

*In the opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel, under existing law, assuming continued compliance with certain provisions of the Internal Revenue Code of 1986, as amended, interest on the 2012A Bonds will not be included in the gross income of holders of such 2012A Bonds for federal income tax purposes. Interest on the 2012A Bonds will not constitute a preference item for the purposes of computation of the alternative minimum tax imposed on certain individuals and corporations, however interest on the 2012A Bonds will be taken into account in computing the alternative minimum tax applicable to certain corporations. In the opinion of Bond Counsel, under existing law, interest on the 2012A Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the 2012A Bonds are exempt from Massachusetts personal property taxes. See “TAX EXEMPTION” herein.*

**\$766,140,000**

**MASSACHUSETTS SCHOOL BUILDING AUTHORITY  
SENIOR DEDICATED SALES TAX REFUNDING BONDS  
2012 SERIES A**

**Dated: Date of Delivery**

**Due: August 15, as shown on Inside Cover**

This Official Statement relates to the issuance by the Massachusetts School Building Authority (the “Authority”) of its \$766,140,000 Senior Dedicated Sales Tax Refunding Bonds, 2012 Series A (the “2012A Bonds”).

The 2012A Bonds will be issued by the Authority pursuant to the Act (hereinafter defined) and under the Trust Agreement, dated as of August 1, 2005, between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), as amended, restated and supplemented, including as supplemented by the Eleventh Supplemental Trust Agreement, dated as of August 1, 2012, authorizing the issuance of the 2012A Bonds.

The 2012A Bonds will be issued by means of a book-entry only system evidencing ownership and transfer of the 2012A Bonds on the records of The Depository Trust Company (“DTC”) and its participants. Details of payment of the 2012A Bonds are more fully described in this Official Statement. The 2012A Bonds will bear interest from their date of delivery and interest will be payable semiannually on each February 15 and August 15, commencing February 15, 2013, calculated on the basis of a 360-day year of twelve 30-day months. The 2012A Bonds will be subject to optional and mandatory redemption as described in this Official Statement.

**The 2012A Bonds are special obligations of the Authority. The principal of, premium, if any, and interest on the 2012A Bonds are payable solely from and secured by a senior lien on and pledge of (i) moneys deposited directly with the Trustee by The Commonwealth of Massachusetts (the “Commonwealth”) on a monthly basis, without appropriation, allotment or other action, which are derived from a one percent statewide sales tax imposed by the Commonwealth (which is drawn from the existing statewide 6.25% sales tax), excluding sales tax revenues on meals and certain additional statutorily exempted revenues from sales, as further described herein, and (ii) certain funds and accounts held under the Trust Agreement, as further described herein. The Authority has no taxing power.**

The 2012A Bonds are offered when, as and if issued and received by the Underwriters, subject to the unqualified approval of legality by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority by Greenberg Traurig, LLP, Boston, Massachusetts, Disclosure Counsel, and certain legal matters will be passed upon for the Underwriters by Nixon Peabody, LLP, Boston, Massachusetts. It is expected that the 2012A Bonds in definitive form will be available for delivery to DTC in New York, New York, or its custodial agent, on or about August 16, 2012.

**Citigroup**

**Jefferies**

**J.P. Morgan**

**Barclays**

**BofA Merrill Lynch**

**Morgan Stanley**

**Ramirez & Co., Inc.**

**Corby Capital Markets, Inc.**

**Edward Jones**

**Fidelity Capital Markets**

**Janney Montgomery Scott**

**Loop Capital Markets**

**M.R. Beal & Company**

**Piper Jaffray & Co.**

**Raymond James | Morgan Keegan**

**RBC Capital Markets**

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

**Stern Brothers & Co.**

**Stifel, Nicolaus & Company, Incorporated**

**Wells Fargo Securities**

**\$766,140,000**  
**MASSACHUSETTS SCHOOL BUILDING AUTHORITY**  
**SENIOR DEDICATED SALES TAX REFUNDING BONDS**  
**2012 SERIES A**

**Maturities, Amounts, Interest Rates, Yields and CUSIPs<sup>†</sup>**

<u>Maturity (August 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP<sup>†</sup></u>
2021	\$ 84,675,000	5.00%	2.12%	576000MS9
2021	7,700,000	3.00	2.12	576000MF7
2021	7,070,000	4.00	2.12	576000MP5
2022	90,095,000	5.00	2.26	576000MT7
2022	1,425,000	3.00	2.26	576000MG5
2022	12,825,000	4.00	2.26	576000MQ3
2023	109,615,000	5.00	2.43*	576000MH3
2024	107,680,000	5.00	2.59*	576000MJ9
2025	111,410,000	5.00	2.71*	576000MK6
2026	128,105,000	5.00	2.80*	576000ML4
2027	15,335,000	5.00	2.88*	576000MR1
2027	5,180,000	4.00	3.08*	576000MM2
2030	85,025,000	5.00	3.06*	576000MN0

\* Yield to first optional redemption date of August 15, 2022.

<sup>†</sup> Copyright, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondowners only at the time of issuance of the 2012A Bonds and the Authority does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2012A Bonds as a result of the various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2012A Bonds.

# MASSACHUSETTS SCHOOL BUILDING AUTHORITY

## AUTHORITY MEMBERS

Steven Grossman, Chairman, Treasurer and Receiver-General  
Christine Lynch, Designee of The Commissioner of Elementary and Secondary Education  
Matthew J. Gorzkowicz, Designee of The Secretary of Administration and Finance  
Richard Bertman  
Terry Kwan  
Mary Grassa O'Neill  
Lisa Turnbaugh

## SENIOR MANAGEMENT

John K. McCarthy, *Executive Director*  
Vincent Alabiso, *Chief Financial Officer*  
Colleen Curry, *Chief Operating Officer*  
Matthew J. Donovan, *Director of Communications and Government Relations*  
Susan M. Flanagan-Cahill, *General Counsel*  
Mary Pichetti, *Director of Capital Planning*  
Joanna B. Aalto, *Controller and Director of Audits*  
Jennifer Gonzalez, *Director of Finance*  
Henry J. Swiniarski, *Treasurer*  
Kenneth Wissman, *Chief Financial Advisor*

**In connection with the offering of the 2012A Bonds, the Underwriters may over allot or effect transactions that stabilize or maintain the market price of such 2012A 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 that are believed to be reliable, but, as to information from other than the Authority, it is not to be construed as a representation by the Authority or the Underwriters. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof, except as expressly set forth herein. The various tables may not add due to rounding of figures.

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

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2012A 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 2012A Bonds and other documents herein do not purport to be complete; reference is made to said laws, resolutions, the 2012A 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.

The order and placement of material in this Official Statement, including its Appendices, are not to be deemed a determination of relevance, materiality or importance, and all material in this Official Statement, including its Appendices, must be considered in its entirety.

**This Official Statement contains statements that, to the extent they are not recitations of historical fact, constitute “forward looking statements.” In this respect, the words “estimate,” “anticipate,” “expect,” “intent,” “believe” and similar expressions are intended to identify forward looking statements. A number of important factors affecting the Authority’s financial results could cause actual results to differ materially from those stated in the forward looking statements.**

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**OFFICIAL STATEMENT  
OF THE  
MASSACHUSETTS SCHOOL BUILDING AUTHORITY  
PERTAINING TO ITS  
\$766,140,000  
SENIOR DEDICATED SALES TAX REFUNDING BONDS  
2012 SERIES A**

**INTRODUCTION**

The purpose of this Official Statement, which includes the cover page and the Appendices hereto, is to furnish information in connection with the sale by the Massachusetts School Building Authority (the "Authority") of its \$766,140,000 Senior Dedicated Sales Tax Bonds, 2012 Series A (the "2012A Bonds"). Unless otherwise defined herein, certain capitalized terms used herein shall have the meanings set forth in APPENDIX A – "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT – Definitions."

