be removed at any time by the Trustee, acting at the direction of the Authority or the Owners of 66-2/3% of the aggregate principal amount of Outstanding Auction Rate Bonds; provided that a successor Auction Agent has been appointed. The Auction Agent shall be (a) a bank or trust company duly organized under the laws of the United States of America or any state or territory thereof having a place of business in the City of New York and having a combined capital stock, surplus and undivided profits of at least \$30,000,000 or (b) a member of the National Association of Securities Dealers, Inc., having a capitalization of at least \$30,000,000 and, in either case, authorized by law to perform all the duties imposed upon it under the Auction Agent Agreement. The Auction Agent is acting as agent for the Trustee in connection with Auctions. In the absence of bad faith, negligence or willful misconduct on its part, the Auction Agent shall not be liable for any action taken, suffered or omitted or for any error or judgment made in good faith unless the Auction Agent shall have been negligent in ascertaining (or failing to ascertain) the pertinent facts necessary to make such judgment.

### **Broker-Dealer**

Existing Holders and Potential Holders may participate in Auctions only by submitting orders (in the manner described herein) through the Broker-Dealer. Bear, Stearns & Co. Inc. is the initial Broker-Dealer for the Auction Rate Bonds. The Broker-Dealer shall be a broker or dealer (each as defined in the Securities Exchange Act of 1934, as amended), commercial bank or other entity permitted by law to perform the functions required of a Broker-Dealer set forth herein and in the Fifth Supplemental Trust Agreement which (a) is a "Participant" (*i.e.*, a member of, or participant in, DTC or any successor securities depository) or an affiliate of a Participant; (b) has a capital surplus of at least \$100,000,000; (c) has been selected by the Authority; and (d) has entered into a Broker-Dealer Agreement with the Auction Agent that remains effective, in which the Broker-Dealer agrees to participate in Auctions as described in the Auction Procedures, as from time to time amended or supplemented.

### **Conversion**

The Auction Rate Bonds may be converted in whole and not in part by the Authority with the consent of the Bond Insurer to an Interest Rate Mode other than the Dutch Auction Rate, upon the delivery by the Authority to the Trustee, the Bond Insurer and the Remarketing Agent of an opinion of Bond Counsel as described in the Fifth Supplemental Trust Agreement and satisfaction of certain other conditions. If the conditions for conversion are not met for any reason, the conversion shall not be effective, the applicable series of 2003 Series B Bonds shall continue to be outstanding as Auction Rate Bonds.

***Mandatory Tender Upon Conversion.*** Any Auction Rate Bonds to be converted shall be subject to mandatory tender for purchase on the Conversion Date, at a price equal to the principal amount thereof plus accrued interest, if any, to the Conversion Date.

***Notice to Owners.*** Notice of conversion shall be given to the Holders of Auction Rate Bonds at least 30 days but not more than 45 days before the Conversion Date which will specify that the Interest Rate Mode will be converted and what the new Interest Rate Mode will be, the Conversion Date, the Interest Payment Dates and Regular Record Dates, if any, after Conversion, that all of the Auction Rate Bonds will be subject to Conversion and the conditions to Conversion are not met, there shall be no conversion.

### **Mandatory Sinking Fund Redemption**

The 2003 Series B-1 Bonds are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount thereof on March 1 in each of the years and principal amounts set forth below from mandatory Sinking Fund Installments required to be credited to the 2003 Series B-1 Principal Account in the Senior Debt Service Fund.

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2013	\$3,200,000	2019	\$4,425,000
2014	3,400,000	2020	4,650,000
2015	3,575,000	2021	4,900,000
2016	3,775,000	2022	10,600,000
2017	4,150,000	2023*	2,925,000
2018	4,400,000		

The 2003 Series B-2 Bonds are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount thereof on March 1 in each of the years and principal amounts set forth below from mandatory Sinking Fund Installments required to be credited to the 2003 Series B-2 Principal Account in the Senior Debt Service Fund.

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2013	\$2,800,000	2019	\$3,825,000
2014	2,950,000	2020	4,050,000
2015	3,100,000	2021	4,250,000
2016	3,275,000	2022	9,175,000
2017	3,625,000	2023*	2,525,000
2018	3,800,000		

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\* Maturity

The Authority may satisfy mandatory sinking fund redemptions by open market purchases of the 2003 Series B Bonds subject to such redemption and surrender thereof to the Trustee for cancellation in accordance with the Trust Agreement.

### **Optional Redemption**

The Auction Rate Bonds are subject to redemption at the option of the Authority, upon the written direction of the Authority, in whole or in part, at a redemption price of 100% of the principal amount thereof, plus accrued interest, if any, to the redemption date on the Business Day immediately succeeding any Auction Date.

## **Notice of Redemption**

Notice of redemption of the Auction Rate Bonds shall be sent by first class mail (postage prepaid) at least fifteen (15) days and not in excess of forty-five days prior to the redemption date to the Registered Owner of each Auction Rate Bond to be redeemed.

Notice of redemption of the Auction Rate Bonds shall be sent by first class mail (postage prepaid) at least fifteen (15) days and not in excess of forty-five (45) days prior to the redemption date to the Registered Owner of each Auction Rate Bond to be redeemed. A copy of such notice shall also be sent postage prepaid by certified mail with return receipt requested to The Depository Trust Company or any such successor organization. See APPENDIX B - "Summary of Certain Provisions of the Sales Tax Bond Trust Agreement."

## **Transfer and Exchange**

In the event that the Book-Entry Only System is discontinued, the following provisions would apply: 2003 Series B Bonds may be exchanged for an equal aggregate principal amount of 2003 Series B Bonds in other authorized denominations, upon surrender thereof at the principal corporate trust office of the Trustee. The transfer of any 2003 Series B 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 2003 Series B 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 2003 Series B Bonds in exchange for temporary Bonds, (ii) in the case of a Bond issued upon the first exchange or transfer of a 2003 Series B Bonds surrendered for such purpose within sixty (60) days after the first authentication and delivery of the 2003 Series B 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 2003 Series B Bond issued upon such exchange or transfer, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer.

Neither the Authority nor the Trustee shall be required (a) to register the transfer of or exchange any 2003 Series B Bond during a period beginning at the opening of business 15 days before the day of mailing of a notice of redemption of 2003 Series B Bonds selected for redemption and ending at the close of business on the day of such mailing, (b) to register the transfer of or exchange any 2003 Series B Bond so selected for redemption in whole or in part, or (c) other than pursuant to Sales Tax Trust Agreement, to register any transfer of or exchange any 2003 Series B Bond with respect to which the Registered Owner has submitted a demand for purchase in accordance with the Sales Tax Trust Agreement.

## **Book-Entry Only System**

DTC will act as securities depository for the 2003 Series B Bonds. The 2003 Series B 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 series of the 2003 Series B Bonds, each in the aggregate principal amount of such series, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform

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

Purchases of the 2003 Series B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2003 Series B Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2003 Series B Bond (a “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the 2003 Series B Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the 2003 Series B Bonds except in the event that use of the book-entry system for the 2003 Series B Bonds is discontinued.

To facilitate subsequent transfers, all 2003 Series B 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 2003 Series B 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 2003 Series B Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2003 Series B 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.

Redemption notices shall be sent to Cede & Co. If less than all of the 2003 Series B Bonds are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2003 Series B Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2003 Series B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2003 Series B Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detailed information from the Authority or Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption proceeds, distributions, and dividend payments to Cede & Co., (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

**The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the Authority believes to be reliable, but neither the Authority nor the 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 2003 Series B Bonds, as nominee of DTC, references herein to the Bondowners or Registered Owners of the 2003 Series B Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the 2003 Series B Bonds.**

Certificated Bonds. DTC may discontinue providing its services as securities depository with respect to the 2003 Series B 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 2003 Series B Bonds. If for either reason the Book-Entry Only System is discontinued, Bond certificates will be delivered as described in the Trust Agreement and the Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the Bondowner. Thereafter, the 2003 Series B Bonds may be exchanged for an equal aggregate principal amount of the 2003 Series B 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 2003 Series B 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 2003 Series B 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 2003 Series B Bonds. The Trustee will not be required to transfer or exchange any 2003 Series B Bond during the notice period preceding any redemption if such 2003 Series B Bond (or any part thereof) is eligible to be selected or has been selected for redemption.

## DEBT SERVICE REQUIREMENTS ON SENIOR SALES TAX BONDS

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

### SENIOR SALES TAX BONDS

<u>Year</u>	<u>Debt Service on Outstanding Senior Sales Tax Bonds</u>	<u>2003 Series B</u>			<u>Total Debt Service on Outstanding Senior Sales Tax Bonds*</u>
		<u>Principal</u>	<u>Interest*</u>	<u>Total Debt Service*</u>	
2003	\$ 8,456,123				\$ 8,456,123
2004	43,413,944		\$5,024,590	\$ 5,024,590	48,438,534
2005	53,355,048		4,955,760	4,955,760	58,310,808
2006	58,140,335		4,955,760	4,955,760	63,096,095
2007	58,135,273		4,955,760	4,955,760	63,091,033
2008	54,906,126		4,955,760	4,955,760	59,861,886
2009	62,279,923		4,955,760	4,955,760	67,235,683
2010	62,197,561		4,955,760	4,955,760	67,153,321
2011	64,120,801		4,955,760	4,955,760	69,076,561
2012	64,587,468		4,955,760	4,955,760	69,543,228
2013	60,421,803	\$6,000,000	4,955,760	10,955,760	71,377,563
2014	34,857,353	6,350,000	4,643,670	10,993,670	45,851,023
2015	34,838,458	6,675,000	4,313,110	10,988,110	45,826,568
2016	34,818,934	7,050,000	3,965,830	11,015,830	45,834,764
2017	39,458,888	7,775,000	3,598,870	11,373,870	50,832,758
2018	48,942,488	8,200,000	3,194,210	11,394,210	60,336,698
2019	48,892,994	8,250,000	2,767,450	11,017,450	59,910,444
2020	48,843,769	8,700,000	2,338,270	11,038,270	59,882,039
2021	51,345,450	9,150,000	1,885,690	11,035,690	62,381,140
2022	57,443,819	19,775,000	1,409,890	21,184,890	78,628,709
2023	31,796,244	5,450,000	381,500	5,831,500	37,627,744
2024	31,762,006				31,762,006
2025	31,739,681				31,739,681
2026	31,737,897				31,737,897
2027	31,718,888				31,718,888
2028	31,698,163				31,698,163
2029	31,674,500				31,674,500
2030	31,649,700				31,649,700
2031	31,625,300				31,625,300
2032	25,310,500				25,310,500
2033	25,281,625				25,281,625

\* Assumes that \$87,805,000 principal amount of the 2003 Series B Bonds bear interest at the fixed rate under the swap, 5.20% per annum, and that the remaining 2003 Series B Bonds shall bear interest at the rate of 7% per annum.



## **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 B - 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 2003 Series B Bonds will be the fourth and fifth series of Sales Tax Bonds to be issued under the Sales Tax Bond Trust Agreement. The Sales Tax Bond Trust Agreement provides that the Authority may incur particular obligations, including without limitation Senior Sales Tax Bonds, Subordinated Sales Tax Bonds and notes, and provides for the payment of Prior Obligations, funding the Senior Debt Service Reserve Fund and Subordinated Debt Service Reserve Fund and payment of debt service on Assessment Bonds to the extent there are insufficient funds available therefor under the Assessment Bond Trust Agreement.

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

The Authority intends to provide for the payment of the Prior Obligations under the Sales Tax Bond Trust Agreement. See “THE AUTHORITY - Indebtedness.” In addition, the Authority maintains a commercial paper program under the Sales Tax Bond Trust Agreement in the aggregate principal amount not to exceed \$100 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.

### **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 2003 budget, the Authority has certified that it has provided for the payment of Prior Obligations during Fiscal Year 2003 in such annual budget.

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

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

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

### **Flow of Funds**

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

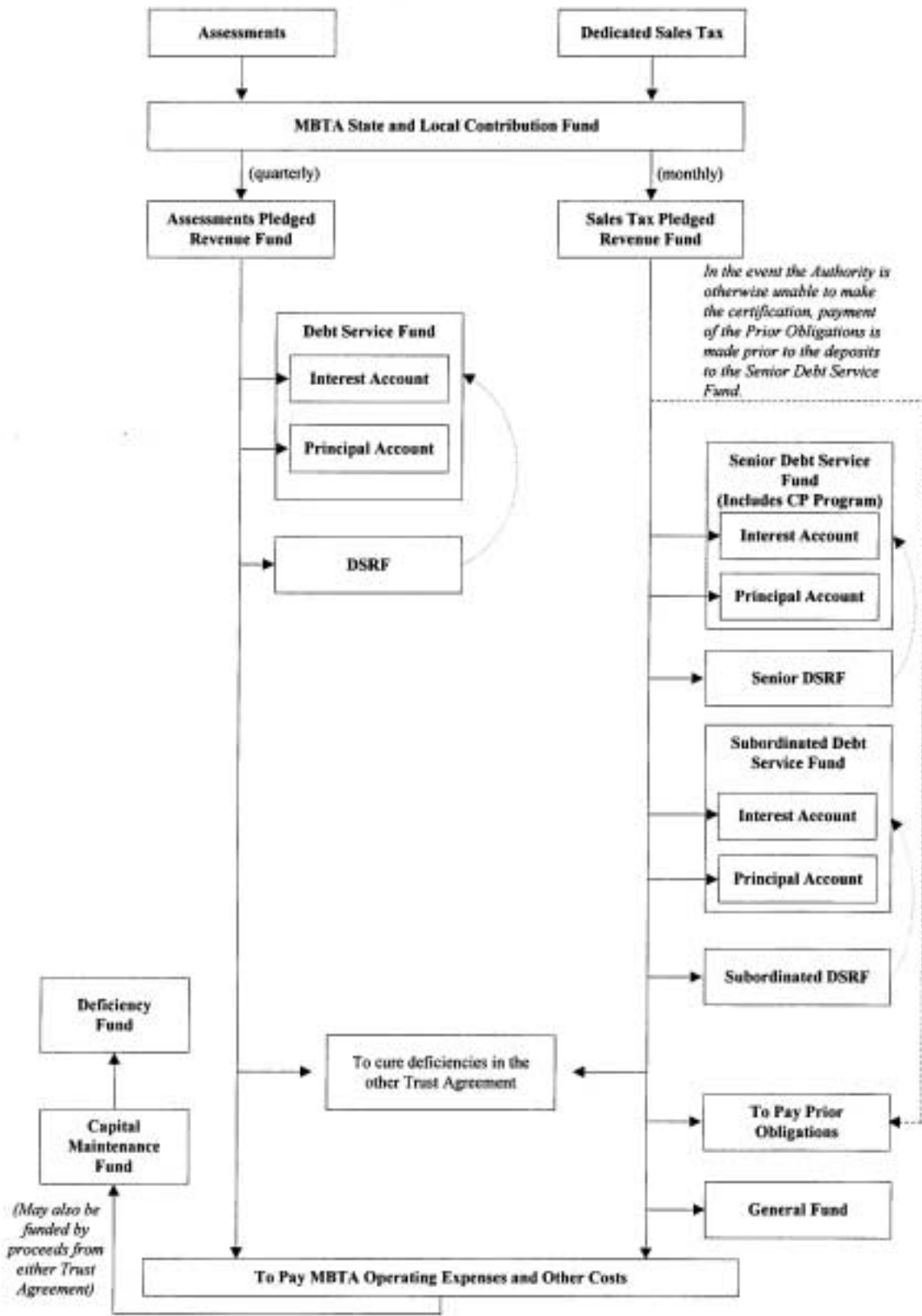
- (1) the Pledged Revenue Fund;
- (2) the Senior Debt Service Fund;
- (3) the Senior Debt Service Reserve Fund;
- (4) the Subordinated Debt Service Fund;
- (5) the Subordinated Debt Service Reserve Fund; and
- (6) the General Fund.

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

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

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

Set forth below is an illustration of the flow of funds under the Assessment Bond Trust Agreement and under the Sales Tax Bond Trust Agreement which are more fully described in APPENDIX B - "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**

On August 16, 2000, pursuant to the Assessment Bond Trust Agreement, the Authority issued the 2000 Series B Assessment Bonds, the first series of Assessment Bonds. Under the Assessment Bond Trust Agreement, the Authority pledges to the payment of obligations thereunder pledged revenues, including the Assessments. The 2000 Series B Assessment Bonds are the only series of Assessment Bonds outstanding under the Assessment Bond Trust Agreement.

For Fiscal Year 2001, Assessments equaled \$144,578,734. Beginning in Fiscal Year 2002 and each Fiscal Year thereafter through Fiscal Year 2006, Assessments are reduced in five equal installments until the Assessments in Fiscal Year 2006 total \$136,026,868. Each year thereafter, Assessments will be adjusted for inflation, provided that such amount shall not increase by more than 2.5%. 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 2003 Series B Bonds, the Trustee shall deliver a certificate to the Authority and the trustee under the Assessment Bond Trust Agreement setting forth the amount of the shortfall and shall receive such amount from the Pledged Revenue Fund under the Assessment Bond Trust Agreement, to the extent available after deposits are made to pay debt service on, to fund the debt service reserve fund for and to pay rebate with respect to any Assessment Bonds issued under the Assessment Bond Trust Agreement. For further information relating to the Assessment Bond Trust Agreement and Assessments, see "ASSESSMENT TRUST AGREEMENT AND ASSESSMENTS" and APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE ASSESSMENT TRUST AGREEMENT."

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

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

## **Senior Debt Service Reserve Fund**

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

equal to the amount set forth in a certificate of an Authorized Officer of the Authority filed with the Trustee by July 1 of each year, which certificate may be modified from time to time by such Authorized Officer (the "Senior Debt Service Reserve Fund Requirement"); provided that such amount shall not be less than the Minimum Senior Debt Service Reserve Requirement. The Minimum Senior Debt Service Reserve Requirement shall equal the least of the sum of the following amounts for the 2003 Series B 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 B - "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 2003 Series B Bonds, the Senior Debt Service Reserve Fund will be fully funded.

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

Under a separate resolution, the Authority has created a Deficiency Fund and a Capital Maintenance Fund, each of which are pledged to the holders of Sales Tax Bonds under the Sales Tax Bond Trust Agreement and to the holders of Assessment Bonds under the Assessment Bond Trust Agreement. The resolution requires that the Authority shall hold on deposit in such funds the amounts determined from time to time by the Chief Financial Officer of the Authority in his sole discretion. As of January 1, 2003, the Deficiency Fund Requirement and the Capital Maintenance Fund Requirement equals \$14,445,101 and \$57,400,709, respectively. The Deficiency Fund is held by the Authority and may be used to pay debt service on Authority bonds, notes and other obligations and other expenses of the Authority. The Capital Maintenance Fund shall be held by the Authority and may be used to pay a portion of the ongoing schedule of maintaining the equipment and mass transportation facilities of the Authority.