**General**

Chapter 208 of the Acts of 2004 ("Chapter 208," and together with Chapter 70B of the Massachusetts General Laws, Section 35BB of Chapter 10 of the Massachusetts General Laws, and Chapter 210 of the Acts of 2004, each as amended from time to time, the "Act") created the Authority to administer and fund a program for grants to cities, towns, and regional school districts for school construction and renovation projects.

Pursuant to the Act, all moneys received by The Commonwealth of Massachusetts (the "Commonwealth") raised by a one percent (1%) statewide sales tax (drawn from the existing statewide six and a quarter percent (6.25%) sales tax), excluding sales tax revenues on meals and from certain additional statutorily exempted revenues from sales, as further described herein (the "Dedicated Sales Tax Revenue Amount"), are to be credited to the Massachusetts School Modernization and Reconstruction Trust Fund (the "SMART Fund"), without appropriation, allotment or other action. Such amounts are credited to the SMART Fund pursuant to procedures established in a Memorandum of Understanding (the "MOU"), dated as of August 1, 2005, by and among the Authority, the Treasurer and Receiver-General of the Commonwealth (the "Treasurer"), the Comptroller of the Commonwealth (the "Comptroller"), and the Department of Revenue of the Commonwealth (the "Department of Revenue" or "DOR"). See "SOURCES OF PAYMENT AND SECURITY FOR THE 2012A BONDS – Dedicated Sales Tax Revenue Amount," and "– SMART Fund – Memorandum of Understanding."

The Act expressly designates owners of the Bonds (defined below) as beneficiaries of the SMART Fund and, together with the Trust Agreement (defined below), provides that the Authority's obligations to make payment of principal of, premium, if any, and interest on the Bonds is senior to all other claims on the Dedicated Sales Tax Revenue Amount. The Trust Agreement further provides that the Authority's obligations to make payment of principal of, premium, if any, and interest on the Senior Bonds (defined below), including the 2012A Bonds, is senior to claims on the Dedicated Sales Tax Revenue Amount with respect to owners of Subordinated Bonds (defined below). The Act and the Trust Agreement prohibit the diversion of the Dedicated Sales Tax Revenue Amount from the Authority's control and further prohibit the reduction of the rate of the taxes from which the Dedicated Sales Tax Revenue Amount is derived as set forth in the Act for as long as Bonds of the Authority remain outstanding. See "SOURCES OF PAYMENT AND SECURITY FOR THE 2012A BONDS – SMART Fund - Statutory Covenants."

The 2012A Bonds are senior special obligations of the Authority, secured as to the payment of principal, premium, if any, and interest thereon by a senior lien on and pledge of certain revenues and other moneys received or derived under the Act, including without limitation, the Dedicated Sales Tax Revenue Amount and certain funds and accounts held under the Trust Agreement. See "SOURCES OF PAYMENT AND SECURITY FOR THE 2012A BONDS – Dedicated Sales Tax Revenue Amount" and "– Pledge under the Trust Agreement." The 2012A Bonds constitute the eighth series of Bonds issued under the Trust Agreement, and the sixth series of Senior Bonds under the Trust Agreement.

The 2012A Bonds are authorized to be issued pursuant to the Act, and will be issued under the Trust Agreement, dated as of August 1, 2005 (as amended and restated by the Sixth Supplemental Trust Agreement dated

as of June 1, 2010, the “Master Trust Agreement”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), as further supplemented and amended by supplemental indentures, including the Eleventh Supplemental Trust Agreement, dated as of August 1, 2012 (the “Eleventh Supplemental Trust Agreement,” and together with the Master Trust Agreement, as so supplemented and amended, the “Trust Agreement”), authorizing the issuance of the 2012A Bonds. The Authority previously has issued \$2,500,000,000 of its Dedicated Sales Tax Bonds, 2005 Series A (the “2005A Bonds”) (of which \$2,172,840,000 were outstanding as of June 1, 2012, and a portion of which is expected to be refunded through the issuance of the Series 2012A Bonds), \$1,500,000,000 of its Dedicated Sales Tax Bonds, 2007 Series A (the “2007A Bonds”) (of which \$1,435,145,000 were outstanding as of June 1, 2012), \$150,000,000 of its Dedicated Sales Tax Bonds, 2009 Series A (the “2009 A Bonds”) (of which \$91,900,000 were outstanding as of June 1, 2012), \$450,000,000 of its Dedicated Sales Tax Bonds, 2009 Series B (Federally Taxable - Direct Pay to Issuer - Build America Bonds) (the “2009B Bonds”) (all of which are currently outstanding), \$151,000,000 of its Subordinated Dedicated Sales Tax Bonds, 2010 Series A (Federally Taxable - Direct Pay to Issuer - Qualified School Construction Bonds) (the “2010A Bonds”) (all of which are currently outstanding), \$142,380,000 of its Subordinated Dedicated Sales Tax Bonds 2011 Series A (Federal Taxable - Direct Pay to Issuer - Qualified School Construction Bonds) (all of which are currently outstanding) (the “2011A Bonds”), and \$1,000,000,000 of its Senior Dedicated Sales Tax Bonds, 2011 Series B (the “2011B Bonds”) (all of which are currently outstanding). The 2005A Bonds, the 2007A Bonds, the 2009A Bonds, the 2009B Bonds, the 2011B Bonds and the 2012A Bonds, if and when issued, constitute Senior Bonds under the Trust Agreement. The 2010A Bonds and the 2011A Bonds constitute Subordinated Bonds under the Trust Agreement. The Trust Agreement provides for the issuance of additional bonds on a parity with any Outstanding Senior Bonds (“Additional Senior Bonds”) and provides for the issuance of additional bonds on a parity with any Outstanding Subordinated Bonds (“Additional Subordinated Bonds”). The Authority anticipates that it will issue Additional Senior Bonds and Additional Subordinated Bonds in the future, subject to certain terms and conditions of the Trust Agreement. See “SOURCES OF PAYMENT AND SECURITY FOR THE 2012A BONDS – Additional Bonds, Refunding Bonds and Other Indebtedness.” As used herein, the term “Bonds” means all Outstanding Bonds and all Additional Senior Bonds and Additional Subordinated Bonds hereafter issued under the Trust Agreement.

The 2012A Bonds are being issued for the purpose of (i) refunding a portion of the outstanding 2005A Bonds, and (ii) paying the costs of issuing the 2012A Bonds. See “PLAN OF REFUNDING.”

**Neither the Commonwealth nor any political subdivision thereof shall be obligated to pay the principal of, premium, if any, or interest on any 2012A Bonds, and the faith and credit of the Commonwealth or of any political subdivision thereof are not pledged to the payment of the principal of, premium, if any, or interest on any 2012A Bonds. The Authority has no taxing power.**

## **Official Statement**

There follows in this Official Statement a description of the Authority, together with summaries of the terms of the 2012A Bonds and certain provisions of the Act, the Trust Agreement, the Refunding Trust Agreement and the MOU. All references herein to the Act, the Trust Agreement, the Refunding Trust Agreement and the MOU are qualified in their entirety by reference to such law, documents and instruments, copies of which are available from the Authority or the Trustee, and all references to the 2012A Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Trust Agreement.

Appendix A is a summary of certain provisions of the Trust Agreement. Appendix B sets forth the proposed form of opinion of Bond Counsel. Appendix C sets forth the proposed Form of Continuing Disclosure Agreement to be executed by the Authority and the Trustee. Appendix D sets forth the Table of Refunded Bonds.

This Official Statement does not contain general financial and operating information regarding the Authority because the 2012A Bonds do not constitute a general obligation of the Authority and the Dedicated Sales Tax Revenue Amount is not derived from or otherwise related to the Authority’s operations. Accordingly, the payment of principal of, premium, if any, or interest on the 2012A Bonds is not dependent on the Authority’s operations.

## SOURCES OF PAYMENT AND SECURITY FOR THE 2012A BONDS

### Dedicated Sales Tax Revenue Amount

#### *General*

The Commonwealth currently imposes a six and a quarter percent (6.25%) statewide sales tax on retail sales of certain tangible property (including retail sales of meals) transacted in the Commonwealth and a complementary use tax on the storage, use or other consumption of like tangible properties brought into the Commonwealth. However, food, clothing up to a certain dollar amount, prescribed medicine, materials and produce used in food production, machinery, materials, tools and fuel used in certain industries and property subject to other excises (except for cigarettes) are exempt from the sales tax. Nonresidential and a portion of residential telecommunication services are the only services that are included in the sales tax base. The sales and use tax is also applied to sales of electricity, gas and steam for certain nonresidential use.

The sales tax became effective in April 1966 at a rate of three percent (3%). It was initially enacted as a temporary tax, but was made permanent by legislation effective January 1968. In November 1975, the rate was increased to five percent (5%), and effective August 1, 2009 it was increased to 6.25%. Effective August 1, 2009, the exemption of taxes on alcohol sales was eliminated; this legislation, however, was repealed by the voters at the November 2010 statewide election, effective January 1, 2011. Based on information provided by the Department of Revenue, (i) the rate increase to 6.25% produced approximately \$739 million and \$918 million in additional gross sales tax receipts in Fiscal Year 2010 and Fiscal Year 2011, respectively, and is estimated to have produced approximately \$879 million through May 31, 2012, compared to approximately \$837 million for the same period in Fiscal Year 2011, and (ii) the tax on alcohol sales is estimated to have generated approximately \$96.6 million and \$81.0 million in Fiscal Year 2010 and Fiscal Year 2011 (through the date of its repeal on January 1, 2011), respectively.

Revenues from the sales tax are dependent on economic conditions in the Commonwealth. A downturn in the economy may negatively impact statewide sales tax receipts and, accordingly, the Dedicated Sales Tax Revenue Amount. As shown below in the table under the heading "History of Commonwealth Sales Tax Collections," below, since 2000, the growth, if any, in the Commonwealth's Sales Tax receipts has been slower than overall historical trends.

#### *Dedicated Sales Tax Revenue Amount*

The Dedicated Sales Tax Revenue Amount includes all moneys received by the Commonwealth equal to one percent (1%) of the receipts from sales, as defined by Massachusetts General Laws, Chapter 64H ("Chapter 64H") and one percent (1%) of the sales price of purchases, as defined by Massachusetts General Laws, Chapter 64I ("Chapter 64I"), from that portion of the taxes imposed under Chapter 64H and Chapter 64I as excises upon the sale and use at retail of tangible property or of services, and upon the storage, use or other consumption of tangible property or of services, including interest thereon or penalties, but does not include the Statutorily Exempted Revenue (defined below).

Excluded from the Dedicated Sales Tax Revenue Amount (the "Statutorily Exempted Revenue") are (i) taxes on meals, (ii) taxes from sales at retail by a vendor of meals, beverages and other tangible personal property or services at establishments that were first opened for patronage on or after July 1, 1997 that are located within the Convention Center Finance District in the City of Boston, (iii) taxes from sales at retail by a vendor of meals, beverages and other tangible personal property or services within hotels, motels or other lodging establishments that are located in the City of Boston (but which are outside of the Convention Center Finance District), or the City of Cambridge, that were first opened for patronage on or after July 1, 1997, and (iv) taxes from sales at retail by a vendor of meals, beverages and other tangible personal property or services at establishments within the Springfield Civic and Convention Center and at establishments located within the Springfield Civic and Convention Center Finance District that were first opened for patronage on or after July 1, 2000. The Convention Center Finance District is an area of Boston located near the Boston Convention & Exhibition Center. The Springfield Civic and Convention Center Finance District is an area in Springfield located near the Springfield Civic and Convention Center. In Fiscal Year 2011, taxes from sales within the special financing districts in Boston and Springfield

(excluding the meals tax) totaled approximately \$2.55 million and are estimated to have totaled approximately \$3.01 million through May 31, 2012, compared to approximately \$2.18 million for the same period in Fiscal Year 2011.

### History of Commonwealth Sales Tax Receipts

Set forth below is a summary of the Commonwealth's annual sales tax receipts since Fiscal Year 1982, including an estimate for Fiscal Year 2012 and a projection for Fiscal Year 2013, net of Statutorily Exempted Revenues, together with an estimate of the Dedicated Sales Tax Revenue Amount for each such year (including prior to the enactment of the Act).

#### HISTORICAL COMMONWEALTH SALES TAX RECEIPTS<sup>1</sup>

Fiscal Year	Sales Tax Receipts <sup>1</sup>	Estimated Dedicated Sales Tax Revenue Amount <sup>2</sup>	% Increase/ (Decrease)	Fiscal Year	Sales Tax Receipts <sup>1</sup>	Estimated Dedicated Sales Tax Revenue Amount <sup>2</sup>	% Increase/ (Decrease)
1982	\$ 753,147,231	\$150,629,446	7.0%	1998 <sup>3</sup>	\$2,572,447,261	\$514,489,452	3.1%
1983	865,291,925	173,058,385	14.9	1999	2,833,016,602	566,603,320	10.1
1984	1,041,797,387	208,359,477	20.4	2000	3,107,166,500	621,433,300	9.7
1985	1,209,522,818	241,904,564	16.1	2001	3,272,953,839	654,590,768	5.3
1986	1,452,092,246	290,418,449	20.1	2002	3,193,946,638	638,789,328	(2.4)
1987	1,600,004,046	320,000,809	10.2	2003 <sup>4</sup>	3,196,008,691	639,201,738	0.1
1988	1,733,312,576	346,662,515	8.3	2004	3,211,141,238	642,228,248	0.5
1989	1,787,062,915	357,412,583	3.1	2005	3,330,838,208	666,167,642	3.7
1990	1,660,519,469	332,103,894	(7.1)	2006	3,420,208,843	684,041,769	2.7
1991	1,617,727,175	323,545,435	(2.6)	2007	3,458,884,551	691,776,910	1.1
1992	1,682,319,431	336,463,886	4.0	2008	3,453,776,709	690,755,342	(0.1)
1993	1,820,971,551	364,194,310	8.2	2009	3,238,994,447	647,798,889	(6.2)
1994	1,978,773,555	395,754,711	8.7	2010 <sup>5</sup>	3,852,057,082	637,083,944	(1.7)
1995	2,136,971,274	427,394,255	8.0	2011 <sup>5</sup>	4,091,484,725	654,642,631	2.8
1996	2,252,083,428	450,416,686	5.4	2012 <sup>6</sup>	4,151,572,825	664,251,652	1.5
1997	2,494,701,986	498,940,397	10.8	2013 <sup>7</sup>	4,308,784,191	689,405,471	3.8

Source: Massachusetts Department of Revenue

<sup>1</sup> Total sales tax receipts after reimbursements and abatements, less the Statutorily Exempted Revenue. See "SOURCES OF PAYMENT AND SECURITY FOR THE 2012A BONDS – Dedicated Sales Tax Revenue Amount."

<sup>2</sup> These data are presented as an estimate of historical Dedicated Sales Tax Revenue Amount based on historical sales tax receipts, and represent 20% of sales tax receipts for the period from 1982 through August 2009; and 16% of sales tax receipts commencing in September 2009 (and in August 2009, with respect to motor vehicle sales tax receipts only). These data do not account for the phase-in of the Dedicated Sales Tax Revenue Amount, effective Fiscal Year 2006 through Fiscal Year 2010, in which years the SMART Fund was credited with the greater of an applicable statutory minimum dollar amount or a percentage of the Dedicated Sales Tax Revenue Amount for each such Fiscal Year.

<sup>3</sup> In January 1998, the payment schedule for businesses with tax liabilities greater than \$25,000 per year was changed to simplify the time period in 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. According to DOR, approximately \$105 million less in sales tax revenue was collected in Fiscal Year 1998 as a result of this change.