### **Additional Indebtedness**

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

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

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

Under the Sales Tax Bond Trust Agreement, "Base Revenue Floor Amount" means (as of the date of computation) the base revenue amount (as defined in Section 35T), as most recently certified by the Comptroller of the Commonwealth in accordance with Section 35T. Under the Sales Tax Bond Trust Agreement, "Historic Dedicated Sales Tax Revenue Amount" means (as of any date of computation) the dedicated sales tax revenue amount, as defined in Section 35T, for any consecutive 12 of the last 24 months, as determined by the Authority. "Assessment Floor Amount" means the amount below which the amount assessed on cities and towns pursuant to the Enabling Act shall not be reduced in accordance with Section 35T, and "Residual Sales Tax" means for any year the greater of the Base Revenue Floor Amount and the Historic Dedicated Sales Tax Revenue Amount less the sum of (i) the estimated debt service on Prior Obligations, (ii) Senior Net Debt Service, (iii) Subordinated Net Debt Service, and (iv) debt service on indebtedness (other than Indebtedness) issued under the Sales Tax 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 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 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 2003 Series B 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.

### **BOND INSURANCE**

Concurrently with the issuance of the 2003 Series B Bonds, Financial Guaranty Insurance Company ("Financial Guaranty") will issue its Municipal Bond New Issue Insurance Policy (the "Policy") for the 2003 Series B Bonds described in the Policy. The Policy unconditionally guarantees the payment of that portion of the principal or accreted value (if applicable) of and interest on the 2003 Series B Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the Authority. Financial Guaranty will make such payments to State Street Bank and Trust Company, N.A., or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal or accreted value (if applicable) and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of 2003 Series B Bonds or the Paying Agent of the nonpayment of such amount by the Authority. The Fiscal Agent will disburse such amount due on any 2003 Series B Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal, accreted value or interest (as applicable) due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal, accreted value or interest (as applicable) shall be vested in Financial Guaranty. The term "nonpayment" in respect of a 2003 Series B Bond includes any payment of principal, accreted value or interest (as applicable) made to an owner of a 2003 Series B Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Policy is non-cancelable and the premium will be fully paid at the time of delivery of the 2003 Series B Bonds. The Policy covers failure to pay principal or accreted value (if applicable) of the 2003 Series B Bonds on their respective stated maturity dates or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on which the 2003 Series B Bonds may have been otherwise called for redemption, accelerated or advanced in maturity, and covers the failure to pay an installment of interest on the stated date for its payment.



Generally, in connection with its insurance of an issue of municipal securities, Financial Guaranty requires, among other things, (i) that it be granted the power to exercise any rights granted to the holders of such securities upon the occurrence of an event of default, without the consent of such holders, and that such holders may not exercise such rights without Financial Guaranty's consent, in each case so long as Financial Guaranty has not failed to comply with its payment obligations under its insurance policy; and (ii) that any amendment or supplement to or other modification of the principal legal documents be subject to Financial Guaranty's consent. The specific rights, if any, granted to Financial Guaranty in connection with its insurance of the 2003 Series B Bonds are set forth in the description of the principal legal documents appearing elsewhere in this Official Statement. Reference should be made as well to such description for a discussion of the circumstances, if any, under which the Authority is required to provide additional or substitute credit enhancement, and related matters.

This Official Statement contains a section regarding the ratings assigned to the 2003 Series B Bonds and reference should be made to such section for a discussion of such ratings and the basis for their assignment to the 2003 Series B Bonds. See "Ratings."

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of September 30, 2002, the total capital and surplus of Financial Guaranty was approximately \$1.1 billion. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 125 Park Avenue, New York, New York 10017, Attention: Communications Department (telephone number: 212-312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: 212-480-5187).

### **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. The base revenue amount was equal to \$645,000,000 for Fiscal Year 2001, \$664,350,000 for Fiscal Year 2002 and \$684,280,500 for Fiscal Year 2003 and increases by the percentage change in inflation, as measured by the Boston Consumer Price Index (the "Boston CPI") for the prior year, except as follows:

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

- If the percent change in inflation, as measured by the Boston CPI for the prior year, is less than 3% and there was no increase in the dedicated sales tax revenue amount, the base revenue amount is held constant.

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

The Comptroller certified, on March 1, 2002, that the base revenue amount for Fiscal Year 2003 is approximately \$684.3 million and, on November 12, 2002, that currently the projected dedicated sales tax revenue amount is estimated to be approximately \$649.6 million.

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

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

vendors located in hotels in Cambridge and in Boston, outside of the Convention Center Financing District, in each case only for vendors that opened after July 1, 1997. The total amount of such excluded receipts for Fiscal Years 1999, 2000, 2001 and 2002 were \$627,144, \$1,263,918, \$862,697 and \$1,042,549, respectively.

#### Historical Commonwealth Sales Tax Receipts\*

Fiscal Year	Sales Tax Receipts	20% of Sales Tax Receipts**	% Increase/ (Decrease)	Fiscal Year	Sales Tax Receipts	20% of Sales Tax Receipts**	% Increase/ (Decrease)
1977	\$441,842,408	\$88,368,482	27.166	1990	\$1,660,519,408	\$332,103,882	(7.081)
1978	520,701,183	104,140,237	17.848	1991	1,617,727,164	323,545,433	(2.577)
1979	577,667,207	115,533,441	10.940	1992	1,682,319,431	336,463,886	3.993
1980	608,337,996	121,667,599	5.309	1993	1,820,971,551	364,194,310	8.242
1981	704,029,980	140,805,996	15.730	1994	1,978,773,555	395,754,711	8.666
1982	753,508,032	150,701,606	7.028	1995	2,136,971,274	427,394,255	7.995
1983	865,274,260	173,054,852	14.833	1996	2,252,083,428	450,416,686	5.387
1984	1,041,786,825	208,357,365	20.400	1997	2,494,701,986	498,940,397	10.773
1985	1,209,486,848	241,897,370	16.097	1998	2,570,447,261	514,512,001	3.121
1986	1,452,207,247	290,441,449	20.068	1999	2,833,016,602	566,603,320	10.124
1987	1,600,004,046	320,000,809	10.177	2000	3,107,166,500	621,433,300	9.677
1988	1,733,312,577	346,662,515	8.332	2001	3,272,953,839	654,590,768	5.336
1989	1,787,062,915	357,412,583	3.101	2002	3,193,946,638	638,789,328	(2.414)

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 2003 Series B Bonds are not general obligations of the Commonwealth and are not secured by the full faith and credit of the Commonwealth. The 2003 Series B Bonds are payable only from Pledged Revenues and other moneys available to the owners of the 2003 Series B Bonds under the Sales Tax Bond Trust Agreement. See “SECURITY FOR THE SALES TAX BONDS.”**

#### ASSESSMENT BOND TRUST AGREEMENT AND ASSESSMENTS

On August 16, 2000 the Authority entered into the Assessment Bond Trust Agreement and issued the 2000 Series B Assessment Bonds. 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; and
- (3) the Debt Service Reserve Fund.

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

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

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

For a description of the Funds and Accounts under the Assessment Bond Trust Agreement, see APPENDIX 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 upon the request of the General Manager to the Authority so long as the Authority shall certify each year that it has provided in its budget for the payment of the Prior Obligations due during such year. In connection with its Fiscal Year 2003 budget, the Authority has certified that it has provided for the payment of Prior Obligations during Fiscal Year 2003 in such annual budget.

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

Under the Prior Act, specified cities and towns were assessed to reimburse the Commonwealth for cash advances made to pay the Authority's Net Cost of Service on account of prior fiscal periods. The amount of assessments for any particular period varied, depending on the amount of the Net Cost of Service for that period and offsetting state appropriations, among other things. The Enabling Act increases the number of assessed cities and towns from 78 to 175 commencing in Fiscal Year 2002. Total Assessments shall be not less than \$136,026,868 in Fiscal Year 2006, as adjusted in each year thereafter for inflation, provided that such amount shall not increase by more than 2.5% per year. Under a transition provision, the Assessments paid by the previously assessed 78 cities or towns for Fiscal Year 2001 were frozen at the Fiscal Year 2000 level (\$144,578,734). Beginning in Fiscal Year 2002 and each Fiscal Year thereafter through Fiscal Year 2006, Assessments are reduced in five equal installments, while, commencing with Fiscal Year 2002, the additional cities and towns are assessed and their portion of the Assessments are increased through Fiscal Year 2006 in five equal installments. In each case, individual Assessments are determined according to a weighted population formula. Total Assessments for Fiscal Year 2003 are \$141,142,988. Beginning in Fiscal Year 2002, cities and towns that are also assessed for regional transit authority expenses will receive 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," but not on the "other served communities," as each is defined in the Enabling Act. See APPENDIX F for historical information on the amounts of Local Aid, Authority Assessments and other assessments related to the cities and towns in the Authority's territory.

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

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

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

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

*Qualified Bonds.* The Commonwealth's Qualified Bond Act enables cities and towns, with the approval of the state Emergency Finance 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 Emergency Finance 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, eight communities in the Authority's territory, Amesbury, Beverly, Brockton, Chelsea, Haverhill, Lawrence, Lowell and Revere have outstanding Qualified Bonds.

### **Potential Local Aid Intercepts**

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

*Massachusetts Water Resources Authority.* The Massachusetts Water Resources Authority (the "MWRA") provides wholesale water and wastewater services to numerous cities and towns in Massachusetts, for which it assesses charges. The MWRA's enabling act contains a Local Aid intercept provision pursuant to which the MWRA may, in the event of a payment delinquency on the part of a city or town, certify the unpaid amount to the State Treasurer, whereupon the State Treasurer must promptly pay to the MWRA any amount otherwise certified to the State Treasurer for payment to the city or town as Local Aid until such time as any deficiency in the city or town's payment of charges to the MWRA has

been set off by such payments from the State Treasurer. In the case of the cities of Boston and Lynn, Local Aid payments are not subject to setoff under the MWRA's enabling act on account of the payment obligations of the Boston Water and Sewer Commission and the Lynn Water and Sewer Commission ("LWSC"), respectively. If water and sewer commissions are established in other cities in the future, Local Aid payments to those cities will be subject to the intercept. The MWRA has utilized the intercept mechanism six times since 1990 for cities and towns in the Authority's territory.

*Massachusetts Water Pollution Abatement Trust.* The Massachusetts Water Pollution Abatement Trust (the "Trust") makes loans to cities, towns and other units of regional and local government (including the MWRA, LWSC and the South Essex Sewage District ("SESD")) to finance water and wastewater treatment facilities. The Trust's enabling act contains two Local Aid intercept provisions relative to amounts owed on loans, one governing payments owed to a regional unit of government (such as the MWRA, LWSC and 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.

Based on the Fiscal Year 2003 so-called “cherry sheet” prepared by Department of Revenue, Division of Local Services, the City of Boston’s projected Local Aid will be \$558,967,755 and the projected Assessment for the Authority will be \$63,915,492 or 11.4% of the City’s Local Aid. Such Assessment will account for 45.3% of the total Assessments for the Authority from all assessed cities and towns.

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

### **Proposition 2½**

In November 1980, voters in the Commonwealth approved a statewide tax limitation initiative petition, commonly known as Proposition 2½, to constrain levels of property taxation and to limit the charges and fees imposed on cities and towns by certain governmental entities, including county governments. Proposition 2½ is not a provision of the state constitution and accordingly is subject to amendment or repeal by the legislature. Proposition 2½, as amended to date, limits the property taxes that may be levied by any city or town in any Fiscal Year to the lesser of (i) 2.5% of the full and fair cash valuation of the real estate and personal property therein, and (ii) 2.5% over the previous year’s levy limit plus any growth in the tax base from certain new construction and parcel subdivisions. Proposition 2½ also limits any increase in the charges and fees assessed by certain governmental entities, including Assessments, on cities and towns to the sum of (i) 2.5% of the total charges and fees imposed in the preceding Fiscal Year, and (ii) any increase in charges for services customarily provided locally or services obtained by the city or town at its option. The law contains certain override provisions and, in addition, permits debt service on specific bonds and notes and expenditures for identified capital projects

to be excluded from the limits by a majority vote at a general or special election. At the time Proposition 2½ was enacted, many cities and towns had property tax levels in excess of the limit and were therefore required to roll back property taxes with a concurrent loss of revenues. Between Fiscal Year 1981 and Fiscal Year 2001, the aggregate property tax levy grew from \$3.346 billion to \$7.520 billion, representing an increase of approximately 124.7%. By contrast, according to federal Bureau of Labor Statistics, the consumer price index for all urban consumers in Boston grew during the same period by approximately 108.5%.

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

### **Local Aid**

During the 1980s, the Commonwealth increased Local Aid to mitigate the impact of Proposition 2½ on local programs and services. In Fiscal Year 2002, approximately 22.8% of the Commonwealth's projected spending is estimated to be allocated to direct Local Aid. Local Aid payments to cities, towns and regional school districts take the form of both direct and indirect assistance. Direct Local Aid consists of general revenue sharing funds and specific program funds sent directly to local governments and regional school districts as reported on the "cherry sheet," excluding certain pension funds and nonappropriated funds.

As a result of comprehensive education reform legislation enacted in June 1993, a large portion of general revenue sharing funds are earmarked for public education and are distributed through a formula designed to provide more aid to the Commonwealth's poorer communities. The legislation established a Fiscal Year 1993 state spending base of approximately \$1.288 billion for local education purposes and required annual increases in state expenditures for such purposes above that base, subject to appropriation, estimated to be approximately \$3.259 billion in Fiscal Year 2003. All of the Commonwealth's budgets in Fiscal Years 1994 through 2003 have fully funded the requirements imposed by this legislation.

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.

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

Under the Enabling Act, the Sales Tax Bonds are made securities in which all public officers and public bodies of the Commonwealth and its political subdivisions, all insurance companies, trust companies, banking associations, savings banks, cooperative banks, investment companies, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or may hereafter be authorized to invest in bonds or notes or other obligations of a similar nature may properly and legally invest funds, including capital,

deposits or other funds in their control or belonging to them. The Sales Tax Bonds are hereby made securities which may properly and legally be deposited with and received by any state or municipal officer or any agency or political subdivision of the Commonwealth for any purpose for which the deposit of bonds or other obligations of the Commonwealth now or may hereafter be authorized by law.

## **LITIGATION**

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

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

In *Freeman v. MBTA*, the Estate of Vladislav Mouzytchenko brought a wrongful death action arising out of an accident on the MBTA Green Line, which occurred at the intersection of Beacon Street and St. Paul Street in Brookline on December 24, 1994. Plaintiff asserted claims for the alleged negligent operation of the Green Line trolley and negligence in the subsequent rescue operation to extricate the decedent who was trapped under the trolley. The jury awarded the widow of the decedent \$1.00 and the estate \$7,000 for compensatory damages, finding the decedent to be 35% comparatively negligent. In subsequent proceedings, the jury then awarded \$27 million in punitive damages against the MBTA. Upon motion, the trial judge remitted the punitive damages award to \$1 million, a figure later rejected by the plaintiff. Accordingly, a complete retrial on punitive damages is anticipated to be held in early 2003.

In *Clifton v. Massachusetts Bay Transportation Authority*, the plaintiff brought a civil action seeking damages for racial discrimination. A jury awarded compensation damages of \$500,000 and punitive damages of \$5,000,000. The Court, on a motion by the Authority, granted a request for a new trial on the issue of damages. Both parties have filed and briefed appeals in the case. No decision is likely in Fiscal Year 2003.

## **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 2003 Series B Bonds would with respect to the 2003 Series B 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 2003 Series B Bonds.

## **TAX EXEMPTION**

Bond Counsel is of the opinion that, under existing law, interest on the 2003 Series B Bonds will not be included in the gross income of holders of the 2003 Series B Bonds for federal income tax purposes. This opinion is expressly conditioned upon continued compliance with certain requirements imposed by the Internal Revenue Code of 1986, as amended (the "Code"), which must be satisfied subsequent to the date of issuance of the 2003 Series B Bonds in order to assure that interest on the 2003 Series B Bonds is and continues to be excluded from gross income of holders of the 2003 Series B Bonds. Failure to comply with

certain of such requirements could cause interest on the 2003 Series B Bonds to be included in the gross income of the holders of the 2003 Series B Bonds retroactive to the date of issuance of the 2003 Series B Bonds. In particular, and without limitation, those requirements include restrictions on the use, expenditure and investment of proceeds of the 2003 Series B Bonds and the payment of rebate, or penalties in lieu of rebate, to the United States, subject to certain exceptions. The Authority has provided covenants and certificates as to continued compliance with such requirements.

In the opinion of Bond Counsel, under existing law, since the 2003 Series B Bonds are not “private activity bonds” under the Code, interest on the 2003 Series B 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 2003 Series B Bonds will be included in “adjusted current earnings” of corporate holders of the 2003 Series B Bonds and therefore will be taken into account under Section 56(g) of the Code in the computation of the alternative minimum tax applicable to certain corporations.

Bond Counsel has not opined as to other federal tax consequences arising with respect to the 2003 Series B Bonds. However, prospective purchasers should be aware of certain collateral consequences which may result under federal tax law for certain holders of the 2003 Series B Bonds: (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the 2003 Series B Bonds or, in the case of a financial institution, that portion of a holder’s interest expense allocated to interest on the 2003 Series B Bonds; (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) of the Code reduces the deduction for losses incurred by 15 percent of the sum of certain items, including interest on the 2003 Series B Bonds; (iii) interest on the 2003 Series B Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code; (iv) passive investment income, including interest on the 2003 Series B 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 2003 Series B Bonds; and (vi) receipt of investment earnings, including interest on the 2003 Series B Bonds, may, pursuant to Section 32(i) of the Code, disqualify the recipient from obtaining the earned income credit provided by Section 32(a) of the Code.

In the opinion of Bond Counsel, interest on the 2003 Series B Bonds and any profit on the sale thereof are exempt from Massachusetts personal income taxes, and the 2003 Series B Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the 2003 Series B Bonds. Prospective purchasers should be aware, however, that the 2003 Series B Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the 2003 Series B 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 2003 Series B Bonds or the income therefrom under the laws of any state other than Massachusetts.

On the date of delivery of the 2003 Series B Bonds, the original purchasers thereof will be furnished with an opinion of Bond Counsel substantially in the form attached hereto. See Appendix D - “PROPOSED FORM OF OPINION OF BOND COUNSEL.”

## **RATINGS**

The 2003 Series B Bonds have been assigned ratings of “AAA” and “Aaa,” by Standard & Poor’s (“Standard & Poor’s”) and Moody’s Investors Service, Inc. (“Moody’s”), respectively, based on the issuance of Bond Insurance by the Bond Insurer. Without regard to the Bond Insurance, the 2003 Series B Bonds would have been assigned ratings of “AAA” and “Aa2,” by Standard & Poor’s and Moody’s, respectively.

Such ratings reflect only the respective views of such organizations, and an explanation of the significance of such ratings may be obtained from the rating agency furnishing the same. There is no assurance that a rating will continue for any given period of time or that a rating will not be revised or withdrawn entirely by any or all of such rating agencies, if, in its or their judgment, circumstances so warrant. Any downward revision or withdrawal of a rating could have an adverse effect on the market prices of the 2003 Series B Bonds.

## **CERTAIN LEGAL MATTERS**

Legal matters incident to the authorization, issuance and sale of the 2003 Series B Bonds are subject to the approval of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel. The approving opinion of Bond Counsel in substantially the form attached hereto as Appendix D will be delivered with the 2003 Series B Bonds. Certain legal matters will be passed upon for the Underwriter by Gadsby Hannah LLP.