<sup>4</sup> A tax amnesty program was in effect for a portion of Fiscal Year 2003, which according to DOR generated approximately \$42 million of sales and use tax revenues.

<sup>5</sup> Reflects additional revenue due to sales tax rate increase from 5.0% to 6.25% (estimated by DOR to be approximately \$739 million in Fiscal Year 2010 and \$918 million in Fiscal Year 2011) and elimination of sales tax exemption for alcoholic beverages for the period between August 1, 2009 and January 1, 2011 (estimated by DOR to be \$96.6 million in Fiscal Year 2010 and \$81.0 million in Fiscal Year 2011, of which amounts \$15.5 million and \$13.0 million, respectively, are included in the Dedicated Sales Tax Revenue Amount for each respective year.)

<sup>6</sup> Amounts for Fiscal Year 2012 are estimated by DOR. Fiscal Year-to-date collections through May 31, 2012 are approximately \$3.83 billion (unaudited), as compared to approximately \$3.74 billion for the same period in Fiscal Year 2011.

<sup>7</sup> Amounts for Fiscal Year 2013 are based on the January 12, 2012 consensus tax revenue estimate of \$21.950 billion.

## **SMART Fund**

### *General*

The Dedicated Sales Tax Revenue Amount will be credited, without appropriation, allotment or other action, to the SMART Fund. All such moneys to be credited to the SMART Fund are impressed with a trust for the benefit of the owners of the Bonds. The Treasurer is the trustee of the SMART Fund and holds the funds in the SMART Fund exclusively for the purposes of the Authority. Pursuant to the Act, funds in the SMART Fund shall be disbursed to the Authority or its designee, without appropriation, allotment or other action, upon the request of the Authority's Executive Director. The Trust Agreement contains the Executive Director's irrevocable request to the Treasurer to disburse the Dedicated Sales Tax Revenue Amount in the SMART Fund to the Trustee for deposit in the Revenue Fund established pursuant to the Trust Agreement and further provides for the Treasurer's agreement to disburse the Dedicated Sales Tax Revenue Amount as soon as practicable after identifying amounts as such, but in no event later than two Business Days after such identification. See APPENDIX A – "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT – Covenant of the Commonwealth."

Certain moneys that are not derived from the Dedicated Sales Tax Revenue Amount may from time to time be credited to the SMART Fund on a non-recurring basis and disbursed to the Authority. Such moneys are to be used for the purposes of the Authority and are not held for the benefit of the owners of the Bonds. Such moneys credited to the SMART Fund to date have been transferred to and expended by the Authority. See "THE AUTHORITY." Under the Act, the Comptroller was obligated to credit (i) \$150 million from the Commonwealth's General Fund to the SMART Fund from Fiscal Year 2004 revenues, which credit was made in 2004, and subsequently repaid by the Authority in Fiscal Year 2010, pursuant to subsequent amendments to the Act, and (ii) \$395.7 million to the SMART Fund from Fiscal Year 2005 revenues of the Commonwealth, which credit was made in monthly installments with the final installment credited in July, 2005. In addition, Chapter 201 of the Acts of 2004 authorized the Commonwealth to issue up to \$1 billion of general obligation bonds to fund additional deposits into the SMART Fund, and such amount has been credited to the SMART Fund. Any further credit of funds not constituting Dedicated Sales Tax Revenue Amount to the SMART Fund will not be held as security for the Bonds.

### *Memorandum of Understanding*

In order to implement certain procedural provisions of the Act, the Authority has entered into the MOU with the Treasurer, the Comptroller and the Department of Revenue. The MOU addresses the determination and application of the Dedicated Sales Tax Revenue Amount, the schedule of deposits to the SMART Fund, the timing of the deposits to the SMART Fund, and the timing and amounts of disbursements from the SMART Fund by the Treasurer to, or at the direction of, the Authority.

Under the MOU, by the fifteenth business day of each month during each Fiscal Year, the Department of Revenue shall identify the Dedicated Sales Tax Revenue Amount received by the Commonwealth for the preceding month and the Comptroller shall credit such amount to the SMART Fund. Within two business days thereafter, the Treasurer shall disburse without appropriation, allotment or other action the entire amount so credited from the SMART Fund to the Trustee for deposit in the Revenue Fund held under the Trust Agreement, except in the case of the amount credited in July of each year on account of revenues received in June (the last month of the Fiscal Year). In accordance with the MOU, the Treasurer shall disburse to the Trustee 90% of the amount identified in each July on account of June receipts and shall disburse the balance, net of any necessary year-end audit adjustments, if any, to the Trustee within two business days after the issuance of the State Auditor's state tax revenue report in September. Upon the issuance of such report, the Comptroller will make any required transfer to or from the SMART Fund to reflect the final audited amount of the Dedicated Sales Tax Revenue Amount. After such transfer, the Treasurer will transfer to the Trustee the adjusted balance, if any, from the amount credited to the SMART Fund in July.

### *Statutory Covenants*

The Act provides that in accordance with the terms of any bond resolution, trust or security agreement or credit enhancement agreement, surety bond or insurance policy that the Authority has adopted or entered into, the holders of indebtedness and the providers of any such credit enhancement, surety bond or insurance policy shall be beneficiaries of the SMART Fund. Under the Act, the Commonwealth has covenanted with the purchasers and all

subsequent holders and transferees of any of the Authority's bonds or notes that while such bonds or notes shall remain outstanding, and so long as the principal of or interest on such bonds or notes shall remain unpaid, the sums to be credited to the SMART Fund shall not be diverted from the control of the Authority and, so long as the sums are necessary, which determination shall be made by the Authority in accordance with any applicable bond resolution, trust or security agreement or credit enhancement agreement, surety bond or insurance policy related to indebtedness incurred by the Authority, for purposes for which the Dedicated Sales Tax Revenue Amount has been pledged, the rate of the taxes set forth in Chapters 64H and 64I from which the Dedicated Sales Tax Revenue Amount is derived will not be reduced below the rates prescribed by the Act. Pursuant to the Trust Agreement, the Authority agrees that, so long as any Bonds remain Outstanding, it will not make any determination that the Dedicated Sales Tax Revenue Amount is unnecessary for the purposes for which it has been pledged, which determination if made would permit a reduction in the rates of the excises imposed by the Act. See APPENDIX A – "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT – Powers as to Bonds and Pledge."

In the opinion of Bond Counsel, the covenant of the Commonwealth is a valid contract between the Commonwealth and the holders of Bonds that is binding on future legislatures. Furthermore, under current law, enactment of a law that would reduce the rate of the sales tax imposed by Chapters 64H and 64I below the rates prescribed by the Act would result in an unconstitutional impairment of contract rights or taking of property rights with respect to Bonds issued prior to the enactment of such law, including the 2012A Bonds, unless such owners of the Bonds are provided reasonable and adequate compensation, or unless such impairment is both reasonable and necessary to serve legitimate state purposes.

The covenant described herein relates only to the rate of the sales tax comprising the Dedicated Sales Tax Revenue Amount and not to the types of property and services that are taxed.

#### **Additional Revenues and Dedicated Payments**

The Authority issued its 2009B Bonds as "Build America Bonds" under the American Recovery and Reinvestment Act of 2009 and receives cash subsidy payments ("Interest Subsidy Payments") from the United States Department of the Treasury (the "Treasury") equal to 35% of the interest payable on the 2009B Bonds. The Authority issued its 2010A Bonds and its 2011A Bonds as "Qualified School Construction Bonds" pursuant to Section 54F of the Internal Revenue Code of 1986, as amended (the "Code") and as "specified tax credit bonds" as defined in Section 6431(f) of the Code, and as such the Authority receives Interest Subsidy Payments from the Treasury equal to 100% of the interest payable on the 2010A Bonds and the 2011A Bonds. The Interest Subsidy Payments received by the Authority with respect to the 2009B Bonds and 2010A Bonds constitute Dedicated Payments for purposes of the Trust Agreement and are deposited directly to the Senior Debt Service Fund. The annual amounts of Interest Subsidy Payments that are expected to be received by the Authority and deposited to the Senior Debt Service Fund for the 2009B Bonds are approximately \$9.00 million for each fiscal year through Fiscal Year 2031, declining proportionately thereafter as the 2009B Bonds are redeemed to their final maturity in Fiscal Year 2040, and for the 2010A Bonds, are approximately \$8.26 million in each fiscal year that the 2010A Bonds are outstanding. The Interest Subsidy Payments received by the Authority with respect to the 2011A Bonds constitute Additional Revenues under the Trust Agreement and are deposited directly to the Revenue Fund. The annual amount of Interest Subsidy Payments that is expected to be received by the Authority and deposited to the Revenue Fund in each Fiscal Year that the 2011A Bonds are outstanding is approximately \$3.23 million for Fiscal Year 2012, \$6.96 million for each fiscal year from Fiscal Year 2013 through Fiscal Year 2028, and \$3.48 million for Fiscal Year 2029.

There can be no assurance as to the receipt, or timing of receipt, of any Interest Subsidy Payments. Federal tax law imposes certain requirements on the Authority in order for the Authority to continue to receive Interest Subsidy Payments. In addition, Interest Subsidy Payments are treated as overpayments of tax, and accordingly are subject to offset against certain amounts that may be owed by the Authority to the federal government or its agencies. It also is possible that the Interest Subsidy Payments could be reduced or eliminated or the timing of the payment thereof altered as a result of a change in federal law. The Authority also may reverse or modify the pledge or designation of Interest Subsidy Payments as Dedicated Payments provided that the Authority demonstrates that following such reversal or modification the Authority will meet the test for incurring one dollar of Additional Senior Bonds as set forth in the Trust Agreement. The Authority is obligated, however, to pay the principal of and interest on the 2009B Bonds, the 2010A Bonds and the 2011A Bonds whether or not it receives Interest Subsidy Payments.

## **Pledge under the Trust Agreement**

The 2012A Bonds are special obligations of the Authority payable solely from, and are secured equally and ratably without preference of any Senior Bond issued under the Trust Agreement solely by a senior lien on and pledge of (i) the Dedicated Sales Tax Revenue Amount and Additional Revenues (together, "Pledged Receipts") and all rights to receive the same, whether existing or coming into existence and whether held or hereafter acquired and including any proceeds thereof, and (ii) all moneys, securities and any investment earnings with respect thereto, in all Funds established by or pursuant to the Trust Agreement, provided that amounts held in each Senior Debt Service Reserve Account within the Senior Debt Service Reserve Fund and in each Subordinate Debt Service Account within the Subordinate Debt Service Reserve Fund shall only be pledged to the payment of the related Series of Bonds (collectively, the "Trust Estate"), subject only to the provisions of the Trust Agreement permitting the application of the foregoing for the purposes and on the terms and conditions set forth in the Trust Agreement. The Trust Agreement also provides for the pledge of Dedicated Payments as security for the Senior Bonds and certain other payments payable to the Authority. Pursuant to the Trust Agreement, the 2012A Bonds are secured equally and ratably with certain reimbursement obligations due to providers of Credit Enhancement or Liquidity Facilities and certain payments payable by the Authority pursuant to certain hedge agreements in either case entered into with respect to Senior Bonds. See APPENDIX A – "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT – PLEDGE OF THE TRUST AGREEMENT." The Authority may issue Additional Bonds or notes or create reimbursement obligations with respect to Credit Enhancement or Liquidity Facilities or payment obligations with respect to hedge agreements, in either case entered into with respect to Senior Bonds, under the Trust Agreement which are payable out of or secured by the Trust Estate on a parity basis to the 2012A Bonds. See APPENDIX A – "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT – Creation of Liens; Other Indebtedness." The Trust Agreement does not provide for a pledge of the proceeds of a series of Bonds except to the extent that proceeds are deposited in an applicable Debt Service Reserve Account. Accordingly, the proceeds of the 2012A Bonds do not secure the Authority's obligation to make any payments in respect of the 2012A Bonds. See APPENDIX A – "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT – Pledge of the Trust Agreement."

Pursuant to the Act and the Trust Agreement, payments with respect to the principal of, premium, if any, and interest on Senior Bonds including the 2012A Bonds are senior to all grant payments and other expenditures of the Authority payable from Pledged Receipts.

## **2012A Bonds Are Special Obligations of the Authority**

**The 2012A Bonds are special obligations of the Authority. Neither the Commonwealth nor any political subdivision thereof shall be obligated to pay the principal of, premium, if any, or interest on any 2012A Bonds, and the faith and credit of the Commonwealth or of any political subdivision thereof are not pledged to the payment of the principal of, premium, if any, or interest on any 2012A Bonds. The Authority has no taxing power.**

## **Funds and Accounts**

The following Funds have been established pursuant to the Master Trust Agreement, to be held by the Trustee:

- (a) the Revenue Fund,
- (b) the Senior Debt Service Fund,
- (c) the Subordinated Debt Service Fund,
- (d) the Senior Debt Service Reserve Fund,
- (e) the Subordinated Debt Service Reserve Fund,
- (f) the Senior Redemption Fund,
- (g) the Subordinated Redemption Fund, and
- (h) the Bond Related Costs Fund.

All of such Funds are subject to the pledge created by the Trust Agreement. See "SOURCES OF PAYMENT AND SECURITY FOR THE 2012A BONDS – Pledge under the Trust Agreement."

## **Senior Debt Service Reserve Fund and 2012A Senior Debt Service Reserve Account**

Pursuant to the Trust Agreement, the Trustee will establish the 2012A Senior Debt Service Reserve Account for the 2012A Bonds within the Senior Debt Service Reserve Fund. The amounts held in the 2012A Senior Debt Service Reserve Account shall be pledged solely to the payment of the 2012A Bonds. If at any time the amounts on deposit and available therefor in the Senior Debt Service Fund are insufficient to pay the principal and interest on the 2012A Bonds then due, the Trustee shall withdraw amounts on deposit in the 2012A Senior Debt Service Reserve Account, solely to pay the principal of and interest on the 2012A Bonds. See APPENDIX A – “SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT – Senior Debt Service Reserve Fund.”

A portion of the amounts deposited in the Senior Debt Service Reserve Account for the 2005A Bonds, representing the portion of the Series 2005A Senior Debt Service Reserve Fund Requirement allocable to the 2005A Bonds being refunded, in the approximate amount of \$86.39 million, will be transferred to the 2012A Senior Debt Service Reserve Account to satisfy the 2012A Senior Debt Service Reserve Fund Requirement. The amount remaining in the Series 2005A Senior Debt Service Reserve Fund Account will be at least equal to the Series 2005A Senior Debt Service Reserve Fund Requirement following the issuance of the Series 2012A Bonds and the refunding of a portion of the 2005A Bonds. See APPENDIX A – “SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT – Definitions” for the definition of the Series 2012A Senior Debt Service Reserve Fund Requirement. The 2012A Senior Debt Service Reserve Fund Requirement may be reduced or eliminated at any time upon the delivery to the Trustee of (i) a certificate of an Authorized Officer directing such reduction or elimination, and (ii) a Rating Confirmation from each Rating Agency maintaining a Rating on Outstanding 2012A Bonds. See APPENDIX A – “SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT – Definitions.”

In the event of any withdrawal from the 2012A Senior Debt Service Reserve Account to cure any deficiency in the Senior Debt Service Fund with respect to the 2012A Bonds, the Authority shall instruct the Trustee to transfer from the Revenue Fund in accordance with the Trust Agreement to the 2012A Senior Debt Service Reserve Account the amount of such withdrawal for deposit in the 2012A Senior Debt Service Reserve Account in equal consecutive monthly installments over a three-year period, payable on or before the last Business Day of the month, commencing with the month immediately succeeding the month in which such withdrawal occurs. It shall not be an Event of Default under the Trust Agreement if there are insufficient funds in the Revenue Fund to make the monthly transfers in the amounts and at the times described in the immediately preceding sentence.