## **UNDERWRITING**

The Underwriter has agreed, subject to certain conditions, to purchase from the Authority the 2003 Series B Bonds at a discount from the initial offering prices of the 2003 Series B Bonds equal to \$463,128.50. The initial public offering prices of the 2003 Series B Bonds may be changed from time to time, by the Underwriter. The Underwriter will be obligated to purchase all 2003 Series B Bonds if any such 2003 Series B Bonds are purchased.

## **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 2003 Series B Bonds setting forth the undertaking of the Authority regarding continuing disclosure with respect to the 2003 Series B Bonds. The proposed form of the Continuing Disclosure Agreement is set forth in Appendix E. The Authority has not failed to comply with any previous undertaking to provide annual reports or notices of material events in accordance with the Rule.

## **MISCELLANEOUS**

The summaries of the provisions of the Enabling Act, the 2003 Series B Bonds, the Sales Tax Bond Trust Agreement and the Assessment Bond Trust Agreement contained herein do not purport to be complete and are made subject to the detailed provisions thereof to which reference is hereby made. Copies of the Enabling Act, the form of the 2003 Series B Bonds, the Sales Tax Bond Trust Agreement and the Assessment Bond Trust Agreement are available for inspection at the offices of the Authority and the Trustee.

Information relating to DTC and the book-entry system described under the heading “THE 2003 SERIES B 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.

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

MASSACHUSETTS BAY TRANSPORTATION AUTHORITY

By: /s/ Jonathan R. Davis

Jonathan R. Davis  
Deputy General Manager and  
Chief Financial Officer

By: /s/ Wesley G. Wallace, Jr.

Wesley G. Wallace, Jr.  
Treasurer-Controller

**SUMMARY OF DUTCH AUCTION PROCEDURES**

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

***Definitions***

*Applicable Percentage* means, on any date of determination, the percentage of the Index (in effect on such Auction Date) determined in accordance with the Fifth Supplemental Trust Agreement, based on the Prevailing Rating of the 2003 Series B Bonds in effect at the close of business on the Business Day immediately preceding such Auction Date:

<u>Prevailing Rating</u>	<u>Applicable Percentages</u>
AAA/Aaa .....	125%
AA/Aa .....	150%
A/A .....	200%
Below A/A .....	250%

*Auction* means each periodic implementation of the Dutch Auction Procedures.

*Auction Agent* means any auction agent appointed in accordance with the Fifth Supplemental Trust Agreement, initially the Bank of New York.

*Auction Agent Agreement* means the applicable Auction Agent Agreement between the Trustee and the Auction Agent, as amended or supplemented from time to time, to be entered into if the 2003 Series B Bonds are issued in or converted to an Auction Rate Mode.

*Auction Date* means, the Closing Date, and thereafter, during any period in which the Auction procedures described herein are not suspended in accordance with the provisions of the Fifth Supplemental Trust Agreement shall mean, (i) for each Series of 2003 Series B Bonds in a daily Auction Period, if any, each Business Day, and (ii) for each Series of 2003 Series B Bonds, if any, in any other Auction Period, the Business Day next preceding the first day of each Auction Period (whether or not an Auction will be conducted on such date); provided, however, that the last Auction Date with respect to a Series of 2003 Series B Bonds in an Auction Period other than a daily Auction Period will be the earlier of (a) the Business Day next preceding the first day of each Auction Period next preceding the Conversion Date for such 2003 Series B Bonds and (b) the Business Day next preceding the first day of each Auction Period next preceding the final maturity date for the 2003 Series B Bonds; and provided, further, that if a Series of 2003 Series B Bonds are in a daily Auction Period, the last Auction Date for such Series will be the earlier of (x) the Business Day next preceding the Conversion Date for such Series of 2003 Series B Bonds and (y) the Business Day next preceding the final maturity date for the 2003 Series B Bonds. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there will be two Auctions, one for the last daily Auction Period and one for the first Auction Period following the conversion.

*Auction Period* means, if and when the 2003 Series B Bonds are issued in or converted to the Dutch Auction Rate, (i) with respect to 2003 Series B Bonds in a daily mode, a period beginning on each Business Day and extending to but not including the next succeeding Business Day, (ii) with respect to 2003 Series B Bonds in a seven-day mode, a period of generally seven days beginning on a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on the Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iii) with respect to 2003 Series B Bonds in a 28-day mode, a period of generally 28 days beginning on a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on the fourth Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iv) with respect to 2003 Series B Bonds in a 35-day mode, a period of generally 35 days beginning on a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on the fifth Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (v) with respect to 2003 Series B Bonds in a three-month mode, a period of generally three months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the first day of the month that is the third calendar month following the beginning date of such Auction Period, and (vi) with respect to 2003 Series B Bonds in a semiannual mode, a period of generally six months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the next succeeding March 1 or September 1; provided, however, that if there is a conversion of 2003 Series B Bonds from a daily Auction Period to a seven-day Auction Period, the next Auction Period will begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and will end on the next succeeding Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), if there is a conversion from a daily Auction Period to a 28-day Auction Period, the next Auction Period will begin on the date of the conversion and will end on the Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and, if there is a conversion from a daily Auction Period to a 35-day Auction Period, the next Auction Period will begin on the date of the conversion and will end on the Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 28 days but not more than 35 days from such date of conversion.

*Authorized Denomination* means, with respect to the 2003 Series B Bonds in the Dutch Auction Rate Mode, a denomination equal to \$25,000 or any integral multiple thereof.

*Broker-Dealer* means any entity permitted by law to perform the functions required of a Broker-Dealer described in the Dutch Auction Procedures (i) that has been selected by the Authority with the consent of the Auction Agent and (ii) that has entered into a Broker-Dealer Agreement with the Auction Agent that remains effective, initially Bear, Stearns & Co. Inc.

*Broker-Dealer Agreement* means each agreement between the Broker-Dealer and the Auction Agent pursuant to which the Broker-Dealer, among other things, agrees to participate



in Auctions as described in the Dutch Auction Procedures, as from time to time amended and supplemented.

*Business Day* shall mean, for purposes of the 2003 Series B Bonds, any day other than (i) a Saturday or Sunday or legal holiday or a day on which banking institutions in the city in which the Principal Office of any of the Trustee, the Authority, the Auction Agent or the Remarketing Agent, if any, is located are authorized by law or executive order to close or (ii) a day on which the New York Stock Exchange is closed.

*Closing Date* shall mean February 26, 2003.

*Conversion* means any conversion from time to time in accordance with the terms of this Fifth Supplemental Trust Agreement of the 2003 Series B Bonds from one Interest Rate Mode to another Interest Rate Mode.

*Conversion Date* means initially the date of original issuance of the 2003 Series B Bonds and thereafter means the date on which any Conversion of the 2003 Series B Bonds becomes effective.

*Date of the Bonds* means the date of initial delivery of the 2003 Series B Bonds.

*Dutch Auction Procedures* means the procedures set forth in the Fifth Supplemental Trust Agreement for the 2003 Series B Bonds which are in the Dutch Auction Rate.

*Dutch Auction Rate* means the interest rate or rates to be determined for the 2003 Series B Bonds pursuant to the Fifth Supplemental Trust Agreement as summarized herein.

*Dutch Auction Rate Period* means each period during which the 2003 Series B Bonds bear interest at a Dutch Auction Rate.

*Electronic Notice* means notice transmitted through a time-sharing terminal, if operative as between any two parties, or if not operative, in writing, by facsimile transmission or by telephone (promptly confirmed in writing or by facsimile transmission).

*Existing Holder* means, for purposes of each Auction, a person who is listed as the beneficial owner of the 2003 Series B Bonds in the records of the Auction Agent as of the Regular Record Date in respect of the last Interest Payment Date for the Auction Period then ending.

*Hold Order* shall have the meaning described under the heading “Dutch Auction Rate Periods; Dutch Auction Rate: Auction Period - Dutch Auction Rate Period: Orders by Existing Holders and Potential Holders.”

*Index* shall have the following meanings:

(a) The Index on any Auction Date with respect to 2003 Series B Bonds in any Auction Period of 35 days or less shall be the One Month LIBOR Rate on such date. The Index with respect to 2003 Series B Bonds in any Auction Period greater than 35 days shall be the rate on United States Treasury Securities that have a maturity which most closely approximates the length of the Auction Period, as last published in The

Bond Buyer. If either rate is unavailable, the Index for the 2003 Series B Bonds shall be an index or rate agreed to by the Broker-Dealer and consented to by the Authority and the Bond Insurer.

(b) If for any reason on any Auction Date the Index shall not be determined as hereinabove provided in this definition, the Index shall be the Index for the Auction Period ending on such Auction Date.

(c) The determination of the Index as provided herein shall be conclusive and binding upon the Authority, the Trustee, the Broker-Dealer, the Auction Agent and the Owners of the 2003 Series B Bonds.

*Interest Payment Date* means each March 1 and September 1 commencing September 1, 2003, or if any such date is not a Business Day, the next succeeding Business Day.

*Interest Period* means, for the 2003 Series B Bonds bearing interest at a Dutch Auction Rate, (i) (A) for the 2003 Series B-1 Bonds initially the period from and including the Closing Date to and including March 11 2003, (B) for the 2003 Series B-2 Bonds initially the period from and including the Closing Date to and including March 25, 2003, and (c) thereafter, with respect to the 2003 Series B-1 Bonds and 2003 Series B-2 Bonds the period from and including the applicable Auction Period and (ii) for an Auction Period of more than 91 days, the period from and including each Wednesday (if not a Business Day, the next succeeding Business Day) to and including the 13<sup>th</sup> Wednesday thereafter (if not a Business Day, the next succeeding Business Day).

*Interest Rate Mode* means the Daily Rate, the Dutch Auction Rate, the Weekly Rate and the Long Term Rate.

*Maximum Dutch Auction Rate* means on any date of determination, the lesser of (i) the product of the Index multiplied by the Applicable Percentage or (ii) 12%.

*Minimum Dutch Auction Rate* means on any date of determination the interest rate per annum equal to the lesser of (i) 12% or (ii) 45% of the Index on such date.

*No Auction Rate* means, as of any Auction Date, the rate determined by multiplying the Percentage of Index set forth below, based on the Prevailing Rating of the 2003 Series B Bonds in effect at the close of business on the Business Day immediately preceding such Auction Date, by the Index:

<u>Prevailing Rating</u>	<u>Percentage of Index</u>
AAA/Aaa .....	65%
AA/Aa .....	70%
A/A .....	85%
Below A/A .....	100%

provided, however that in no event will the No Auction Rate exceed the Maximum Dutch Auction Rate.

*One Month LIBOR Rate* means, as of any date of determination, the offered rate for deposits in U.S. dollars for a one-month period which appears on the Telerate Page 3750 at approximately 11:00 a.m., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market.

*Order* shall have the meaning described under the heading “Dutch Auction Rate Periods; Dutch Auction Rate: Auction Period - Dutch Auction Rate Period: Orders by Existing Holders and Potential Holders.”

*Overdue Rate* means, on any date of determination, the lesser of (i) 12% and (ii) the Applicable Percentage (determined as if the 2003 Series B Bonds had a Prevailing Rating of Below A/A) of the Index on such date.

*Potential Holder* or *Potential Owner* means any person, including any Existing Holder, who may be interested in acquiring the beneficial ownership of 2003 Series B Bonds during a Dutch Auction Rate Period or, in the case of an Existing Holder thereof, the beneficial ownership of an additional principal amount of 2003 Series B Bonds during a Dutch Auction Rate Period.

*Prevailing Rating* means (a) AAA/Aaa, if the 2003 Series B Bonds will have a rating of AAA or better by S&P and a rating of Aaa or better by Moody’s, (b) if not AAA/Aaa, AA/Aa if the 2003 Series B Bonds will have a rating of AA- or better by S&P and a rating of Aa3 or better by Moody’s, (c) if not AAA/Aaa or AA/Aa, A/A if the 2003 Series B Bonds will have a rating of A- or better by S&P and a rating of A3 or better by Moody’s, and (d) if not AAA/Aaa, AA/Aa or A/A, then below A/A/A, whether or not the 2003 Series B Bonds are rated by any securities rating agency. For purposes of this definition, S&P’s rating categories of “AAA”, “AA” and “A-” and Moody’s rating categories of “Aaa”, “Aa3” and “A3” will be deemed to refer to and include the respective rating categories correlative thereto in the event that any such Rating Agencies will have changed or modified their generic rating categories or if any successor thereto appointed in accordance with the definitions thereof will use different rating categories. If the 2003 Series B Bonds are not rated by a Rating Agency, the requirement of a rating by such Rating Agency will be disregarded. If the ratings for the 2003 Series B Bonds are split between two of the foregoing categories, the lower rating will determine the Prevailing Rating. If there is no rating, then the Dutch Auction Rate will be the Maximum Dutch Auction Rate.

*Registered Owners* shall mean the registered owner of the 2003 Series B Bonds.

*Regular Record Date* means, with respect to the 2003 Series B Bonds, with respect to any Interest Period during which the Interest Rate Mode is the Dutch Auction Rate, the second Business Day preceding an Interest Payment Date for such Interest Period.

*Sell Order* shall have the meaning described under the heading “Dutch Auction Rate Periods; Dutch Auction Rate: Auction Period - Dutch Auction Rate Period: Orders by Existing Holders and Potential Holders.”

*Standard Auction Period* means an Auction Period of any of (i) 7 days, (ii) 28 days and (iii) 35 days unless and until the establishment of a different period, at which time it shall mean such different period.

*Submission Deadline* means 1:00 p.m., New York City time, on any Auction Date or such other time on any Auction Date by which the Brokers-Dealer is required to submit Orders to the Auction Agent as specified by the Auction Agent from time to time.

*Submitted Bid* shall have the meaning described under the heading “Dutch Auction Rate Periods; Dutch Auction Rate: Auction Period - Dutch Auction Rate Period: Determination of Sufficient Clearing Bids, Winning Bid Rate and Dutch Auction Rate.”

*Submitted Hold Order* shall have the meaning described under the heading “Dutch Auction Rate Periods; Dutch Auction Rate: Auction Period - Dutch Auction Rate Period: Determination of Sufficient Clearing Bids, Winning Bid Rate and Dutch Auction Rate.”

*Submitted Order* shall have the meaning described under the heading “Dutch Auction Rate Periods; Dutch Auction Rate: Auction Period - Dutch Auction Rate Period: Determination of Sufficient Clearing Bids, Winning Bid Rate and Dutch Auction Rate.”

*Submitted Sell Order* shall have the meaning described under the heading “Dutch Auction Rate Periods; Dutch Auction Rate: Auction Period - Dutch Auction Rate Period: Determination of Sufficient Clearing Bids, Winning Bid Rate and Dutch Auction Rate.”

*Sufficient Clearing Bids* shall have the meaning described under the heading “Dutch Auction Rate Periods; Dutch Auction Rate: Auction Period - Dutch Auction Rate Period: Determination of Sufficient Clearing Bids, Winning Bid Rate and Dutch Auction Rate.”

*United States Treasury Securities* shall mean bonds or other obligations which as to principal and interest constitute direct obligations of, or is unconditionally guaranteed by, the United States of America.

*Winning Bid Rate* shall have the meaning described under the heading “Dutch Auction Rate Periods; Dutch Auction Rate: Auction Period - Dutch Auction Rate Period: Determination of Sufficient Clearing Bids, Winning Bid Rate and Dutch Auction Rate.”

Any other capitalized terms used herein and not otherwise defined shall have the respective meanings accorded such terms in the Trust Agreement.

***Dutch Auction Rate Periods; Dutch Auction Rate: Auction Period***

(a) General.

(i) During any Dutch Auction Rate Period, the 2003 Series B Bonds shall bear interest at the Dutch Auction Rate determined as set forth under this heading in subsection (a) and in subsections (b), (c), (d), (e) and (f) below. The Dutch Auction Rate for any initial Auction Period immediately after either any Conversion to a Dutch Auction Rate Period or a mandatory purchase of 2003 Series B Bonds pursuant to the Fifth Supplemental Trust Agreement, shall be the rate of interest per annum determined and certified to the Trustee (with a copy to the Authority) by the Auction Agent on a date not later than the effective date of such Conversion or the date of such mandatory purchase, as the case may be, as the minimum rate of interest which, in the opinion of the Auction Agent, would be necessary as of the date of such Conversion

or the date of such mandatory purchase, as the case may be, to market 2003 Series B Bonds in a secondary market transaction at a price equal to the principal amount thereof; provided that such interest rate shall not exceed the Maximum Dutch Auction Rate. Except as otherwise provided in the Fifth Supplemental Trust Agreement with respect to the initial Auction Period and for any other Auction Period, the Dutch Auction Rate shall be the rate of interest per annum that results from implementation of the Dutch Auction Procedures; provided that such interest rate shall not exceed the Maximum Dutch Auction Rate. Except as provided below, if on any Auction Date for any reason an Auction is not held, the Dutch Auction Rate for the next succeeding Auction Period shall equal the No Auction Rate on and as of such Auction Date. Determination of the Dutch Auction Rate pursuant to the Dutch Auction Procedures shall be suspended upon the occurrence of a Payment Default or an Event of Default described under the Sales Tax Trust Agreement, and, at any time that the Bond Insurer is in default of its obligations under the Bond Insurance Policy, no Auction will be held, all Submitted Bids and Submitted Sell Orders shall be rejected, the existence of Sufficient Clearing Bids shall be of no effect and the Dutch Auction Rate shall be equal to the Overdue Rate as determined on and as of the immediately preceding Auction Date for each Auction Period, commencing after the occurrence of any Payment Default or Event of Default to and including the Auction Period, if any, during which or commencing less than two Business Days after the earlier of (A) such Payment Default or Event of Default has been cured or waived and (B) the first date on which all of the following conditions shall have been satisfied:

(A) no default shall be continuing under the Bond Insurance Policy (the satisfaction of such condition to be conclusively evidenced, absent manifest error, to each of the Trustee and the Auction Agent by a certificate of a duly authorized officer of the Bond Insurer to such effect delivered to such entity);

(B) the Bond Insurer shall have delivered to the Auction Agent an instrument, satisfactory in form and substance to the Auction Agent, containing (x) an unconditional agreement of the Bond Insurer to furnish to the Auction Agent amounts sufficient to pay all fees of the Broker-Dealer, as provided in the Broker-Dealer Agreement, and of the Auction Agent, (y) such other agreements and representations as the Auction Agent shall reasonably require and (z) a direction not to suspend, or to resume, the implementation of the Dutch Auction Procedures, as the case may be; and

(C) the Auction Agent shall have advised the Trustee in writing that the Auction Agent has been directed by the Bond Insurer not to suspend, or to resume, the implementation of the Dutch Auction Procedures.

The Dutch Auction Rate for any Auction Period commencing after certificates representing the 2003 Series B Bonds have been distributed pursuant to subsection (g) under this heading shall be equal to the Maximum Dutch Auction Rate on each Auction Date.

(ii) Auction Periods may be changed as described in subsection (b) under this heading at any time unless a Payment Default or an Event of Default has occurred and has not been cured or waived. Each Auction Period shall be a Standard Auction

Period unless a different Auction Period is established as described in subsection (b) under this heading and each Auction Period which immediately succeeds an Auction Period that is not a Standard Auction Period shall be a Standard Auction Period unless a different Auction Period is established pursuant to as described in subsection (b) under the this heading.