Each Series of Additional Bonds may, but are not required to be, secured by a Debt Service Reserve Account in the Senior Debt Service Reserve Fund or Subordinated Debt Service Fund, as applicable. The Series Debt Service Reserve Fund Requirement, if any, for any Series of Additional Bonds shall be set forth in the applicable Supplemental Trust Agreement. A separate Debt Service Reserve Account within the applicable Debt Service Reserve Fund will be established for each Series of Additional Bonds. Senior Debt Service Reserve Accounts in the Senior Debt Service Reserve Fund in the approximate amounts of \$226.45 million (a portion of which will be transferred to the 2012A Senior Debt Service Reserve Account as described above), \$129.18 million, \$16.42 million, \$37.22 million, and \$79.02 million have been established for the 2005A Bonds, the 2007A Bonds, the 2009A Bonds, the 2009B Bonds, and the 2011B Bonds, respectively, and a Senior Debt Service Reserve Account in the approximate amount of \$86.39 million is expected to be established for the 2012A Bonds, and each such Senior Debt Service Reserve Account has been pledged solely to the payment of such respective series of Senior Bonds. Neither the 2010A Bonds nor the 2011A Bonds are secured by a Subordinated Debt Service Reserve Account in the Subordinated Debt Service Reserve Fund. Earnings on the Debt Service Reserve Accounts within the Senior Debt Service Reserve Fund are transferred to the Senior Debt Service Fund. In Fiscal Year 2011 and as of June 1, 2012, approximately \$17.3 million and \$19.0 million, respectively, of earnings were transferred from the Senior Debt Service Reserve Fund to the Senior Debt Service Fund.

### **Flow of Funds**

In accordance with the Act and the Trust Agreement, the Treasurer has covenanted to disburse all amounts in the SMART Fund constituting Dedicated Sales Tax Revenue Amounts directly to the Trustee for deposit in the Revenue Fund as soon as practicable after identifying amounts as such, but in no event later than two Business Days after such identification. Additional Revenues and certain additional payments received pursuant to certain hedge

agreements shall also be deposited to the Revenue Fund. See APPENDIX A – “SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT – Flow of Funds.”

On or before the last Business Day of each month, the Trustee shall transfer amounts available in the Revenue Fund to the following Funds and in the following order:

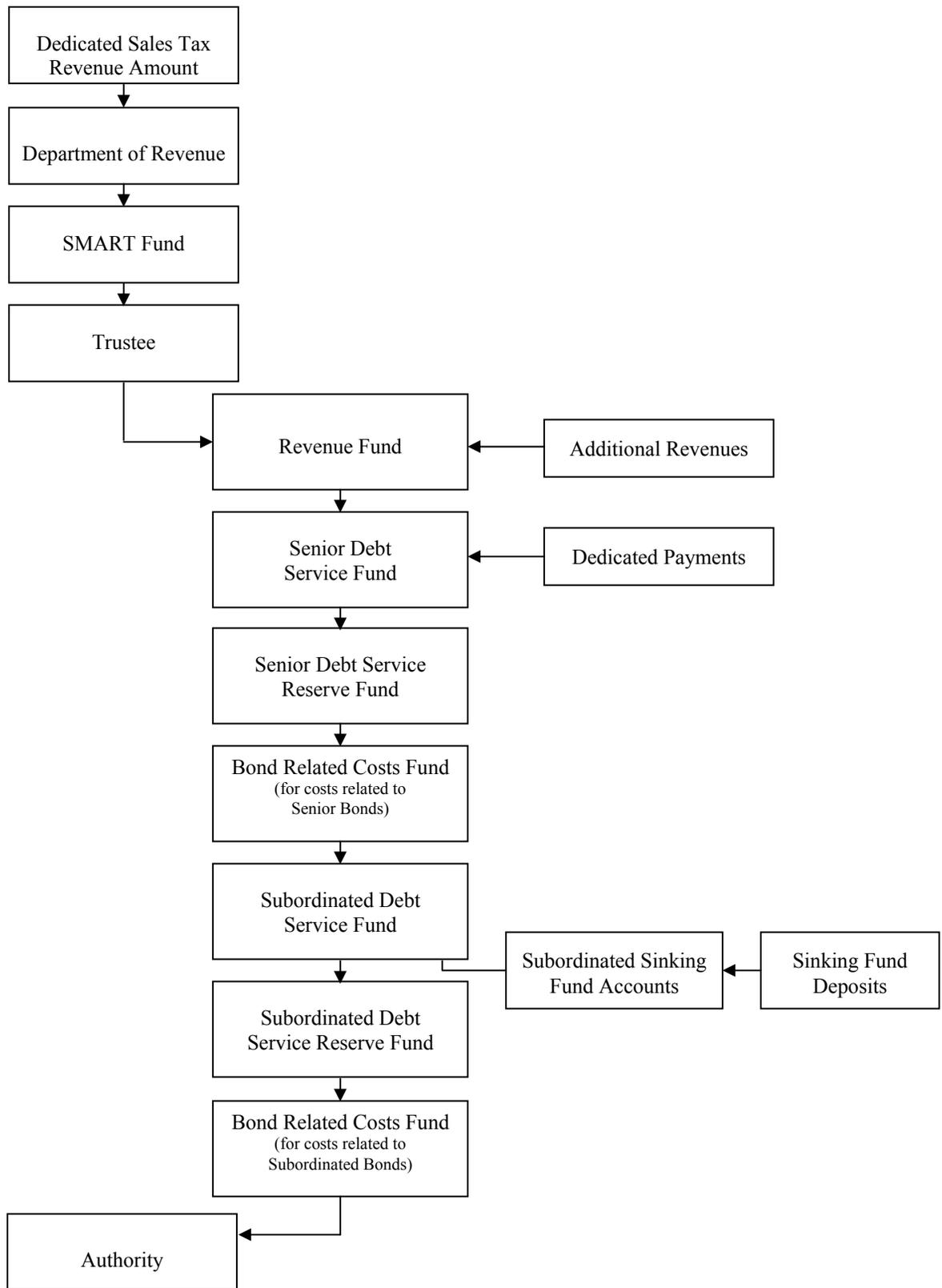
- (i) To the Senior Debt Service Fund, an amount equal to the Senior Debt Service Fund Requirement;
- (ii) To each Senior Debt Service Reserve Account, if any, on a pro-rata basis, the amount, if any, necessary to increase the amount on deposit in each Senior Debt Service Reserve Account to the level required, if any, by the Applicable Supplemental Trust Agreement;
- (iii) To the Bond Related Costs Fund, such amounts, if any, as are set forth in an Applicable Supplemental Trust Agreement or a certificate of an Authorized Officer delivered to the Trustee pursuant to the Trust Agreement as necessary to pay Bond Related Costs with respect to Senior Bonds or to reimburse the Authority for the payment thereof.
- (iv) To the Subordinated Debt Service Fund, an amount equal to the Subordinated Debt Service Fund Requirement;
- (v) To each Subordinated Debt Service Reserve Account, on a pro-rata basis, the amount, if any necessary to increase the amount on deposit in such Subordinated Debt Service Reserve Account to the level required by the Applicable Supplemental Trust Agreement; and
- (vi) To the Bond Related Costs Fund, such amounts, if any, as are set forth in an Applicable Supplemental Trust Agreement or a certificate of an Authorized Officer delivered to the Trustee pursuant to the Trust Agreement as necessary to pay Bond Related Costs with respect to Subordinated Bonds or to reimburse the Authority for the payment thereof.

Any balance remaining in the Revenue Fund following the above payments shall be retained in the Revenue Fund to be available for future payments therefrom or, upon the written direction of an Authorized Officer, shall be transferred by the Trustee to the Senior Redemption Fund or the Subordinated Redemption Fund, to the extent permitted under the Trust Agreement, or upon the written direction of any Authorized Officer, shall be transferred by the Trustee to the Authority, free and clear of any trust, lien or pledge or assignment securing the Bonds or otherwise existing under the lien of the Trust Agreement.

Dedicated Payments received by the Trustee on behalf of the Authority are deposited directly in the Senior Debt Service Fund. See “SOURCES OF PAYMENT AND SECURITY FOR THE 2012A BONDS – Additional Revenues and Dedicated Payments.”

Amounts deposited in the Senior Debt Service Fund under the Trust Agreement will be applied to the payment of the principal, premium, if any, and interest payable on the Senior Bonds as the same becomes due at maturity or upon redemption and to certain payments payable by the Authority pursuant to certain hedge agreements entered into with respect to Senior Bonds. Amounts deposited in the Subordinated Debt Service Fund under the Trust Agreement will be applied to the payment of the principal, premium, if any, and interest payable on the Subordinated Bonds as the same becomes due at maturity or upon redemption and to certain payments payable by the Authority pursuant to certain hedge agreements entered into with respect to Subordinated Bonds. If on any Debt Service Payment Date the amount accumulated in the Senior Debt Service Fund or the Subordinated Debt Service Fund for any of the purposes specified above exceeds the amount required therefor, the amount of such excess shall thereupon be transferred to the Revenue Fund. See APPENDIX A - “SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT - Senior Debt Service Fund” and “ - Subordinated Debt Service Fund.”

The following chart illustrates the flow of funds of the Pledged Receipts and other amounts:



## **Additional Bonds, Refunding Bonds and Other Indebtedness**

The Trust Agreement permits one or more Series of Additional Senior Bonds or Additional Subordinated Bonds to be issued for any purpose of the Authority, including without limitation financing the school building assistance program contemplated by the Act, making deposits to one or more Funds, paying Costs of Issuance or refunding Outstanding Bonds or other obligations of the Authority.

### *Additional Senior Bonds*

Prior to the issuance of any Series of Additional Senior Bonds, the Authority must satisfy certain conditions, including the delivery of a certificate that evidences one of the following:

- (i) That the Dedicated Sales Tax Revenue Amount during any 12 consecutive months out of the 24-month period ending with the last full month for which such information is available prior to the issuance of the Additional Senior Bonds was not less than 140% of the maximum Adjusted Senior Bond Debt Service Requirement in the then current or any future Fiscal Year with respect to all Senior Bonds Outstanding including the proposed Additional Senior Bonds; or
- (ii) That the estimated Pledged Receipts expected to be received by the Authority following the issuance of the proposed Additional Senior Bonds for each Fiscal Year is not less than 140% of the Adjusted Senior Bond Debt Service Requirement for such Fiscal Year with respect to all Senior Bonds Outstanding including the proposed Additional Senior Bonds; provided, however, that if the Authority elects to issue Additional Senior Bonds by demonstrating compliance with the financial test described in this subclause (ii), the Authority shall also deliver a Rating Confirmation from each Rating Agency maintaining a rating on Senior Bonds Outstanding.

### *Additional Subordinated Bonds*

Prior to the issuance of any Series of Additional Subordinated Bonds, the Authority must satisfy certain conditions, including the delivery of a certificate that evidences one of the following:

- (i) A certificate of an Authorized Officer showing that the Dedicated Sales Tax Revenue Amount during any 12 consecutive months out of the 24-month period ending with the last full month for which such information is available prior to the issuance of the Additional Subordinated Bonds was not less than 130% of the maximum Adjusted Bond Debt Service Requirement in the then current or any future Fiscal Year with respect to all Bonds Outstanding including the proposed Additional Subordinated Bonds; or
- (ii) a certificate of an Authorized Officer setting forth the estimated Pledged Receipts expected to be received by the Authority in each Fiscal Year following the issuance of the proposed Additional Subordinated Bonds and showing for each Fiscal Year that the estimated Pledged Receipts for such Fiscal Year will be not less than 130% of the Adjusted Bond Debt Service Requirement for such Fiscal Year with respect to all Bonds Outstanding including the proposed Additional Subordinated Bonds. The Authority shall also deliver a Rating Confirmation from each Rating Agency maintaining a rating on Subordinated Bonds Outstanding.

See APPENDIX A – “SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT – Additional Bonds.”

### *Refunding Bonds*

The Trust Agreement also permits the issuance of one or more Series of Refunding Bonds for the purpose of refunding all or any part of the Bonds of one or more Series Outstanding upon satisfaction by the Authority of certain conditions, including the delivery of a certificate setting forth the Adjusted Bond Debt Service Requirement for each Fiscal Year in which Bonds are or will be Outstanding (a) computed immediately prior to the delivery of such Refunding Bonds, and (b) computed immediately after the delivery of such Refunding Bonds. Such certificate must also evidence either that (x) the Adjusted Bond Debt Service Requirement in each Fiscal Year in which Bonds

will be Outstanding as computed immediately after the delivery of such Refunding Bonds will not be greater than the Adjusted Bond Debt Service Requirement in each such Fiscal Year as computed immediately prior to the delivery of such Refunding Bonds, or (y) the maximum annual Adjusted Bond Debt Service Requirement as computed immediately after the delivery of such Refunding Bonds will not be greater than the maximum annual Adjusted Bond Debt Service Requirement as computed immediately prior to the delivery of such Refunding Bonds. In lieu of a certificate as described in this paragraph, the Authorized Officer may deliver to the Trustee either (A) a certificate evidencing compliance with paragraphs (i) or (ii) above under “Additional Senior Bonds” treating the Refunding Bonds to be issued as Additional Senior Bonds or (B) a certificate evidencing compliance with the provisions described in paragraphs (i) or (ii) above under “Additional Subordinated Bonds” treating the Refunding Bonds to be issued as Additional Subordinated Bonds or (C) a Rating Confirmation. The 2012A Bonds are being issued as Refunding Bonds under the Trust Agreement. See APPENDIX A – “SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT – Refunding Bonds.”

#### *Creation of Liens: Other Indebtedness*

Except as otherwise expressly provided in the Trust Agreement, the Authority may not issue any bonds, notes or other evidences of indebtedness, other than the Bonds, or enter into any Qualified Hedge Agreement, secured by a pledge of or other lien on the Trust Estate held or set aside by the Authority or by the Trustee under the Trust Agreement, and shall not otherwise create or cause to be created any lien or charge on such Trust Estate.

The Authority may at any time or from time to time issue notes or other evidences of indebtedness (and renewals thereof) in anticipation of Bonds to the extent and in the manner permitted by the Trust Agreement, which notes may be payable out of, or secured by a pledge of, the Trust Estate, provided that such payment or pledge shall in all respects be subordinate to the provisions of the Trust Agreement and the pledge created thereby for the benefit of the related Senior Bonds Outstanding or Subordinated Bonds Outstanding thereunder, as applicable.

The Authority may issue bonds (other than Additional Bonds or Refunding Bonds), notes or other evidences of indebtedness, and may enter into Qualified Hedge Agreements, which are payable out of, or secured by a pledge of, the Trust Estate, provided that such payment or pledge shall in all respects be subordinate to the provisions of the Trust Agreement and the pledge created thereby for the benefit of the Senior Bonds Outstanding and Subordinated Bonds Outstanding thereunder.

The Authority may issue bonds, notes or other evidences of indebtedness or enter into any Qualified Hedge Agreement, which are payable out of, or secured by a pledge of, Pledged Receipts to be derived on and after such date as the pledge of the Trust Estate created by the Trust Agreement has been discharged or which have been released from the lien and pledge of the Trust Agreement by its terms.