(iii) The Auction Agent shall from time to time increase any or all of the percentages set forth in the definition of “Applicable Percentage” or the percentage set forth in the definition of “Minimum Dutch Auction Rate” in order that such percentages take into account any amendment to the Code or other statute enacted by the Congress of the United States or any temporary, proposed or final regulation promulgated by the United States Treasury, after the date hereof which (a) changes or would change any deduction, credit or other allowance allowable in computing liability for any federal tax with respect to, or (b) imposes or would impose or increases or would increase any federal tax (including, but not limited to, preference or excise taxes) upon, any interest on a governmental obligation the interest on which is excludable from federal gross income under Section 103 of the Code. The Auction Agent shall give notice of any such increase by means of a written notice delivered at least two Business Days prior to the Auction Date on which such increase is proposed to be effective to the Trustee, the Auction Agent, the Authority and DTC.

(b) Dutch Auction Rate Period: Change of Auction Period.

(i) During a Dutch Auction Rate Period, the Authority may change the length of the then applicable Auction Period by means of a written notice delivered at least 10 days prior to the Auction Date for such Auction Period to the Trustee, the Bond Insurer, the Auction Agent, the Authority and DTC. Any Auction Period or Standard Auction Period established as described in this subsection under this heading may not exceed six months in duration. If such Auction Period will be less than 35 days, such notice shall be effective only if it is accompanied by a written statement of the Trustee, the Auction Agent and DTC to the effect that they are capable of performing their duties hereunder and under the Auction Agent Agreement with respect to such Auction Period. The length of an Auction Period or the Standard Auction Period may not be as described in this subsection under this heading unless Sufficient Clearing Bids existed at both the Auction immediately preceding the date the notice of such change was given and the Auction immediately preceding such changed Auction Period.

(ii) The change in length of an Auction Period or the Standard Auction Period shall take effect only if (A) the Trustee and the Auction Agent receive, by 11:00 a.m. (New York City time) on the Business Day immediately preceding the Auction Date for such Auction Period, a certificate from the Authority by telecopy or similar means, authorizing the change in the Auction Period or the Standard Auction Period, which shall be specified in such certificate, (B) the Trustee shall not have delivered to the Auction Agent by 12:00 noon (New York City time) on the Auction Date for such Auction Period notice that a Payment Default has occurred, and (C) Sufficient Clearing Bids exist at the Auction on the Auction Date for such Auction Period. If the condition referred to in (A) above is not met, the Dutch Auction Rate for the next succeeding Auction Period shall be determined pursuant to the Dutch Auction Procedures and the next succeeding Auction Period shall be an Auction Period of 35

days. If any of the conditions referred to in (B) or (C) above is not met, the Dutch Auction Rate for the next succeeding Auction Period shall equal the Maximum Dutch Auction Rate as determined as of the Auction Date for an Auction Period of 35 days.

(c) Dutch Auction Rate Period: Orders by Existing Holders and Potential Holders.

(i) Subject to the provisions described in subsection (a) under this heading, Auctions shall be conducted on each Auction Date in the manner described in this subsection and in subsections (d), (e) and (f) under this heading prior to the Submission Deadline on each Auction Date during a Dutch Auction Rate Period:

(A) each Existing Holder may submit to the Broker-Dealer information as to:

(x) the principal amount of 2003 Series B Bonds, if any, held by such Existing Holder which such Existing Holder desires to continue to hold without regard to the Dutch Auction Rate for the next succeeding Auction Period;

(y) the principal amount of 2003 Series B Bonds, if any, held by such Existing Holder which such Existing Holder offers to sell if the Dutch Auction Rate for the next succeeding Auction Period shall be less than the rate per annum specified by such Existing Holder; and

(z) the principal amount of 2003 Series B Bonds, if any, held by such Existing Holder which such Existing Holder offers to sell without regard to the Dutch Auction Rate for the next succeeding Auction Period;

(B) the Broker-Dealers may contact Potential Holders to determine the principal amount of 2003 Series B Bonds which each such Potential Holder offers to purchase if the Dutch Auction Rate for the next succeeding Auction Period shall not be less than the interest rate per annum specified by such Potential Holder.

For the purposes hereof, the communication to the Broker-Dealer of information referred to in clause (A)(x), (A)(y) or (A)(z) or clause (B) above is hereinafter referred to as an "Order" and each Existing Holder and Potential Holder placing an Order is hereinafter referred to as a "Bidder"; an Order containing the information referred to in clause (A)(x) above is hereinafter referred to as a "Hold Order"; an Order containing the information referred to in clause (A)(y) or clause (B) above is hereinafter referred to as a "Bid"; and an Order containing the information referred to in clause (A)(z) above is hereinafter referred to as a "Sell Order".

(ii) (A) Subject to the provisions of subsection (d) under this heading, a Bid by an Existing Holder shall constitute an irrevocable offer to sell:

(x) the principal amount of 2003 Series B Bonds specified in such Bid if the Dutch Auction Rate determined pursuant to the Dutch

Auction Procedures on such Auction Date shall be less than the interest rate per annum specified therein; or

(y) such principal amount or a lesser principal amount of 2003 Series B Bonds to be determined as described in subsection (f) under this heading if the Dutch Auction Rate determined pursuant to the Dutch Auction Procedures on such Auction Date shall be equal to the interest rate per annum specified therein; or

(z) such principal amount if the interest rate per annum specified therein shall be higher than the Maximum Dutch Auction Rate or such principal amount or a lesser principal amount of 2003 Series B Bonds to be determined as described in subsection (f) under this heading if such specified rate shall be higher than the Maximum Dutch Auction Rate and Sufficient Clearing Bids do not exist.

(B) Subject to the provisions described in subsection (d) under this heading, a Sell Order by an Existing Holder shall constitute an irrevocable offer to sell:

(y) the principal amount of 2003 Series B Bonds specified in such Sell Order; or

(z) such principal amount or a lesser principal amount of 2003 Series B Bonds as described in subsection (f) under this heading if Sufficient Clearing Bids do not exist.

(C) Subject to the provisions described in subsection (d) under this heading, a Bid by a Potential Holder shall constitute an irrevocable offer to purchase:

(y) the principal amount of 2003 Series B Bonds specified in such Bid if the Dutch Auction Rate determined on such Auction Date shall be higher than the rate specified therein; or

(z) such principal amount or a lesser principal amount of 2003 Series B Bonds as described in subsection (f) under this heading if the Dutch Auction Rate determined on such Auction Date shall be equal to such specified rate.

(d) Dutch Auction Rate Period: Submission of Orders by Broker-Dealer to Auction Agent.

(i) During a Dutch Auction Rate Period the Broker-Dealer shall submit in writing to the Auction Agent prior to the Submission Deadline on each Auction Date during the Dutch Auction Rate Period, all Orders obtained by the Broker-Dealer and shall specify with respect to each such Order:

(A) the aggregate principal amount of 2003 Series B Bonds that are subject to such Order;



(B) to the extent that such Bidder is an Existing Holder:

(x) the principal amount of 2003 Series B Bonds, if any, subject to any Hold Order placed by such Existing Holder;

(y) the principal amount of 2003 Series B Bonds, if any, subject to any Bid placed by such Existing Holder and the rate specified in such Bid; and

(z) the principal amount of 2003 Series B Bonds, if any, subject to any Sell Order placed by such Existing Holder; and

(D) to the extent such Bidder is a Potential Holder, the rate specified in such Potential Holder's Bid.

(ii) if any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall truncate the resultant figure to the nearest one thousandth (.001) of 1%.

(iii) If an Order or Orders covering all 2003 Series B Bonds held by an Existing Holder is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Holder covering the principal amount of 2003 Series B Bonds held by such Existing Holder and not subject to Orders submitted to the Auction Agent. Neither the Authority, the Trustee nor the Auction Agent shall be responsible for any failure of the Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Holder or Potential Holder.

(iv) If any Existing Holder submits through the Broker-Dealer to the Auction Agent one or more Orders covering in the aggregate more than the principal amount of 2003 Series B Bonds held by such Existing Holder, such Orders shall be considered valid as follows and in the following order of priority:

(A) all Hold Orders shall be considered valid, but only up to and including the principal amount of 2003 Series B Bonds held by such Existing Holder, and, if the aggregate principal amount of 2003 Series B Bonds subject to such Hold Orders exceeds the aggregate principal amount of 2003 Series B Bonds held by such Existing Holder, the aggregate principal amount of 2003 Series B Bonds subject to each such Hold Order shall be reduced pro rata to cover the aggregate principal amount of 2003 Series B Bonds held by such Existing Holder;

(B) (w) any Bid shall be considered valid up to and including the excess of the principal amount of 2003 Series B Bonds held by such Existing Holder over the aggregate principal amount of 2003 Series B Bonds subject to any Hold Orders referred to in paragraph (A) above;

(x) subject to clause (w) above, if more than one Bid with the same rate is submitted on behalf of such Existing Holder and the

aggregate principal amount of 2003 Series B Bonds subject to such Bids is greater than such excess, such Bids shall be considered valid up to and including the amount of such excess, and the principal amount of 2003 Series B Bonds subject to each Bid with the same rate shall be reduced pro rata to cover the principal amount of 2003 Series B Bonds equal to such excess;

(y) subject to clauses (w) and (x) above, if more than one Bid with different rates is submitted on behalf of such Existing Holder, such Bids shall be considered valid in the ascending order of their respective rates until the highest rate is reached at which such excess exists and then at such rate up to and including the amount of such excess; and

(z) in any such event, the aggregate principal amount of 2003 Series B Bonds, if any, subject to Bids not valid under this paragraph (B) shall be treated as the subject of a Bid by a Potential Holder at the rate therein specified; and

(C) all Sell Orders shall be considered valid up to and including the excess of the principal amount of 2003 Series B Bonds held by such Existing Holder over the aggregate principal amount of 2003 Series B Bonds subject to valid Hold Orders referred to in paragraph (A) and valid Bids referred to in paragraph (B) above.

(v) If more than one Bid for 2003 Series B Bonds is submitted on behalf of any Potential Holder, each Bid submitted shall be a separate Bid for 2003 Series B Bonds with the rate and principal amount therein specified.

(vi) Any Bid or Sell Order submitted by an Existing Holder covering an aggregate principal amount of 2003 Series B Bonds not equal to \$25,000 or an integral multiple thereof shall be rejected and shall be deemed a Hold Order. Any Bid submitted by a Potential Holder covering an aggregate principal amount of 2003 Series B Bonds not equal to \$25,000 or an integral multiple thereof shall be rejected.

(vii) Any Bid submitted by an Existing Holder or Potential Holder specifying a rate lower than the Minimum Dutch Auction Rate shall be treated as a Bid specifying the Minimum Dutch Auction Rate.

(viii) Any Order submitted in an Auction by the Broker-Dealer to the Auction Agent prior to the Submission Deadline on any Auction Date shall be irrevocable.

(e) Dutch Auction Rate Period: Determination of Sufficient Clearing Bids, Winning Bid Rate and Dutch Auction Rate.

(i) Not earlier than the Submission Deadline on each Auction Date during the Dutch Auction Rate Period, the Auction Agent shall assemble all valid Orders submitted or deemed submitted to it by the Broker-Dealer (each such Order as submitted or deemed submitted by the Broker-Dealer being hereinafter referred to as a

“Submitted Hold Order,” a “Submitted Bid” or a “Submitted Sell Order,” as the case may be, or as a “Submitted Order”) and shall determine:

(A) the excess of the total principal amount of 2003 Series B Bonds over the aggregate principal amount of 2003 Series B Bonds subject to Submitted Hold Orders (such excess being hereinafter referred to as the “Available Auction Bonds”); and

(B) from the Submitted Orders whether the aggregate principal amount of 2003 Series B Bonds subject to Submitted Bids by Potential Holders specifying one or more rates equal to or lower than the Maximum Dutch Auction Rate exceeds or is equal to the sum of:

(y) the aggregate principal amount of 2003 Series B Bonds subject to Submitted Bids by Existing Holders specifying one or more rates higher than the Maximum Dutch Auction Rate; and

(z) the aggregate principal amount of 2003 Series B Bonds subject to Submitted Sell Orders,

(in the event of such excess or such equality exists (other than because the sum of the principal amounts of 2003 Series B Bonds in clauses (y) and (z) above is zero because all of the 2003 Series B Bonds are subject to Submitted Hold Orders), such Submitted Bids in clause (B) above are hereinafter reflected to collectively as “Sufficient Clearing Bids”); and

(C) if Sufficient Clearing Bids exist, the lowest rate specified in the Submitted Bids (the “Winning Bid Rate”) which if:

(y) (I) each Submitted Bid from Existing Holders specifying such lowest rate and (II) all other Submitted Bids from Existing Holders specifying lower rates were rejected, thus entitling such Existing Holders to continue to hold the principal amount of 2003 Series B Bonds subject to such Submitted Bids; and

(z) (I) each Submitted Bid from Potential Holders specifying such lowest rate and (II) all other Submitted Bids from Potential Holders specifying lower rates were accepted,

would result in such Existing Holders described in clause (y) above continuing to hold an aggregate principal amount of 2003 Series B Bonds which, when added to the aggregate principal amount of 2003 Series B Bonds to be purchased by such Potential Holders described in clause (z) above, would be not less than the Available Auction Bonds.

(ii) Promptly after the Auction Agent has made the determinations as described in subsection (e) under this heading, the Auction Agent by telecopy, confirmed in writing, shall advise the Authority and the Trustee of the Maximum Dutch Auction Rate and the Minimum Dutch Auction Rate and the components

thereof on the Auction Date and, based on such determinations, the Dutch Auction Rate for the next succeeding Auction Period as follows:

(A) if Sufficient Clearing Bids exist, that the Dutch Auction Rate for the next succeeding Auction Period therefor shall be equal to the Winning Bid Rate so determined;

(B) If Sufficient Clearing Bids do not exist (other than because all of the 2003 Series B Bonds are the subject of Submitted Hold Orders), that the Dutch Auction Rate for the next succeeding Auction Period therefor shall be equal to the Maximum Dutch Auction Rate; and

(C) If all of the 2003 Series B Bonds are subject to Submitted Hold Orders, that the Dutch Auction Rate for the next succeeding Auction Period therefor shall be equal to the Minimum Dutch Auction Rate.

(f) Dutch Auction Rate Period: Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocation of Auction Bonds. During a Dutch Auction Rate Period, Existing Holders shall continue to hold the principal amounts of 2003 Series B Bonds that are subject to Submitted Hold Orders, and, based on the determinations made as described in subsection (d) under this heading, the Submitted Bids and Submitted Sell Orders shall be accepted or rejected and the Auction Agent shall take such other actions as are set forth below:

(i) If Sufficient Clearing Bids have been made, all Submitted Sell Orders shall be accepted and, subject to the provisions described in subsection (f) under this heading, Submitted Bids shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

(A) Existing Holders' Submitted Bids specifying any rate that is higher than the Winning Bid Rate shall be accepted, thus requiring each such Existing Holder to sell the aggregate principal amount of 2003 Series B Bonds subject to such Submitted Bids;

(B) Existing Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be rejected, thus entitling each such Existing Holder to continue to hold the aggregate principal amount of 2003 Series B Bonds subject to such Submitted Bids;

(C) Potential Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Holder to purchase the aggregate principal amount of 2003 Series B Bonds subject to such Submitted Bids;

(D) each Existing Holder's Submitted Bid specifying a rate that is equal to the Winning Bid Rate shall be rejected, thus entitling such Existing Holder to continue to hold the aggregate principal amount of 2003 Series B Bonds subject to such Submitted Bid, unless the aggregate principal amount of 2003 Series B Bonds subject to all such Submitted Bids shall be greater than the principal amount of 2003 Series B Bonds (the "remaining principal

amount”) equal to the excess of the Available Auction Bonds over the aggregate principal amount of the 2003 Series B Bonds subject to Submitted Bids described in paragraphs (B) and (C) of this subsection (i), in which event such Submitted Bid of such Existing Holder shall be rejected in part, and such Existing Holder shall be entitled to continue to hold the principal amount of 2003 Series B Bonds subject to such Submitted Bid, but only in an amount equal to the principal amount of 2003 Series B Bonds obtained by multiplying the remaining principal amount by a fraction, the numerator of which shall be the principal amount of 2003 Series B Bonds held by such Existing Holder subject to such Submitted Bid and the denominator of which shall be the sum of the principal amounts of 2003 Series B Bonds subject to such Submitted Bids made by all such Existing Holders that specified a rate equal to the Winning Bid Rate; and

(E) each Potential Holder’s Submitted Bid specifying a rate that is equal to the Winning Bid Rate shall be accepted but only in an amount equal to the principal amount of 2003 Series B Bonds obtained by multiplying the excess of the Available Auction Bonds over the aggregate principal amount of 2003 Series B Bonds subject to Submitted Bids described in paragraphs (B), (C) and (D) of this subsection (i) by a fraction the numerator of which shall be the aggregate principal amount of 2003 Series B Bonds subject to such Submitted Bid of such Potential Holder and the denominator of which shall be the sum of the principal amount of 2003 Series B Bonds subject to Submitted Bids made by all such Potential Holders that specified a rate equal to the Winning Bid Rate.

(ii) If Sufficient Clearing Bids have not been made (other than because all of the 2003 Series B Bonds are subject to Submitted Hold Orders), subject to the provisions described in subsection (f) under this heading, Submitted Orders shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

(A) Existing Holders, Submitted Bids specifying any rate that is equal to or lower than the Maximum Dutch Auction Rate shall be rejected, thus entitling each such Existing Holder to continue to hold the aggregate principal amount of 2003 Series B Bonds subject to such Submitted Bids;

(B) Potential Holders’ Submitted Bids specifying any rate that is equal to or lower than the Maximum Dutch Auction Rate shall be accepted, thus requiring each such Potential Holder to purchase the aggregate principal amount of 2003 Series B Bonds subject to such Submitted Bids; and

(C) each Existing Holder’s Submitted Bid specifying any rate that is higher than the Maximum Dutch Auction Rate and the Submitted Sell Orders of each Existing Holder shall be accepted, thus entitling each Existing Holder that submitted any such Submitted Bid or Submitted Sell Order to sell the 2003 Series B Bonds subject to such Submitted Bid or Submitted Sell Order, but in both cases only in an amount equal to the aggregate principal amount of 2003 Series B Bonds obtained by multiplying the aggregate principal amount of 2003 Series B Bonds subject to Submitted Bids described in paragraph (B)

of this subsection (ii) by a fraction, the numerator of which shall be the aggregate principal amount of 2003 Series B Bonds held by such Existing Holder subject to such Submitted Bid or Submitted Sell Order and the denominator of which shall be the aggregate principal amount of Outstanding Auction Bonds subject to all such Submitted Bids and Submitted Sell Orders.

(iii) If all 2003 Series B Bonds are subject to Submitted Hold Orders, all Submitted Bids shall be rejected.

(iv) If, as a result of the procedures described in subsection (f) under this heading, any Existing Holder would be required to sell, or any Potential Holder would be required to purchase, a principal amount of 2003 Series B Bonds that is not equal to \$25,000 or an integral multiple thereof, the Auction Agent shall, in such manner as, in its sole discretion, it shall determine, round up or down the principal amount of such 2003 Series B Bonds to be purchased or sold by any Existing Holder or Potential Holder so that the principal amount purchased or sold by each Existing Holder or Potential Holder shall be equal to \$25,000 or an integral multiple thereof.

(v) If, as a result of the procedures described in subsection (f) under this heading, any Potential Holder would be required to purchase less than \$25,000 in aggregate principal amount of 2003 Series B Bonds, the Auction Agent shall, in such manner as, in its sole discretion, it shall determine, allocate 2003 Series B Bonds for purchase among Potential Holders so that only 2003 Series B Bonds in principal amounts of \$25,000 or an integral multiple thereof are purchased by any Potential Holder, even if such allocation results in one or more of such Potential Holders not purchasing any 2003 Series B Bonds.

(vi) Based on the results of each Auction, the Auction Agent shall determine the aggregate principal amounts of 2003 Series B Bonds to be purchased and the aggregate principal amounts of 2003 Series B Bonds to be sold by Potential Holders and Existing Holders on whose behalf the Broker-Dealer submitted Bids or Sell Orders.

(g) DTC Registration Required During Dutch Auction Rate Mode; Limitations on Transfer.

(i) The Authority covenants that, except as otherwise described in subsection (g) under this heading; the 2003 Series B Bonds bearing interest at the Dutch Auction Rate shall be maintained in the Book-Entry Only System.

(ii) If at any time DTC notifies the Authority that it is unwilling or unable to continue as owner of 2003 Series B Bonds or if at any time DTC shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation and a successor to DTC is not appointed by the Authority at the direction of the Trustee, the Auction Agent and the Bond Insurer, within 90 days after the Authority receives notice or becomes aware of such condition, as the case may be (subject to the express proviso that if the Bond Insurer is not in default in its duties under the Bond Insurance Policy and the Bond Insurance Policy remains in full force and effect, and the actions described in Subsections (A) and (B) of subsection (a) under this heading shall occur, in which

case the Auction Rate Procedures shall not be suspended and shall continue until a substitute successor to DTC shall have been duly appointed), the Authority shall execute and the Trustee shall authenticate and deliver certificates representing the 2003 Series B Bonds. 2003 Series B Bonds issued pursuant to Section 216(g)(ii) of the Fifth Supplemental Trust Agreement shall be registered in such names and authorized denominations as DTC, pursuant to instructions from the agent members or otherwise, shall instruct the Authority and the Trustee. The Trustee shall deliver the 2003 Series B Bonds to the persons in whose names such 2003 Series B Bonds are so registered on the Business Day immediately preceding the first day of an Auction Period.

So long as the ownership of the 2003 Series B Bonds is maintained in the Book-Entry Only System, an Existing Holder may sell, transfer or otherwise dispose of 2003 Series B Bonds only pursuant to a Bid or Sell Order placed in an Auction or to or through the Broker-Dealer, provided that, in the case of all transfers other than pursuant to Auctions, such Existing Holder, the Broker-Dealer or its DTC Participants advises the Auction Agent of such transfer.

(h) Determination of Index.

(i) If for any reason on any Auction Date the Index will not be determined as hereinabove provided in this subsection, the Index will be the Index for the Auction Period ending on such Auction Date.

(ii) The determination of the Index as provided herein will be conclusive and binding upon the Authority, the Trustee, the Broker-Dealer, the DTC Participants and the Owners of the 2003 Series B Bonds.

***Settlement Procedures***

(a) On each Auction Date, the Auction Agent shall notify, by telephone or other electronic communication acceptable to the parties, each Broker-Dealer that participated in the Auction held on such Auction Date and submitted an Order on behalf of any Existing Owner or Potential Owner of:

(i) the Dutch Auction Rate Period on Dutch Auction Rate Bonds fixed for the succeeding Auction Period or, in the case of Dutch Auction Rate Bonds in a daily Auction Period, the Dutch Auction Rate Period on the Dutch Auction Rate Bonds fixed for the current Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected, in whole or in part, and the principal amount of Dutch Auction Rate Bonds, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected, in whole or in part, and the principal

amount of Dutch Auction Rate Bonds, if any, to be purchased by such Potential Owner;

(v) if the aggregate principal amount of Dutch Auction Rate Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate principal amount of Dutch Auction Rate Bonds to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more other Broker-Dealers (and the DTC Participants, if any, of each such other Broker-Dealer) and the principal amount of Dutch Auction Rate Bonds to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such Other Broker-Dealers submitted Bids; and

(vi) the immediately succeeding Auction Date.

(b) On each Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall:

(i) advise each Existing Owner and Potential Owner on whose behalf such Broker-Dealer submitted a Bid or Sell Order whether such Bid or Sell Order was accepted or rejected, in whole or in part;

(ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Owner's DTC Participants to pay to such Broker-Dealer (or its DTC Participants) through the DTC the amount necessary to purchase the principal amount of Dutch Auction Rate Bonds to be purchased pursuant to such Bid (including, with respect to the Dutch Auction Rate Bonds in a daily Auction Period, accrued interest if the purchase date is not an Interest Payment Date for such Dutch Auction Rate Bond) against receipt of such principal amount of Dutch Auction Rate Bonds;

(iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected, in whole or in part, to instruct such Existing Owner's DTC Participant to deliver to such Broker-Dealer (or its DTC Participants) through the DTC the principal amount of Dutch Auction Rate Bonds to be sold pursuant to such Bid or Sell Order against payment therefor;

(iv) advise each Existing Owner on whose behalf such Broker-Dealer submitted an Order and each Potential Owner on whose behalf such Broker-Dealer submitted a Bid of the Dutch Auction Rate Period for the next succeeding Dutch Auction Period or, in the case of Dutch Auction Rate Bonds in a daily Dutch Auction Period, the Dutch Auction Rate Period for the current Dutch Auction Period;

(v) advise each Existing Owner on whose behalf such Broker-Dealer submitted an Order of the Auction Date of the next succeeding Auction; and



(vi) advise each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, of the Auction Date of the next succeeding Auction.

(c) On the basis of the information provided to it pursuant to paragraph (a) above, each Broker-Dealer that submitted a Bid or Sell Order shall allocate any funds received by it pursuant to subparagraph (b) (ii) above, and any Dutch Auction Rate Bonds received by it pursuant to (b) (iii) above, among the Potential Owners, if any, on whose behalf such Broker-Dealer submitted Bids and the Existing Owners, if any, on whose behalf such Broker-Dealer submitted Bids or Sell Orders and any Broker-Dealer identified to it by the Auction Agent pursuant to subparagraph (a)(v) above.

(d) On the Business Day after the Auction Date or, in the case of Dutch Auction Rate Bonds in a daily Auction Period, on such Auction Date, the DTC shall execute the transactions described above, debiting and crediting the accounts of the respective DTC Participants as necessary to effect the purchase and sale of Dutch Auction Rate Bonds as determined in the Auction.

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

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

***Definitions***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*Commonwealth* shall mean The Commonwealth of Massachusetts.

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

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

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

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

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

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

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

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

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

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

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

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

*General Fund Expenses* shall mean, to the extent such expenses shall not have been otherwise provided for, (i) the net costs (including, in certain circumstances, termination payments or fees) of any Hedge Agreements payable from the General Fund pursuant to and in accordance with Section 104 of the Trust Agreement and (ii) 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, but excluding the Authority's \$160,000,000 of 1999 Series B Notes due September 1, 2000.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(5) A certificate of an Authorized Officer:

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

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

(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;

(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. 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.

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.

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. (*Section 1005*).

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

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

***Definitions***

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

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

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

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

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

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

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

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

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

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

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

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

*Authority* shall mean the Massachusetts Bay Transportation Authority.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*Commonwealth* shall mean The Commonwealth of Massachusetts.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(x) an Investment Agreement;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(5) A certificate of an Authorized Officer:

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

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

(iii) demonstrating that:

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

### ***Additional Obligations***

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

### ***Hedging Transactions***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### ***Rebate Fund***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### ***Dedicated Payments***

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

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

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

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

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

### ***Tax Covenant***

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

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

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

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

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

### ***General***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### ***Amendments***

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

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

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

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

(1) The Authority shall fail to make payment of the principal and of any Assessment Bonds when the same shall become due and payable, either at maturity or scheduled redemption; or

(2) The Authority shall fail to make payment of any installment of interest on any Assessment Bonds when the same shall become due and payable; or

(3) The Authority shall default in the observance or performance of any other covenants or agreements on the part of the Authority contained in the Assessment Bond Trust Agreement, and such default shall continue for ninety (90) days after written notice specifying such default and requiring the same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Assessment Bonds then Outstanding. (*Section 1001*).

### ***Remedies***

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

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

The Authority covenants that if an Event of Default shall happen and shall not have been remedied, the Authority, upon demand of the Trustee, shall pay over to cause to be paid over to the Trustee (i) forthwith, any moneys, securities and funds then held by the Authority or a Depository in any



Fund, Account or Subaccount under the Assessment Bond Trust Agreement (excluding the Rebate Fund) and (ii) as promptly as practicable after receipt thereof, the Pledged Revenues. To the extent that the allocation of such moneys, securities, funds and Pledged Revenues is not otherwise provided for in the Assessment Bond Trust Agreement, the Trustee shall establish and deposit the same into a separate Account in the Debt Service Fund.

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

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

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

(i) Unless the principal of all of the Assessment Bonds shall have become due and payable,

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

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

(ii) If the principal of all of the Assessment Bonds shall have become due and payable (but without implying any right to accelerate the payment of such principal as a remedy upon the occurrence of an Event of Default), to the payment of the principal and interest then due and unpaid upon the Assessment Bonds, with interest on the overdue principal at the rate borne by the Assessment Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference. (*Section 1003*).

### ***Defeasance***

(1) If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Assessment Bonds then Outstanding, the principal and interest and Redemption Price to become due thereon, at the times and in the manner stipulated therein and in the Assessment Bond Trust

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

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

maturity date of defeased Assessment Bonds which are not to be redeemed prior to their maturity date or (ii) prior to the time of the mailing of the notice referred to in clause (a) above with respect to any defeased Assessment Bonds which are to be redeemed on any date prior to their maturity, apply moneys deposited with the Trustee in respect to such Assessment Bonds and redeem or sell Investment Obligations so deposited with the Trustee and apply the proceeds thereof to the purchase of such Assessment Bonds as arranged and directed by the Authority and the Trustee shall immediately thereafter cancel all such Assessment Bonds so purchased; provided, however, that the moneys and Investment Obligations remaining on deposit with the Trustee after the purchase and cancellation of such Assessment Bonds shall be sufficient to pay when due the Principal Installment or Redemption Price, if applicable, and interest due or to become due on all remaining Assessment Bonds, in respect of which such moneys and Investment Obligations are being held by the Trustee on or prior to the redemption date or maturity date thereof, as the case may be.

If, at any time (i) prior to the maturity date of defeased Assessment Bonds which are not to be redeemed prior to their maturity date or (ii) prior to the mailing of the notice of redemption referred to in clause (a) with respect to any defeased Assessment Bonds which are to be redeemed on any date prior to their maturity, the Authority shall purchase or otherwise acquire any such Assessment Bonds and deliver such Assessment Bonds to the Trustee prior to their maturity date or redemption date, as the case may be, the Trustee shall immediately cancel all such Assessment Bonds so delivered; such delivery of Assessment Bonds to the Trustee shall be accompanied by directions from the Authority to the Trustee as to the manner in which such Assessment Bonds are to be applied against the obligation of the Trustee to pay or redeem defeased Assessment Bonds; all in accordance with the Assessment Bond Trust Agreement.

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

than at the option of the Owner thereof or as to which an irrevocable notice of redemption of such securities on a specified redemption date has been given and such securities are not otherwise subject to redemption prior to such specified date other than at the option of the Owner thereof, or (z) upon compliance with the provisions of paragraph (5) under this heading, such securities as are described in clauses (i), (iv) to the extent rated at the time of investment in the highest rating category, without regard to any refinement or gradation of such rating, by any Rating Agency, (v) or (vii) of the definition of Investment Obligations which are subject to redemption prior to maturity at the option of the issuer thereof on a specified date or dates.

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

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

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

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

(7) In the event that after compliance with the provisions of paragraph (5) under this heading the Investment Obligations described in clause (z) of paragraph (2) under this heading are included in the Investment Obligations deposited with the Trustee in order to satisfy the requirements of the clause (b) of paragraph (2) under this heading, then any notice of redemption to be mailed by the Trustee and any set of instructions relating to a notice of redemption given to the Trustee may provide, at the option of the Authority, that any redemption date or dates in respect of all or any portion of the Assessment Bonds to be redeemed on such date or dates may at the option of the Authority be changed to any other permissible redemption date or dates and that redemption dates may be established for any Assessment Bonds deemed to have been paid in accordance with the provisions under this heading upon their maturity date or dates at any time prior to the actual mailing of any applicable notice of redemption in the event that all or any portion of any Investment Obligations described in clause (z) of paragraph 2 under this heading have been called for redemption pursuant to an irrevocable notice of redemption or have been redeemed by the issuer thereof prior to the maturity date thereof; no such change of redemption date or dates or establishment of redemption date or dates may be made unless taking into account such changed redemption date or dates or newly established redemption date or dates the moneys and Investment Obligations on deposit with the Trustee including any Investment Obligations deposited with the Trustee in connection with any reinvestment of redemption proceeds in accordance with paragraph (6) pursuant to clause (b) of paragraph (2) under this heading would be sufficient to pay when due the principal and Redemption Price, if applicable, and interest on all Assessment Bonds deemed to have been paid in accordance with the provisions under this heading which have not as yet been paid.

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

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

(10) Anything in the Assessment Bond Trust Agreement to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Assessment Bonds which remain unclaimed for three years (or such other period as may from time to time be prescribed by the laws of the Commonwealth, provided that if no period is so prescribed, such period shall be three years) after the date when such Assessment Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for three years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Assessment Bonds became due and payable, shall automatically revert from the Fiduciary to

the Commonwealth once the Fiduciary has complied with the publication and reporting requirements as prescribed in accordance with the laws of the Commonwealth; provided, however, if no provision of Commonwealth law shall require that such funds be paid to the Commonwealth, such moneys shall, at the written request of the Authority, be repaid by the Fiduciary to the Authority, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondowners shall look only to the Commonwealth, if paid to the Commonwealth, or the Authority, if paid to the Authority, for the payment of such Assessment Bonds; provided, however, that before being required to make any such payment to the Authority, the Fiduciary shall, at the expense of the Authority, cause to be published at least twice, at an interval of not less than 7 days between publications, in an Authorized Newspaper, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the Authority. (*Section 1004*).

TRA 1763539v2

## PROPOSED FORM OF OPINION OF BOND COUNSEL

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

**MINTZ LEVIN  
COHN FERRIS  
GLOVSKY AND  
POPEO PC**

*Boston  
New York  
Reston  
Washington  
New Haven*

*One Financial Center  
Boston, Massachusetts 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, 2003 Series B-1 and 2003 Series B-2, dated the date of initial delivery thereof (the “Bonds”). The Bonds are being issued pursuant to Chapter 161A of the Massachusetts General Laws, as amended (the “Act”), and the Sales Tax Bond Trust Agreement dated as of July 1, 2000 by and between the Authority and State Street Bank and Trust Company, as trustee, as supplemented by the Fifth Supplemental Trust Agreement dated as of January 1, 2003 by and between the Authority and U.S. Bank National Association, as successor trustee (the “Trustee”) (as supplemented, the “Trust Agreement”). In such capacity, we have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation. Unless otherwise defined herein, certain capitalized terms used herein shall have the meanings set forth in the Trust Agreement.

Based upon the foregoing, we are of the opinion that, under existing law:

(a) The Authority is duly created and validly existing as a body politic and corporate and a political subdivision of the Commonwealth of Massachusetts (the “Commonwealth”) with the corporate power to enter into the Trust Agreement, perform the agreements on its part contained therein and issue the Bonds.

(b) The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding special obligations of the Authority enforceable in accordance with their terms. The Bonds are secured by the Trust Agreement and a pledge of the Pledged Revenues (as defined therein) received by or for the account of the Authority and amounts on deposit in the funds and accounts pledged as security therefor under the Trust Agreement. The Trust Agreement creates the valid pledge and lien which it purports

to create for the benefit of the holders of the Bonds, subject to the application of such Pledged Revenues and amounts to the purposes and on the conditions permitted by the Trust Agreement.

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

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

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

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  
2003 Series B-1  
and  
Series B-2  
(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 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, if any (the “SID”), within the meaning of the Rule, no later than 350 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 if audited financial statements are then available (but in no event later than 350 days after the end of such fiscal year), or (iii) notice of the Authority’s failure, if any, to provide such information.

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 2003.

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 increases 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 2003 are \$141,142,988. Beginning in Fiscal Year 2002, cities and towns that are also assessed for regional transit authority expenses will receive 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."

Municipality	FY2003				FY2002				FY2001			
	Total Local Aid	All Other Assessments	Assessment	Net Local Aid	Total Local Aid	All Other Assessments	Assessment	Net Local Aid	Total Local Aid	All Other Assessments	Assessment	Net Local Aid
<b>FOURTEEN CITIES AND TOWNS</b>												
ARLINGTON	\$ 18,119	\$ 27	\$ 2,687	\$ 15,405	\$ 18,617	\$ 28	\$ 2,824	\$ 15,765	\$ 18,170	\$ 38	\$ 2,883	\$ 15,249
BELMONT	8,263	31	1,379	6,854	8,346	30	1,394	6,922	8,097	41	1,388	6,668
BOSTON	558,968	1,580	63,926	493,462	569,975	1,549	63,056	505,369	550,204	1,517	62,238	486,450
BROOKLINE	19,832	573	4,869	14,390	19,727	557	5,055	14,115	18,954	486	5,251	13,217
CAMBRIDGE	43,222	133	7,121	35,968	43,956	128	6,909	36,920	45,566	114	6,785	38,668
CHELSEA	61,618	254	1,682	59,682	62,144	251	1,515	60,378	58,138	262	1,484	56,392
EVERETT	29,471	1,046	2,130	26,296	29,875	951	2,111	26,813	31,659	840	2,119	28,700
MALDEN	50,156	47	3,259	46,849	48,818	44	3,278	45,496	46,526	39	3,314	43,174
MEDFORD	32,681	1,352	3,494	27,835	33,435	1,194	3,645	28,597	28,948	1,108	3,726	24,114
MILTON	8,660	1,095	1,465	6,100	8,597	941	1,475	6,180	8,384	864	1,461	6,059
NEWTON	23,588	65	4,885	18,638	23,671	61	4,949	18,662	23,290	72	4,989	18,229
REVERE	37,490	1,256	2,924	33,310	38,068	1,008	2,976	34,084	36,525	935	3,096	32,494
SOMERVILLE	61,290	77	4,636	56,577	61,818	69	4,732	57,016	62,275	67	4,813	57,395
WATERTOWN	12,934	928	2,029	9,978	13,317	765	2,098	10,454	13,153	646	2,140	10,366
<i>Total of Fourteen Cities and Towns</i>	\$ 966,292	\$ 8,464	\$ 106,486	\$ 851,344	\$ 980,364	\$ 7,576	\$ 106,017	\$ 866,771	\$ 949,889	\$ 7,029	\$ 105,687	\$ 837,175
<b>FIFTY-ONE CITIES AND TOWNS</b>												
BEDFORD	\$ 5,172	\$ 8	\$ 303	\$ 4,861	\$ 5,232	\$ 8	\$ 333	\$ 4,890	\$ 4,388	\$ 13	\$ 348	\$ 4,027
BEVERLY	17,181	83	860	16,238	16,814	75	903	15,836	16,319	159	934	15,226
BRAINTREE	14,010	1,549	861	11,601	14,116	1,314	947	11,855	13,371	1,205	1,011	11,156
BURLINGTON	8,362	13	613	7,736	8,349	14	682	7,653	7,890	13	735	7,141
CANTON	6,522	225	475	5,823	6,637	197	508	5,933	5,869	208	531	5,130
COHASSET	2,831	479	151	2,201	2,858	436	157	2,265	2,782	408	161	2,213
CONCORD	4,094	11	347	3,736	4,283	11	363	3,909	4,695	11	365	4,320
DANVERS	9,183	62	569	8,553	9,152	58	607	8,487	8,714	122	632	7,960
DEDHAM	8,428	922	622	6,884	8,602	788	688	7,125	8,114	695	742	6,677
DOVER	728	130	113	486	735	112	117	506	697	112	119	466
FRAMINGHAM	27,127	45	1,428	25,654	27,795	44	1,492	26,260	26,014	42	1,541	24,431
HAMILTON	790	4	170	616	830	4	173	653	820	23	179	619
HINGHAM	8,691	996	463	7,231	8,740	821	500	7,419	6,502	780	523	5,199
HOLBROOK	6,300	636	271	5,392	6,335	442	298	5,595	6,209	370	317	5,522
HULL	7,551	54	247	7,251	7,696	52	260	7,384	7,573	43	272	7,257
LEXINGTON	9,626	21	729	8,876	10,467	25	786	9,656	9,933	24	835	9,073
LINCOLN	2,722	5	184	2,533	2,844	5	196	2,643	2,842	5	205	2,632
LYNN	134,042	173	2,033	131,836	131,849	158	2,140	129,550	118,597	254	2,272	116,071
LYNNFIELD	3,697	502	261	2,934	3,761	422	278	3,062	3,686	456	291	2,940
MANCHESTER	303	4	118	182	334	4	126	204	326	30	131	166
MARBLEHEAD	4,703	40	495	4,168	4,689	17	536	4,136	4,465	93	570	3,802
MEDFIELD	5,800	142	247	5,411	5,748	124	253	5,371	5,357	127	258	4,972
MELROSE	14,296	21	734	13,542	14,474	19	815	13,641	13,309	23	883	12,403
MIDDLETON	1,989	43	134	1,812	1,960	5	126	1,829	1,936	20	126	1,790
NAHANT	981	7	121	853	997	6	140	851	965	16	156	793
NATICK	11,997	65	750	11,182	12,199	59	803	11,336	11,036	62	846	10,128
NEEDHAM	8,433	387	658	7,388	8,481	356	698	7,427	8,110	347	734	7,029
NORFOLK	4,861	88	214	4,559	4,881	76	224	4,581	4,547	79	226	4,241
NORWOOD	10,567	237	714	9,615	10,830	216	780	9,833	10,536	226	832	9,478
PEABODY	26,039	1,712	1,034	23,294	25,183	1,322	1,092	22,769	24,431	1,279	1,120	22,032
QUINCY	43,288	559	2,884	39,845	43,923	517	3,304	40,102	42,766	517	3,703	38,547
RANDOLPH	18,843	1,031	799	17,013	19,017	810	877	17,330	18,291	732	944	16,614
READING	12,464	13	551	11,901	11,999	12	590	11,397	11,824	20	621	11,183
SALEM	25,129	1,179	949	23,001	25,235	995	1,013	23,227	24,680	932	1,076	22,672
SAUGUS	9,161	919	726	7,515	9,357	791	814	7,752	9,155	767	884	7,504
SHARON	9,409	185	401	8,823	8,699	161	428	8,110	8,500	159	450	7,890
STONEHAM	9,755	453	494	8,807	9,522	363	525	8,634	8,084	347	545	7,192
SWAMPSCOTT	4,254	24	400	3,830	4,332	21	444	3,867	4,067	58	486	3,523
TOPSFIELD	2,146	3	133	2,010	1,625	3	140	1,481	1,527	20	145	1,363

Municipality	FY2003				FY2002				FY2001			
	All Other			Net Local Aid	All Other			Net Local Aid	All Other			Net Local Aid
	Total Local Aid	Assessments	Assessment		Total Local Aid	Assessments	Assessment		Total Local Aid	Assessments	Assessment	
WAKEFIELD	\$ 10,693	\$ 22	\$ 602	\$ 10,070	\$ 10,922	\$ 22	\$ 653	\$ 10,247	\$ 9,953	\$ 25	\$ 692	\$ 9,236
WALPOLE	9,267	216	513	8,538	9,246	191	547	8,508	8,940	199	569	8,171
WALTHAM	20,552	56	1,348	19,148	21,146	53	1,438	19,655	21,056	68	1,505	19,483
WELLESLEY	7,410	413	557	6,440	7,553	399	582	6,573	7,224	386	595	6,244
WENHAM	546	23	87	436	565	2	90	473	559	13	89	456
WESTON	4,339	9	222	4,107	4,420	10	224	4,187	3,725	11	226	3,488
WESTWOOD	4,262	211	314	3,737	4,285	189	330	3,766	3,915	175	347	3,393
WEYMOUTH	31,148	1,966	1,372	27,810	31,433	1,662	1,506	28,265	30,608	1,573	1,611	27,424
WILMINGTON	9,696	46	417	9,233	9,818	41	425	9,352	7,125	61	427	6,637
WINCHESTER	6,771	29	487	6,255	6,854	29	523	6,302	5,429	26	551	4,852
WINTHROP	11,394	475	457	10,462	11,595	393	495	10,707	10,585	340	533	9,713
WOBURN	13,873	1,136	871	11,866	14,275	895	937	12,444	13,587	779	985	11,823
<i>Total of Fifty-One Cities and Towns</i>	\$ 631,426	\$ 17,632	\$ 30,503	\$ 583,295	\$ 632,692	\$ 14,749	\$ 32,906	\$ 585,038	\$ 591,633	\$ 14,453	\$ 34,879	\$ 542,302

**OTHER SERVED COMMUNITIES**

ABINGTON	\$ 8,830	\$ 62	\$ 30	\$ 8,738	\$ 8,903	\$ 59	\$ 15	\$ 8,828	\$ 8,623	\$ 62	\$ -	\$ 8,561
ACTON	4,432	70	28	4,334	4,335	65	5	4,266	4,213	30	-	4,183
AMESBURY	13,771	559	-	13,213	13,844	433	-	13,411	13,692	397	-	13,295
ANDOVER	11,110	1,306	-	9,805	11,331	1,081	-	10,250	10,671	1,120	-	9,552
ASHBURNHAM	760	22	1	738	791	20	-	770	802	17	-	785
ASHBY	438	1	5	431	461	2	3	456	497	1	-	495
ASHLAND	5,394	31	236	5,127	5,319	28	285	5,006	4,971	29	335	4,608
ATTLEBORO	35,472	587	-	34,885	33,920	572	-	33,348	32,943	546	-	32,397
AUBURN	6,696	149	-	6,547	6,719	143	-	6,575	6,167	98	-	6,069
AYER	5,441	33	5	5,403	5,471	30	-	5,441	5,368	34	-	5,334
BELLINGHAM	13,361	148	36	13,177	12,909	130	20	12,760	10,395	132	-	10,263
BERKLEY	6,793	85	10	6,697	6,274	83	4	6,186	6,033	74	-	5,959
BILLERICA	23,199	1,038	-	22,161	23,542	958	-	22,584	22,481	745	-	21,736
BOXBOROUGH	2,109	33	11	2,065	2,107	29	5	2,072	2,065	18	-	2,047
BOXFORD	2,870	3	19	2,849	2,858	3	11	2,843	2,742	26	-	2,717
BRIDGEWATER	4,858	258	42	4,559	5,009	209	11	4,789	5,023	212	-	4,810
BROCKTON	142,731	1,956	-	140,775	143,361	1,907	-	141,454	128,611	1,881	-	126,730
CARLISLE	1,899	3	11	1,885	1,978	3	6	1,968	1,815	3	-	1,812
CARVER	11,850	95	5	11,749	11,873	91	-	11,782	11,639	76	-	11,563
CHELMSFORD	15,684	247	-	15,437	16,082	236	-	15,846	15,058	217	-	14,841
DRACUT	19,936	56	44	19,836	19,762	53	13	19,696	19,173	70	-	19,103
DUXBURY	4,706	126	216	4,364	4,765	121	263	4,381	4,504	113	305	4,086
<i>EAST BRIDGEWATER</i>	11,325	74	17	11,234	11,125	70	2	11,053	11,003	66	-	10,937
EASTON	10,930	316	52	10,562	10,974	309	27	10,638	10,533	284	-	10,249
ESSEX	310	4	6	301	350	4	3	344	362	13	-	349
FITCHBURG	50,471	551	-	49,921	50,447	539	-	49,909	45,578	533	-	45,045
FOXBOROUGH	8,977	151	38	8,787	8,995	131	20	8,844	8,778	139	-	8,639
FRANKLIN	24,953	855	70	24,028	23,959	728	36	23,195	22,121	663	-	21,458
FREETOWN	2,327	124	20	2,183	2,382	120	11	2,251	2,309	115	-	2,194
GEORGETOWN	5,399	43	17	5,339	5,445	39	10	5,396	5,270	52	-	5,217
GLOUCESTER	13,539	1,267	-	12,273	13,729	1,076	-	12,653	13,518	1,063	-	12,456
GRAFTON	7,229	31	28	7,170	7,243	31	10	7,202	7,201	34	-	7,167
GROTON	817	20	5	792	859	20	-	839	851	19	-	832
GROVELAND	1,040	26	14	1,000	1,068	23	7	1,037	1,056	33	-	1,024
HALIFAX	3,817	38	18	3,761	3,857	36	9	3,811	3,828	33	-	3,795
HANOVER	6,958	78	203	6,676	7,040	75	246	6,719	6,663	73	287	6,303
HANSON	1,446	47	22	1,377	1,477	44	12	1,421	1,503	42	-	1,461
HARVARD	4,495	182	5	4,308	4,506	148	15	4,344	4,291	105	-	4,186
HAVERHILL	50,042	421	-	49,621	50,389	418	-	49,972	49,409	476	-	48,933
HOLDEN	2,354	92	-	2,262	2,428	90	-	2,337	2,388	90	-	2,298
HOLLISTON	11,125	52	32	11,040	11,170	47	17	11,106	10,783	37	-	10,746
HOPKINTON	8,474	51	31	8,391	8,382	7	14	8,361	5,361	6	-	5,355
IPSWICH	6,876	97	27	6,752	6,925	86	12	6,827	6,948	116	-	6,832

Municipality	FY2003				FY2002				FY2001			
	All Other			Net Local Aid	All Other			Net Local Aid	All Other			Net Local Aid
	Total Local Aid	Assessments	Assessment		Total Local Aid	Assessments	Assessment		Total Local Aid	Assessments	Assessment	
KINGSTON	\$ 5,894	\$ 84	\$ 13	\$ 5,797	\$ 5,792	\$ 80	\$ 5	\$ 5,707	\$ 5,454	\$ 72	\$ -	\$ 5,382
LAKEVILLE	3,302	74	16	3,212	3,323	70	5	3,248	3,364	65	-	3,298
LANCASTER	1,030	21	9	1,000	1,096	19	-	1,078	1,065	19	-	1,046
LAWRENCE	141,930	1,717	-	140,213	137,168	1,383	-	135,785	126,220	1,387	-	124,834
LEICESTER	11,957	69	-	11,888	12,010	68	-	11,942	10,859	72	-	10,786
LEOMINSTER	37,572	545	-	37,027	37,627	530	-	37,097	37,077	521	-	36,556
LITTLETON	2,896	43	6	2,848	2,848	39	-	2,808	2,614	42	-	2,572
LOWELL	156,088	828	-	155,261	156,853	804	-	156,049	141,966	709	-	141,257
LUNENBURG	4,957	61	3	4,893	5,009	57	-	4,952	4,529	69	-	4,460
MANSFIELD	15,163	356	32	14,775	14,288	347	13	13,928	13,115	304	-	12,811
MARLBOROUGH	15,506	88	44	15,373	15,745	84	-	15,661	14,433	114	-	14,319
MARSHFIELD	16,256	137	364	15,755	16,300	130	439	15,730	14,488	123	512	13,852
MAYNARD	5,066	13	25	5,029	5,138	13	13	5,113	4,805	13	-	4,792
MEDWAY	8,118	102	29	7,986	7,983	89	15	7,879	7,459	92	-	7,366
MERRIMAC	1,234	29	-	1,205	1,250	29	-	1,221	1,244	36	-	1,208
METHUEN	36,924	332	-	36,592	36,867	258	-	36,609	33,786	316	-	33,470
MIDDLEBOROUGH	18,472	145	24	18,303	18,599	137	5	18,457	18,116	128	-	17,988
MILLBURY	7,427	94	-	7,333	7,426	90	-	7,336	7,180	85	-	7,095
MILLIS	4,223	320	139	3,765	4,265	294	170	3,801	3,710	257	200	3,253
NEWBURY	1,442	101	16	1,326	1,488	88	8	1,392	1,496	96	-	1,400
NEWBURYPORT	7,093	124	-	6,968	7,258	118	-	7,140	7,076	156	-	6,921
NORTH ANDOVER	9,773	741	4	9,029	9,658	552	-	9,106	8,922	515	-	8,407
NORTH ATTLEBOROUGH	21,657	961	-	20,696	20,473	885	-	19,588	18,996	826	-	18,170
NORTH READING	6,095	9	216	5,869	6,121	9	261	5,851	5,998	7	306	5,685
NORTHBOROUGH	5,200	88	12	5,100	5,078	83	-	4,996	5,112	79	-	5,033
NORTHBRIDGE	16,105	43	31	16,031	14,111	40	18	14,053	14,502	18	-	14,484
NORTON	14,696	244	21	14,431	13,962	238	8	13,716	13,213	197	-	13,017
NORWELL	3,814	560	160	3,094	3,872	436	195	3,241	3,691	408	228	3,056
PAXTON	583	38	10	536	627	38	5	584	599	34	-	565
PEMBROKE	12,081	90	257	11,734	7,325	86	310	6,928	6,730	82	362	6,286
PLYMOUTH	29,047	382	65	28,600	29,350	365	3	28,982	28,455	355	-	28,100
PLYMPTON	885	24	6	856	884	22	3	859	828	20	-	808
PRINCETON	851	8	7	836	920	8	3	909	861	9	-	852
RAYNHAM	1,763	178	24	1,561	1,703	173	10	1,520	1,712	159	-	1,552
REHOBOTH	1,104	239	14	851	1,148	230	2	917	1,150	222	-	928
ROCHESTER	2,102	48	11	2,043	2,130	45	6	2,079	2,078	41	-	2,037
ROCKLAND	13,296	525	260	12,512	13,383	451	313	12,619	13,364	376	363	12,624
ROCKPORT	3,142	200	-	2,942	3,145	190	-	2,954	3,056	199	-	2,856
ROWLEY	1,055	49	13	993	1,093	43	7	1,043	1,079	53	-	1,026
SALISBURY	756	62	18	676	784	54	9	722	940	71	-	869
SCITUATE	6,916	116	271	6,529	6,811	111	327	6,373	6,636	103	381	6,151
SEEKONK	6,282	237	11	6,034	6,330	231	5	6,094	6,111	222	-	5,888
SHERBORN	954	30	69	854	970	27	84	858	952	28	99	826
SHIRLEY	5,905	17	-	5,888	5,368	18	-	5,350	4,845	21	-	4,824
SHREWSBURY	12,680	184	-	12,496	11,649	177	-	11,472	10,596	180	-	10,416
SOUTHBOROUGH	3,882	57	19	3,806	3,766	53	5	3,708	3,380	66	-	3,315
STERLING	752	28	4	721	773	27	-	747	809	33	-	775
STOUGHTON	13,656	961	-	12,695	13,780	793	-	12,987	13,173	749	-	12,424
STOW	457	30	14	413	474	27	7	440	482	25	-	457
SUDBURY	8,529	11	247	8,270	8,431	11	296	8,123	5,776	13	346	5,417
SUTTON	6,946	38	-	6,908	6,903	37	-	6,865	6,245	34	-	6,211
TAUNTON	49,911	792	-	49,119	48,677	767	-	47,910	47,634	742	-	46,892
TEWKSBURY	16,154	254	-	15,900	16,294	247	-	16,047	16,038	203	-	15,835
TOWNSEND	1,326	13	11	1,302	1,393	12	2	1,379	1,419	12	-	1,408
TYNGSBOROUGH	8,452	14	17	8,422	8,459	13	4	8,442	7,627	14	-	7,613
UPTON	612	13	13	586	677	12	7	657	643	12	-	631
WAREHAM	15,524	622	2	14,900	15,623	601	-	15,022	15,518	551	-	14,968
WAYLAND	5,022	13	205	4,804	5,071	13	248	4,810	4,778	10	290	4,477

Municipality	FY2003				FY2002				FY2001			
	All Other			Net Local Aid	All Other			Net Local Aid	All Other			Net Local Aid
	Total Local Aid	Assessments	Assessment		Total Local Aid	Assessments	Assessment		Total Local Aid	Assessments	Assessment	
<i>WEST BOYLSTON</i>	\$ 4,310	\$ 28	\$ -	\$ 4,282	\$ 4,281	\$ 50	\$ -	\$ 4,231	\$ 4,225	\$ 38	\$ -	\$ 4,187
<i>WEST BRIDGEWATER</i>	3,220	302	11	2,907	3,268	260	4	3,004	3,182	229	-	2,953
<i>WEST NEWBURY</i>	350	1	10	339	361	1	5	354	378	11	-	367
<i>WESTBOROUGH</i>	5,446	103	34	5,308	5,499	101	11	5,386	5,236	101	-	5,135
<i>WESTFORD</i>	16,274	72	36	16,167	16,071	65	12	15,994	13,164	58	-	13,106
<i>WESTMINSTER</i>	795	35	-	760	868	34	-	835	832	34	-	798
<i>WHITMAN</i>	2,442	52	27	2,363	2,504	48	11	2,444	2,427	47	-	2,380
<i>WORCESTER</i>	220,381	2,042	-	218,339	211,862	1,989	-	209,874	200,086	1,834	-	198,252
<i>WRENTHAM</i>	5,044	111	25	4,908	5,157	94	13	5,050	5,123	96	-	5,027
<i>Total Other Served Communities</i>	\$ 1,644,021	\$ 27,336	\$ 4,179	\$ 1,612,512	\$ 1,619,784	\$ 24,791	\$ 3,959	\$ 1,591,027	\$ 1,515,897	\$ 23,706	\$ 4,014	\$ 1,488,176
<b>Total</b>	<b>\$ 3,241,739</b>	<b>\$ 53,432</b>	<b>\$ 141,168</b>	<b>\$ 3,047,151</b>	<b>\$ 3,232,840</b>	<b>\$ 47,116</b>	<b>\$ 142,882</b>	<b>\$ 3,042,836</b>	<b>\$ 3,057,419</b>	<b>\$ 45,188</b>	<b>\$ 144,580</b>	<b>\$ 2,867,653</b>

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Municipality	FY2000				FY1999				FY1998			
	Total Local Aid	All Other Assessments	Assessment	Net Local Aid	Total Local Aid	All Other Assessments	Assessment	Net Local Aid	Total Local Aid	All Other Assessments	Assessment	Net Local Aid
<b>FOURTEEN CITIES AND TOWNS</b>												
ARLINGTON	\$ 16,969	\$ 112	\$ 2,825	\$ 14,032	\$ 16,006	\$ 118	\$ 2,779	\$ 13,108	\$ 14,356	\$ 666	\$ 2,246	\$ 11,444
BELMONT	7,234	110	1,422	5,702	6,569	106	1,425	5,038	9,856	477	1,117	8,263
BOSTON	532,599	1,675	61,978	468,947	511,069	1,722	60,253	449,094	471,570	19,574	40,841	411,156
BROOKLINE	15,162	475	5,074	9,613	13,715	453	5,065	8,197	12,435	1,650	3,833	6,953
CAMBRIDGE	44,010	310	6,781	36,919	42,311	324	6,885	35,103	38,271	1,951	5,301	31,020
CHELSEA	55,371	282	1,470	53,619	52,001	288	1,425	50,288	48,364	652	1,051	46,660
EVERETT	23,855	793	2,137	20,925	20,727	793	2,053	17,882	18,044	1,160	1,656	15,228
MALDEN	42,949	116	3,375	39,458	35,808	120	3,230	32,458	29,949	1,056	2,275	26,617
MEDFORD	27,528	1,173	3,872	22,483	26,080	1,057	3,752	21,270	25,092	1,937	2,833	20,322
MILTON	7,594	825	1,448	5,321	6,784	751	1,411	4,622	6,241	1,060	1,062	4,119
NEWTON	19,030	334	4,955	13,741	16,024	345	4,734	10,944	14,511	1,634	3,340	9,537
REVERE	34,890	919	3,123	30,849	33,545	782	2,941	29,822	29,845	1,585	2,067	26,193
SOMERVILLE	59,927	141	4,860	54,926	56,604	150	4,732	51,722	52,721	1,298	3,545	47,878
WATERTOWN	12,405	688	2,094	9,622	11,855	639	2,046	9,170	10,311	1,269	1,418	7,624
<i>Total of Fourteen Cities and Towns</i>	\$ 899,523	\$ 7,953	\$ 105,414	\$ 786,157	\$ 849,098	\$ 7,648	\$ 102,731	\$ 738,718	\$ 781,566	\$ 35,969	\$ 72,585	\$ 673,014
<b>FIFTY-ONE CITIES AND TOWNS</b>												
BEDFORD	\$ 3,813	\$ 53	\$ 340	\$ 3,420	\$ 3,362	\$ 44	\$ 331	\$ 2,986	\$ 3,053	\$ 152	\$ 215	\$ 2,686
BEVERLY	15,088	63	951	14,073	12,532	147	931	11,454	11,735	561	586	10,587
BRAINTREE	12,391	1,134	1,043	10,214	11,374	999	1,051	9,325	10,601	1,217	751	8,633
BURLINGTON	7,171	72	736	6,363	6,503	72	769	5,662	5,799	326	484	4,990
CANTON	5,238	204	526	4,509	4,701	199	515	3,988	4,259	415	265	3,579
COHASSET	2,478	385	162	1,931	1,752	343	162	1,246	1,603	371	97	1,135
CONCORD	3,984	67	373	3,544	3,548	67	367	3,115	3,245	204	222	2,820
DANVERS	7,885	54	616	7,216	7,133	123	606	6,403	5,995	404	411	5,180
DEDHAM	7,446	652	744	6,051	6,892	607	733	5,552	6,391	790	517	5,084
DOVER	598	111	120	367	449	107	118	224	383	143	73	167
FRAMINGHAM	22,727	159	1,593	20,976	19,537	155	1,516	17,866	18,132	752	849	16,530
HAMILTON	771	4	181	586	704	27	175	501	658	109	116	433
HINGHAM	5,753	785	522	4,446	4,851	724	536	3,591	4,391	808	347	3,237
HOLBROOK	5,965	351	323	5,291	5,558	340	338	4,880	5,343	382	255	4,706
HULL	7,157	44	264	6,849	6,849	40	282	6,527	6,279	164	147	5,969
LEXINGTON	8,505	124	853	7,528	7,520	133	846	6,541	6,920	359	589	5,972
LINCOLN	2,648	27	209	2,412	2,441	27	208	2,207	2,352	86	140	2,126
LYNN	112,544	173	2,317	110,053	107,712	273	2,094	105,344	97,371	992	1,447	94,931
LYNNFIELD	3,166	433	291	2,441	2,826	445	282	2,100	2,592	574	178	1,840
MANCHESTER	973	4	134	836	826	36	127	664	738	129	72	536
MARBLEHEAD	3,768	18	571	3,178	3,241	100	543	2,598	2,877	359	379	2,139
MEDFIELD	4,744	125	258	4,361	3,932	119	254	3,559	3,611	224	135	3,253
MELROSE	12,367	78	902	11,388	11,569	85	903	10,582	11,024	293	669	10,062
MIDDLETON	1,771	3	125	1,643	1,295	24	120	1,151	889	106	62	721
NAHANT	866	6	157	704	771	17	145	610	706	71	110	524
NATICK	10,135	131	846	9,158	9,308	128	804	8,376	7,998	456	445	7,098
NEEDHAM	7,010	327	726	5,957	6,212	326	705	5,181	5,697	534	464	4,700
NORFOLK	4,246	78	235	3,933	3,719	77	226	3,417	3,349	213	73	3,062
NORWOOD	9,707	222	857	8,629	8,977	231	811	7,935	8,418	451	549	7,419
PEABODY	22,887	1,074	1,124	20,690	21,464	1,073	1,086	19,305	18,924	1,453	728	16,742
QUINCY	39,856	497	3,639	35,720	37,076	508	3,730	32,837	34,867	1,697	2,470	30,700
RANDOLPH	16,292	669	943	14,680	15,252	631	938	13,683	13,576	914	575	12,087
READING	10,805	57	638	10,111	9,969	62	635	9,273	8,164	253	408	7,504
SALEM	22,534	815	1,049	20,670	21,341	839	994	19,508	19,173	1,146	628	17,399
SAUGUS	8,357	664	908	6,786	7,575	637	825	6,113	7,102	874	572	5,656
SHARON	7,054	157	449	6,449	5,546	153	437	4,955	5,109	331	233	4,545
STONEHAM	7,468	365	549	6,554	6,834	346	543	5,946	6,471	526	353	5,592
SWAMPSCOTT	3,550	20	483	3,047	3,417	59	437	2,921	3,046	237	301	2,508
TOPSFIELD	1,357	3	143	1,211	1,225	24	141	1,060	1,090	103	81	906



Municipality	FY2000				FY1999				FY1998			
	Total Local Aid	All Other Assessments	Assessment	Net Local Aid	Total Local Aid	All Other Assessments	Assessment	Net Local Aid	Total Local Aid	All Other Assessments	Assessment	Net Local Aid
WAKEFIELD	\$ 8,580	\$ 74	\$ 721	\$ 7,784	\$ 7,849	\$ 75	\$ 719	\$ 7,055	\$ 7,309	\$ 283	\$ 483	\$ 6,543
WALPOLE	8,223	194	581	7,447	7,482	188	550	6,744	7,009	421	287	6,302
WALTHAM	19,554	176	1,486	17,893	18,174	182	1,417	16,575	17,125	611	924	15,589
WELLESLEY	6,276	383	589	5,304	5,656	374	585	4,696	5,086	547	402	4,137
WENHAM	534	2	91	441	495	16	85	395	469	61	59	349
WESTON	2,709	63	234	2,412	2,417	58	226	2,133	2,232	112	167	1,953
WESTWOOD	3,134	181	352	2,601	2,896	162	338	2,395	2,630	236	246	2,148
WEYMOUTH	28,886	1,460	1,622	25,804	26,789	1,294	1,608	23,887	24,784	1,719	1,089	21,977
WILMINGTON	6,362	110	430	5,821	5,650	90	430	5,130	5,261	241	252	4,768
WINCHESTER	4,802	82	577	4,142	4,226	81	585	3,560	3,831	220	423	3,188
WINTHROP	10,002	321	544	9,138	9,518	291	536	8,691	8,756	389	439	7,927
WOBURN	12,393	806	980	10,607	11,422	755	1,001	9,665	10,711	995	714	9,001
<i>Total of Fifty-One Cities and Towns</i>	\$ 542,530	\$ 14,060	\$ 35,107	\$ 493,369	\$ 498,367	\$ 13,913	\$ 34,344	\$ 450,112	\$ 455,134	\$ 25,014	\$ 22,481	\$ 407,640
<b>OTHER SERVED COMMUNITIES</b>												
ABINGTON	\$ 8,055	\$ 58	\$ -	\$ 7,998	\$ 7,503	\$ 53	\$ -	\$ 7,450	\$ 7,124	\$ 49	\$ -	\$ 7,075
ACTON	3,643	74	-	3,569	3,101	73	-	3,028	2,735	73	-	2,662
AMESBURY	13,041	393	-	12,648	11,881	386	-	11,495	9,950	430	-	9,520
ANDOVER	9,474	950	-	8,524	8,508	929	-	7,579	7,794	1,003	-	6,791
ASHBURNHAM	767	17	-	750	694	16	-	677	627	23	-	604
ASHBY	455	5	-	451	413	5	-	407	376	6	-	370
ASHLAND	4,497	52	339	4,105	3,906	52	331	3,522	2,771	218	147	2,405
ATTLEBORO	31,242	535	-	30,707	29,375	518	-	28,857	26,353	508	-	25,845
AUBURN	5,613	87	-	5,526	5,094	79	-	5,015	4,704	80	-	4,624
AYER	5,056	42	-	5,014	4,827	41	-	4,786	4,709	39	-	4,670
BELLINGHAM	9,781	120	-	9,661	9,220	116	-	9,104	8,404	116	-	8,288
BERKLEY	4,828	69	-	4,760	4,545	67	-	4,478	3,734	69	-	3,665
BILLERICA	20,941	676	-	20,266	19,632	575	-	19,057	18,232	575	-	17,657
BOXBOROUGH	1,920	28	-	1,892	945	26	-	919	460	26	-	434
BOXFORD	2,415	3	-	2,412	1,878	31	-	1,847	1,697	69	-	1,628
BRIDGEWATER	4,679	200	-	4,480	4,289	169	-	4,120	3,974	197	-	3,777
BROCKTON	119,294	1,807	-	117,487	109,317	1,803	-	107,514	100,925	1,749	-	99,176
CARLISLE	1,485	18	-	1,467	1,346	18	-	1,329	1,249	18	-	1,232
CARVER	11,182	83	-	11,099	10,606	76	-	10,530	9,433	71	-	9,362
CHELMSFORD	13,716	280	-	13,436	12,466	265	-	12,201	11,309	259	-	11,050
DRACUT	16,962	99	-	16,863	16,030	104	-	15,925	14,385	106	-	14,279
DUXBURY	3,739	102	308	3,329	3,214	94	296	2,824	2,862	265	110	2,487
EAST BRIDGEWATER	10,502	68	-	10,434	9,923	64	-	9,859	8,924	52	-	8,873
EASTON	9,705	285	-	9,420	9,011	264	-	8,747	7,161	255	-	6,906
ESSEX	1,031	4	-	1,027	953	16	-	938	772	32	-	740
FITCHBURG	43,325	523	-	42,803	37,701	493	-	37,208	33,968	482	-	33,487
FOXBOROUGH	8,066	137	-	7,929	7,318	132	-	7,185	6,714	126	-	6,588
FRANKLIN	20,620	555	-	20,065	17,360	458	-	16,901	14,465	434	-	14,031
FREETOWN	2,102	113	-	1,989	1,844	110	-	1,734	1,870	112	-	1,758
GEORGETOWN	4,990	29	-	4,961	3,272	43	-	3,229	2,811	64	-	2,748
GLOUCESTER	12,540	1,032	-	11,508	11,513	991	-	10,522	10,033	1,009	-	9,025
GRAFTON	6,749	28	-	6,721	5,852	27	-	5,825	5,196	26	-	5,169
GROTON	784	34	-	750	709	34	-	675	641	27	-	615
GROVELAND	1,003	21	-	982	940	29	-	912	890	44	-	846
HALIFAX	3,643	32	-	3,611	3,447	30	-	3,417	3,146	28	-	3,118
HANOVER	6,106	70	290	5,746	5,741	67	282	5,392	5,130	176	157	4,797
HANSON	1,384	40	-	1,344	1,522	38	-	1,484	1,436	36	-	1,400
HARVARD	3,960	84	-	3,876	3,657	88	-	3,570	3,435	91	-	3,344
HAVERHILL	47,100	392	-	46,708	43,776	483	-	43,293	40,617	561	-	40,055
HOLDEN	2,258	88	-	2,170	1,954	83	-	1,872	1,789	92	-	1,697
HOLLISTON	8,358	63	-	8,295	6,738	64	-	6,674	6,148	58	-	6,090
HOPKINTON	4,803	32	-	4,771	3,411	32	-	3,379	3,182	34	-	3,149
IPSWICH	4,493	78	-	4,415	4,052	102	-	3,950	3,782	150	-	3,632

Municipality	FY2000				FY1999				FY1998			
	Total Local Aid	All Other Assessments	Assessment	Net Local Aid	Total Local Aid	All Other Assessments	Assessment	Net Local Aid	Total Local Aid	All Other Assessments	Assessment	Net Local Aid
KINGSTON	\$ 3,629	\$ 68	\$ -	\$ 3,560	\$ 3,252	\$ 59	\$ -	\$ 3,193	\$ 2,881	\$ 65	\$ -	\$ 2,816
LAKEVILLE	3,172	63	-	3,109	3,062	58	-	3,004	2,434	67	-	2,368
LANCASTER	987	18	-	969	892	18	-	874	816	18	-	797
LAWRENCE	121,079	1,296	-	119,783	110,464	1,177	-	109,287	100,507	1,251	-	99,256
LEICESTER	10,443	68	-	10,374	9,415	60	-	9,355	8,003	67	-	7,936
LEOMINSTER	35,283	513	-	34,770	30,958	479	-	30,479	27,397	460	-	26,938
LITTLETON	2,021	62	-	1,959	1,760	51	-	1,709	1,593	59	-	1,533
LOWELL	135,484	802	-	134,682	130,287	811	-	129,476	119,936	804	-	119,132
LUNENBURG	4,182	69	-	4,113	3,839	68	-	3,771	3,701	66	-	3,635
MANSFIELD	12,211	298	-	11,913	10,521	290	-	10,231	8,553	278	-	8,275
MARLBOROUGH	13,339	175	-	13,164	10,735	166	-	10,569	9,628	166	-	9,462
MARSHFIELD	13,568	125	518	12,925	12,580	113	508	11,960	10,584	356	236	9,992
MAYNARD	4,424	30	-	4,394	4,203	28	-	4,175	3,745	(107)	142	3,709
MEDWAY	6,902	90	-	6,812	6,248	86	-	6,162	5,221	83	-	5,138
MERRIMAC	1,186	27	-	1,159	1,122	31	-	1,091	1,070	26	-	1,045
METHUEN	31,655	251	-	31,404	29,197	316	-	28,880	27,019	481	-	26,537
MIDDLEBOROUGH	16,372	125	-	16,246	16,162	111	-	16,052	15,207	107	-	15,100
MILLBURY	6,748	60	-	6,688	6,268	52	-	6,217	5,840	55	-	5,785
MILLIS	3,457	205	203	3,049	3,063	159	197	2,706	2,854	271	87	2,496
NEWBURY	1,444	78	-	1,365	1,386	87	-	1,299	1,340	106	-	1,235
NEWBURYPORT	6,574	108	-	6,466	6,163	169	-	5,994	5,840	182	-	5,658
NORTH ANDOVER	7,627	388	-	7,239	6,842	401	-	6,441	5,241	490	-	4,751
NORTH ATTLEBOROUGH	17,956	799	-	17,157	15,707	714	-	14,993	13,953	653	-	13,300
NORTH READING	5,331	34	310	4,988	4,912	34	303	4,576	4,348	125	198	4,025
NORTHBOROUGH	4,254	81	-	4,173	3,251	73	-	3,178	2,955	62	-	2,893
NORTHBRIDGE	13,328	17	-	13,311	12,066	18	-	12,048	11,208	19	-	11,189
NORTON	12,202	195	-	12,008	10,143	183	-	9,960	8,851	179	-	8,672
NORWELL	3,293	326	230	2,736	2,982	253	226	2,504	2,762	336	135	2,291
PAXTON	546	40	-	505	482	34	-	448	434	34	-	399
PEMBROKE	6,259	79	365	5,815	5,873	74	360	5,440	5,422	228	188	5,005
PLYMOUTH	25,040	360	-	24,680	23,445	295	-	23,150	21,231	274	-	20,957
PLYMPTON	761	19	-	742	744	18	-	725	710	17	-	693
PRINCETON	849	8	-	841	798	8	-	790	765	8	-	757
RAYNHAM	1,652	157	-	1,495	1,545	148	-	1,397	1,418	144	-	1,274
REHOBOTH	1,066	216	-	849	970	206	-	764	897	203	-	694
ROCHESTER	1,829	39	-	1,790	1,519	36	-	1,483	1,444	33	-	1,411
ROCKLAND	12,613	354	367	11,891	11,594	345	360	10,889	10,616	453	226	9,937
ROCKPORT	2,852	171	-	2,681	2,533	170	-	2,363	2,321	202	-	2,119
ROWLEY	1,033	38	-	994	980	14	-	966	936	31	-	906
SALISBURY	842	54	-	788	749	60	-	690	672	85	-	587
SCITUATE	5,856	100	386	5,369	5,285	94	381	4,810	4,944	211	242	4,492
SEEKONK	5,688	220	-	5,469	4,338	216	-	4,122	3,997	210	-	3,788
SHERBORN	590	44	100	446	509	41	99	370	460	99	55	307
SHIRLEY	4,625	27	-	4,597	4,286	23	-	4,263	3,865	22	-	3,844
SHREWSBURY	9,596	178	-	9,418	8,694	154	-	8,539	7,851	164	-	7,686
SOUTHBOROUGH	2,560	67	-	2,493	1,154	54	-	1,100	1,008	52	-	957
STERLING	749	33	-	716	678	31	-	647	621	30	-	591
STOUGHTON	12,157	713	-	11,444	11,290	663	-	10,627	10,285	686	-	9,599
STOW	447	38	-	409	403	38	-	365	369	37	-	332
SUDBURY	5,169	56	350	4,763	4,420	56	346	4,019	3,519	180	205	3,134
SUTTON	4,466	34	-	4,432	4,144	33	-	4,111	3,414	36	-	3,378
TAUNTON	45,231	733	-	44,498	40,283	702	-	39,580	36,346	699	-	35,647
TEWKSBURY	14,121	246	-	13,874	12,296	242	-	12,054	11,386	230	-	11,156
TOWNSEND	1,291	23	-	1,268	1,139	23	-	1,116	1,032	23	-	1,009
TYNGSBOROUGH	7,080	26	-	7,054	6,307	25	-	6,281	5,702	25	-	5,677
UPTON	595	12	-	583	541	12	-	529	500	13	-	487
WAREHAM	14,666	517	-	14,149	13,393	429	-	12,964	12,472	400	-	12,072
WAYLAND	4,188	47	294	3,847	3,667	50	289	3,327	3,366	113	209	3,043

Municipality	FY2000				FY1999				FY1998			
	Total Local Aid	All Other Assessments	Assessment	Net Local Aid	Total Local Aid	All Other Assessments	Assessment	Net Local Aid	Total Local Aid	All Other Assessments	Assessment	Net Local Aid
<i>WEST BOYLSTON</i>	\$ 3,704	\$ 36	\$ -	\$ 3,668	\$ 2,770	\$ 36	\$ -	\$ 2,734	\$ 2,447	\$ 21	\$ -	\$ 2,426
<i>WEST BRIDGEWATER</i>	2,945	210	-	2,735	2,737	191	-	2,546	2,578	182	-	2,396
<i>WEST NEWBURY</i>	354	1	-	353	324	14	-	311	502	30	-	472
<i>WESTBOROUGH</i>	4,571	89	-	4,481	3,983	84	-	3,899	2,925	77	-	2,848
<i>WESTFORD</i>	10,127	105	-	10,023	7,597	105	-	7,491	6,121	96	-	6,025
<i>WESTMINSTER</i>	790	33	-	757	700	29	-	671	640	27	-	613
<i>WHITMAN</i>	2,240	43	-	2,197	2,030	40	-	1,989	1,875	46	-	1,830
<i>WORCESTER</i>	189,197	1,786	-	187,411	172,805	1,821	-	170,983	162,771	1,653	-	161,118
<i>WRENTHAM</i>	4,776	95	-	4,682	4,205	84	-	4,120	3,983	81	-	3,902
<i>Total Other Served Communities</i>	\$ 1,407,579	\$ 22,824	\$ 4,060	\$ 1,380,692	\$ 1,278,174	\$ 21,907	\$ 3,978	\$ 1,252,287	\$ 1,161,249	\$ 23,718	\$ 2,337	\$ 1,135,201
<b>Total</b>	<b>\$ 2,849,632</b>	<b>\$ 44,837</b>	<b>\$ 144,581</b>	<b>\$ 2,660,218</b>	<b>\$ 2,625,639</b>	<b>\$ 43,468</b>	<b>\$ 141,053</b>	<b>\$ 2,441,117</b>	<b>\$ 2,397,949</b>	<b>\$ 84,701</b>	<b>\$ 97,403</b>	<b>\$ 2,215,855</b>

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Municipality	FY1990				FY1985			
	Total Local Aid	All Other Assessments	Assessment	Net Local Aid	Total Local Aid	All Other Assessments	Assessment	Net Local Aid
<b>FOURTEEN CITIES AND TOWNS</b>								
ARLINGTON	\$ 14,366	\$ 84	\$ 2,370	\$ 11,912	\$ 11,791	\$ 2,247	\$ 2,273	\$ 7,271
BELMONT	5,166	132	1,241	3,794	3,962	1,555	1,134	1,274
BOSTON	462,970	2,413	47,570	412,987	354,242	7,544	42,103	304,595
BROOKLINE	11,389	383	4,083	6,923	10,627	3,013	3,883	3,730
CAMBRIDGE	41,233	230	5,551	35,452	35,358	3,759	5,270	26,328
CHELSEA	20,985	592	1,092	19,301	13,661	837	1,059	11,765
EVERETT	11,665	473	1,641	9,551	8,080	2,622	1,671	3,787
MALDEN	27,532	137	2,526	24,869	20,059	1,970	2,285	15,804
MEDFORD	24,473	1,005	2,929	20,539	16,301	2,870	2,851	10,581
MILTON	4,921	476	1,128	3,317	3,898	1,371	1,080	1,447
NEWTON	12,079	299	3,730	8,050	13,708	5,447	3,391	4,870
REVERE	20,991	686	2,440	17,865	17,525	1,445	2,090	13,990
SOMERVILLE	51,244	190	3,690	47,365	36,906	2,817	3,583	30,506
WATERTOWN	10,074	462	1,625	7,987	8,897	1,826	1,437	5,633
<i>Total of Fourteen Cities and Towns</i>	\$ 719,088	\$ 7,562	\$ 81,616	\$ 629,912	\$ 555,015	\$ 39,323	\$ 74,110	\$ 441,581
<b>FIFTY-ONE CITIES AND TOWNS</b>								
BEDFORD	\$ 2,463	\$ 44	\$ 276	\$ 2,144	\$ 2,383	\$ 525	\$ 222	\$ 1,636
BEVERLY	10,806	346	755	9,704	7,947	858	606	6,484
BRAINTREE	9,931	646	897	8,388	8,460	1,644	768	6,049
BURLINGTON	5,670	97	643	4,929	6,171	904	493	4,774
CANTON	3,881	150	414	3,317	4,085	896	285	2,903
COHASSET	1,467	183	139	1,145	1,513	212	101	1,200
CONCORD	2,633	46	301	2,287	2,895	484	230	2,181
DANVERS	5,576	296	487	4,792	4,914	615	427	3,872
DEDHAM	5,966	411	647	4,908	5,175	1,064	537	3,574
DOVER	297	55	106	136	531	287	77	167
FRAMINGHAM	15,636	140	1,149	14,347	12,747	1,972	887	9,888
HAMILTON	652	80	157	414	683	203	119	361
HINGHAM	3,430	353	484	2,592	3,866	957	356	2,554
HOLBROOK	4,731	190	296	4,246	3,791	246	262	3,282
HULL	4,688	61	219	4,407	4,274	225	154	3,896
LEXINGTON	5,239	96	746	4,397	5,316	1,700	610	3,005
LINCOLN	1,426	14	165	1,247	1,231	206	146	879
LYNN	52,323	995	1,483	49,845	36,841	1,573	1,477	33,791
LYNNFIELD	2,115	311	251	1,552	2,177	389	187	1,601
MANCHESTER	544	101	99	344	786	229	75	481
MARBLEHEAD	2,306	314	456	1,536	2,739	843	393	1,502
MEDFIELD	2,645	72	211	2,362	2,835	180	141	2,514
MELROSE	11,161	107	772	10,283	8,670	1,347	690	6,633
MIDDLETON	626	63	96	467	683	120	65	499
NAHANT	660	48	125	487	533	183	113	236
NATICK	7,510	92	608	6,810	6,655	904	468	5,283
NEEDHAM	3,732	267	621	2,844	4,407	1,487	483	2,437
NORFOLK	1,386	42	140	1,204	1,171	102	77	991
NORWOOD	8,427	180	690	7,557	6,288	1,218	573	4,497
PEABODY	16,946	932	892	15,122	13,595	1,101	762	11,732
QUINCY	35,451	487	3,056	31,909	29,549	3,605	2,560	23,384
RANDOLPH	10,457	317	720	9,421	8,775	723	593	7,458
READING	6,118	52	558	5,508	4,952	682	425	3,846
SALEM	13,496	713	730	12,053	10,633	933	649	9,051
SAUGUS	6,540	451	632	5,457	5,718	1,156	587	3,975
SHARON	3,778	92	328	3,359	3,626	255	248	3,123
STONEHAM	6,219	227	446	5,546	5,106	1,144	370	3,592
SWAMPSCOTT	2,569	157	385	2,027	2,539	554	314	1,671
TOPSFIELD	932	68	119	745	977	185	85	707

Municipality	FY1990				FY1985			
	All Other			Net Local Aid	All Other			Net Local Aid
	Total Local Aid	Assessments	Assessment		Total Local Aid	Assessments	Assessment	
WAKEFIELD	\$ 6,661	\$ 60	\$ 588	\$ 6,013	\$ 5,038	\$ 1,186	\$ 500	\$ 3,352
WALPOLE	5,159	117	404	4,638	4,655	498	302	3,855
WALTHAM	16,405	205	1,059	15,140	12,419	3,306	949	8,165
WELLESLEY	3,706	318	479	2,910	4,780	1,498	417	2,864
WENHAM	483	36	70	377	459	82	62	315
WESTON	1,748	45	230	1,474	2,377	776	176	1,425
WESTWOOD	1,990	105	329	1,555	2,447	671	258	1,518
WEYMOUTH	21,675	779	1,380	19,515	17,019	1,823	1,127	14,069
WILMINGTON	5,349	51	356	4,942	4,324	530	262	3,532
WINCHESTER	3,134	74	492	2,568	3,984	1,177	439	2,369
WINTHROP	8,306	249	521	7,536	6,261	725	440	5,096
WOBURN	10,290	311	811	9,168	8,303	1,458	736	6,109
<i>Total of Fifty-One Cities and Towns</i>	\$ 365,339	\$ 11,646	\$ 28,018	\$ 325,674	\$ 307,303	\$ 45,641	\$ 23,283	\$ 238,378
<b>OTHER SERVED COMMUNITIES</b>								
ABINGTON	\$ 5,597	\$ 25	\$ -	\$ 5,572	\$ 4,089	\$ 173	\$ -	\$ 3,916
ACTON	2,158	49	-	2,110	2,330	437	-	1,893
AMESBURY	6,618	293	-	6,325	4,836	289	-	4,547
ANDOVER	4,934	749	-	4,185	5,345	999	-	4,346
ASHBURNHAM	468	10	-	458	789	91	-	698
ASHBY	221	2	-	219	171	29	-	142
ASHLAND	2,055	27	257	1,771	2,016	263	154	1,599
ATTLEBORO	15,310	402	-	14,908	10,382	703	-	9,679
AUBURN	4,195	68	-	4,127	3,404	412	-	2,992
AYER	4,210	25	-	4,185	3,235	127	-	3,108
BELLINGHAM	6,649	70	-	6,579	5,012	170	-	4,842
BERKLEY	1,732	31	-	1,701	785	60	-	725
BILLERICA	13,540	357	-	13,183	10,709	730	-	9,979
BOXBOROUGH	284	11	-	273	360	81	-	278
BOXFORD	892	86	-	806	747	196	-	551
BRIDGEWATER	5,817	132	-	5,685	4,362	267	-	4,094
BROCKTON	58,748	1,742	-	57,006	42,261	2,248	-	40,014
CARLISLE	968	9	-	959	596	115	-	481
CARVER	2,725	29	-	2,696	1,689	122	-	1,567
CHELMSFORD	8,983	185	-	8,798	8,122	631	-	7,491
DRACUT	8,058	67	-	7,990	6,376	315	-	6,061
DUXBURY	2,707	66	223	2,418	2,937	336	114	2,487
EAST BRIDGEWATER	4,409	29	-	4,380	3,147	154	-	2,993
EASTON	5,282	230	-	5,052	4,349	364	-	3,985
ESSEX	532	39	-	493	535	74	-	461
FITCHBURG	21,060	448	-	20,612	13,598	730	-	12,868
FOXBOROUGH	4,251	73	-	4,178	3,892	259	-	3,632
FRANKLIN	6,806	277	-	6,529	5,492	309	-	5,183
FREETOWN	1,557	70	-	1,486	1,006	179	-	827
GEORGETOWN	1,965	62	-	1,903	1,661	126	-	1,535
GLOUCESTER	7,779	897	-	6,883	6,554	934	-	5,620
GRAFTON	3,452	31	-	3,421	2,996	249	-	2,747
GROTON	782	22	-	760	662	161	-	500
GROVELAND	1,187	39	-	1,148	927	92	-	835
HALIFAX	1,798	10	-	1,787	1,146	73	-	1,073
HANOVER	4,371	27	213	4,130	3,589	217	164	3,209
HANSON	3,261	28	-	3,233	3,320	132	-	2,188
HARVARD	3,014	27	-	2,987	2,403	196	-	2,207
HAVERHILL	21,882	663	-	21,219	16,410	918	-	15,492
HOLDEN	3,168	60	-	3,108	2,294	385	-	1,909
HOLLISTON	4,071	31	-	4,039	3,664	241	-	3,423
HOPKINTON	1,584	16	-	1,568	1,519	110	-	1,409
IPSWICH	3,041	132	-	2,909	2,716	280	-	2,436

Municipality	FY1990				FY1985			
	All Other			Net Local Aid	All Other			Net Local Aid
	Total Local Aid	Assessments	Assessment		Total Local Aid	Assessments	Assessment	
KINGSTON	\$ 1,461	\$ 25	\$ -	\$ 1,437	\$ 1,064	\$ 128	\$ -	\$ 935
LAKEVILLE	1,647	27	-	1,620	780	125	-	655
LANCASTER	1,961	12	-	1,949	1,466	147	-	1,320
LAWRENCE	52,902	960	-	51,941	31,464	1,200	-	30,264
LEICESTER	4,989	63	-	4,927	3,500	202	-	3,298
LEOMINSTER	14,670	308	-	14,362	9,932	791	-	9,141
LITTLETON	1,270	53	-	1,217	1,277	161	-	1,116
LOWELL	57,298	688	-	56,610	38,701	1,481	-	37,220
LUNENBURG	2,795	9	-	2,787	2,313	214	-	2,099
MANSFIELD	3,743	200	-	3,543	2,934	433	-	2,502
MARLBOROUGH	9,328	113	-	9,215	7,860	524	-	7,336
MARSHFIELD	6,744	57	421	6,266	5,321	408	246	4,668
MAYNARD	3,520	19	-	3,501	2,456	174	-	2,282
MEDWAY	2,938	47	-	2,891	2,668	157	-	2,511
MERRIMAC	1,456	28	-	1,428	1,042	61	-	981
METHUEN	12,463	475	-	11,988	8,333	763	-	7,570
MIDDLEBOROUGH	8,187	40	-	8,148	5,095	262	-	4,833
MILLBURY	4,879	45	-	4,834	4,148	247	-	3,901
MILLIS	2,014	95	159	1,760	1,750	120	91	1,539
NEWBURY	769	60	-	709	717	140	-	577
NEWBURYPORT	5,607	220	-	5,387	3,961	335	-	3,626
NORTH ANDOVER	3,820	368	-	3,452	3,489	577	-	2,912
NORTH ATTLEBOROUGH	8,327	380	-	7,946	5,638	477	-	5,161
NORTH READING	3,196	44	251	2,901	3,025	230	207	2,588
NORTHBOROUGH	2,222	42	-	2,180	2,040	325	-	1,715
NORTHBRIDGE	6,517	15	-	6,502	4,166	225	-	3,941
NORTON	5,718	130	-	5,588	4,642	233	-	4,408
NORWELL	2,352	139	209	2,004	2,557	252	141	2,164
PAXTON	685	30	-	655	621	97	-	524
PEMBROKE	3,186	45	296	2,845	2,681	243	197	2,241
PLYMOUTH	4,555	161	-	4,394	4,989	931	-	4,059
PLYMPTON	416	8	-	408	276	41	-	234
PRINCETON	529	1	-	527	501	68	-	433
RAYNHAM	2,993	93	-	2,900	2,071	200	-	1,872
REHOBOTH	575	130	-	445	1,477	228	-	1,249
ROCHESTER	1,124	8	-	1,116	470	70	-	401
ROCKLAND	7,983	191	290	7,502	6,387	274	236	5,876
ROCKPORT	1,721	210	-	1,510	764	294	-	471
ROWLEY	1,249	36	-	1,213	640	96	-	544
SALISBURY	1,411	94	-	1,317	1,092	162	-	930
SCITUATE	4,154	56	332	3,766	4,450	399	253	3,799
SEEKONK	3,268	142	-	3,126	2,390	358	-	2,032
SHERBORN	409	25	92	292	547	152	57	338
SHIRLEY	2,465	8	-	2,458	2,130	69	-	2,061
SHREWSBURY	5,463	94	-	5,370	4,463	679	-	3,784
SOUTHBOROUGH	762	15	-	747	1,064	249	-	815
STERLING	1,088	15	-	1,073	1,050	138	-	911
STOUGHTON	8,707	341	-	8,366	6,264	664	-	5,600
STOW	738	14	-	724	798	124	-	673
SUDBURY	2,837	28	288	2,520	3,003	357	214	2,431
SUTTON	3,060	9	-	3,051	1,546	152	-	1,394
TAUNTON	25,635	715	-	24,920	17,312	776	-	16,536
TEWKSBURY	8,653	134	-	8,519	7,177	380	-	6,798
TOWNSEND	799	19	-	780	534	119	-	416
TYNGSBOROUGH	2,135	25	-	2,110	1,491	102	-	1,388
UPTON	492	2	-	490	426	91	-	336
WAREHAM	6,098	220	-	5,878	3,517	390	-	3,127
WAYLAND	2,600	26	284	2,290	2,930	346	220	2,364

Municipality	FY1990				FY1985			
	Total Local Aid	All Other Assessments	Assessment	Net Local Aid	Total Local Aid	All Other Assessments	Assessment	Net Local Aid
<i>WEST BOYLSTON</i>	\$ 1,464	\$ 15	\$ -	\$ 1,449	\$ 1,315	\$ 186	\$ -	\$ 1,129
<i>WEST BRIDGEWATER</i>	2,019	96	-	1,923	1,725	154	-	1,571
<i>WEST NEWBURY</i>	731	32	-	699	507	65	-	441
<i>WESTBOROUGH</i>	2,091	32	-	2,059	2,594	468	-	2,125
<i>WESTFORD</i>	3,924	56	-	3,867	3,671	269	-	3,402
<i>WESTMINSTER</i>	479	9	-	470	759	142	-	617
<i>WHITMAN</i>	4,975	32	-	4,943	3,590	178	-	3,412
<i>WORCESTER</i>	101,080	1,270	-	99,810	76,577	3,166	-	73,411
<i>WRENTHAM</i>	1,951	41	-	1,910	1,355	112	-	1,243
<i>Total Other Served Communities</i>	\$ 719,418	\$ 16,786	\$ 3,315	\$ 699,314	\$ 538,926	\$ 38,358	\$ 2,294	\$ 498,273
Total	\$ 1,803,845	\$ 35,994	\$ 112,949	\$ 1,654,900	\$ 1,401,244	\$ 123,322	\$ 99,687	\$ 1,178,232

TRA 1751042.2

Financial Guaranty Insurance  
 Company  
 125 Park Avenue  
 New York, NY 10017  
 (212) 312-3000  
 (800) 352-0001



A GE Capital Company

## Municipal Bond New Issue Insurance Policy

<b>Issuer:</b>	<b>Policy Number:</b>
	<b>Control Number:</b> 0010001
<b>Bonds:</b>	<b>Premium:</b>

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to State Street Bank and Trust Company, N.A., or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date



Financial Guaranty Insurance  
Company  
125 Park Avenue  
New York, NY 10017  
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## Municipal Bond New Issue Insurance Policy

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for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

*Deborah M. Reif*

**President**

**Effective Date:**

**Authorized Representative**

State Street Bank and Trust Company, N.A., acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

*[Signature]*

**Authorized Officer**