## **THE AUTHORITY**

The Authority was created by the Act as a body politic and corporate and a public instrumentality of the Commonwealth and is mandated with achieving the effective planning, management and financial sustainability of a school building assistance program. The Authority is an independent public authority not subject to the supervision and control of any other executive office, department, commission, board, bureau, agency or political subdivision of the Commonwealth except as specifically provided in any general or special law. The Act prohibits the Authority from filing for bankruptcy.

### **Members of the Authority**

Under the Act, the Authority shall consist of the Treasurer and Receiver-General of the Commonwealth, the Secretary of Administration and Finance, and the Commissioner of Elementary and Secondary Education, each *ex officio*, or such persons’ designees, and four other members appointed by the Treasurer and Receiver-General, each of whom shall serve two-year terms and shall be eligible for reappointment. Of the four members appointed by the Treasurer and Receiver-General, two are required to have practical experience in educational facilities planning, school building construction, or architecture and school design, and two are required to be persons in the field of education with demonstrated knowledge of the Commonwealth’s curriculum frameworks and other relevant federal and state educational standards. The Treasurer and Receiver-General serves as the chairman of the Authority. The Chairman appoints the Executive Director of the Authority. The Executive Director also serves as secretary of the

Authority, *ex officio*. A member continues to serve upon the expiration of his or her term until a successor is appointed and duly qualified.

The Authority's members are:

STEVEN GROSSMAN. Treasurer and Receiver-General of the Commonwealth – Chairman of the Authority, *ex officio*.

CHRISTINE LYNCH. Designee of the Commissioner of Elementary and Secondary Education of the Commonwealth, *ex officio*.

MATTHEW J. GORZKOWICZ. Designee of the Secretary of Administration and Finance of the Commonwealth, *ex officio*.

RICHARD BERTMAN. Founding Principal, CBT/Childs Bertman Tseckares, Inc.

TERRY KWAN. Former teacher and Brookline School Committee Member.

MARY GRASSA O'NEILL. Secretary of Education/Superintendent of Schools, Archdiocese of Boston.

LISA TURNBAUGH. Senior Vice President, Corporate Workplace, Bank of America.

### **Administration**

The Authority's principal officers are as follows:

JOHN K. MCCARTHY, *Executive Director*.

VINCENT ALABISO, *Chief Financial Officer*.

COLLEEN CURRY, *Chief Operating Officer*.

MATTHEW J. DONOVAN, *Director of Communications and Government Relations*.

SUSAN M. FLANAGAN-CAHILL, *General Counsel*.

MARY PICHETTI, *Director of Capital Planning*.

JOANNA B. AALTO, C.P.A., *Controller and Director of Audits*.

JENNIFER GONZALEZ, *Director of Finance*.

HENRY J. SWINIARSKI, *Treasurer*.

KENNETH WISSMAN, *Chief Financial Advisor*.

In January 2012, the Chairman of the Authority appointed John K. McCarthy as Executive Director.

### **Background**

The Act eliminated the former school building assistance program and created the Authority to administer and fund a new program for grants to cities, towns and regional school districts for school construction and renovation projects.

The former school building assistance program was created by the Legislature of the Commonwealth in 1948 in response to the post-World War II baby boom to provide financial assistance to municipalities to build and

renovate schools. Under the former program, the Commonwealth funded its share of project costs from annual appropriations through the Commonwealth's operating budget. During its existence, the former school building assistance program expanded in scope, and the rate at which the Commonwealth was reimbursing cities and towns for school construction projects eventually grew to range from fifty to ninety percent (50% to 90%) of the borrowing and construction costs of approved projects. By the 1980s, the passage of a statewide local property tax limitation initiative petition, "Proposition 2½," limited cities' and towns' abilities to raise local funds. By the late 1990s, the demand by cities and towns for funding for school construction projects had outpaced the then current funding and management structure.

By the end of Fiscal Year 2004, according to data maintained under the former program and furnished to the Authority, the Commonwealth was reimbursing cities, towns, and regional school districts for 728 previously approved school projects ("Prior Grant Projects"), with the Commonwealth's estimated share of the borrowing and construction costs for these projects totaling approximately \$5.1 billion ("Prior Grants"). In addition, according to data compiled under the former program and furnished to the Authority, approximately 428 school projects were maintained on a waiting list for funding ("Waiting List Projects"), with the Commonwealth's estimated share of the borrowing and construction costs for these projects totaling approximately \$5.5 billion. The Act provides the Authority with the power to issue its bonds and notes and to use the proceeds of such bonds and notes, together with other available moneys provided by the Act to make payments on (i) what, under the former program, would have been the Commonwealth's share of the Prior Grant Projects, (ii) the Waiting List Projects, and (iii) other school construction and renovation projects for which applications are accepted and approved by the Authority after July 1, 2007 ("New Projects"). See "SCHOOL BUILDING ASSISTANCE GRANT PROGRAM," below.

The Authority's payments on the Prior Grant Projects, Waiting List Projects and New Projects and all other expenditures of the Authority are subordinate to the Authority's obligations to pay principal of, premium, if any, and interest on the Bonds.

As of June 1, 2012, the Authority had processed over \$8.7 billion in payments, including approximately \$3.2 billion in payments on Prior Grant Projects, \$4.7 billion in payments on Waiting List Projects and \$836 million in payments on New Projects. The Authority has paid in full its share of 364 of the 428 Waiting List Projects; 12 projects have been removed from the Waiting List by the districts that had initially requested the project; 33 projects are complete and audited and are receiving annual payments from the Authority; and 19 projects either are receiving payments from the Authority as construction proceeds or may receive payments from the Authority if the Waiting List Project proceeds with and completes construction. As of June 1, 2012, as a result of payments and audit adjustments, the liability relating to Waiting List Projects and Prior Grant Projects totaled approximately \$1.9 billion.

### **School Building Assistance Grant Program**

The Act placed a moratorium on filing grant applications with the Authority until after July 1, 2007. Since July 1, 2007, the Authority has accepted approximately 620 new Statements of Interest from local public school districts. The Authority has promulgated regulations that set forth the requirements and procedures for the grant program. Pursuant to the Authority's regulations, the application process for the grant program is a collaborative process, during which the Authority works with cities, towns, and regional school districts to determine whether there is a need for a school building repair, renovation or construction project and, if so, to develop an appropriate, cost-effective solution.

The Authority receives Statements of Interest from cities, towns, and regional school districts that identify perceived deficiencies in their school facilities. To help evaluate these Statements of Interest, the Authority conducts site visits to evaluate and validate the local district's perceived deficiencies. The site visits involve licensed professionals and other experts who critically assess and evaluate the condition of school facilities to determine whether a particular deficiency identified in a Statement of Interest warrants further attention and meets one or more of the criteria to qualify for a grant from the Authority. The site visits build on the Needs Surveys that the Authority completed in 2006 and 2010, both of which provided the Authority with data about the general condition of the Commonwealth's more than 1,800 public school facilities. For those districts that indicate capacity issues related to enrollment, the Authority requires the district to submit an enrollment projection via the Authority's web-based enrollment projection tool. The site visits and the enrollment projections allow the Authority to analyze the anticipated financial needs for school construction and renovation projects that may qualify for grants from the

Authority. Based on the Authority's evaluation of the approximately 620 submitted Statements of Interest, the members of the Authority (the "Board") have voted to approve projects for potential funding that range in scope from basic repairs, such as replacement of roofs, boilers or windows, to construction of a new school facility. All such project approvals require the district and the Authority to agree on the scope, schedule, and budget of the project and require the local district to secure funding for its portion of project costs. As of June 1, 2012, the Authority has entered into feasibility study agreements and project funding agreements with districts for 336 New Projects, representing approximately \$2.2 billion of grants ("New Project Grants"). As of June 1, 2012, the Board has approved project closeout audits for 55 of these 336 New Projects, representing approximately \$89 million in New Project Grants, and the Authority has paid \$774 million in New Project Grants for the remaining 281 on-going New Projects.

Under the Act, no city, town, regional school district, or independent agricultural and technical school has any entitlement to any funds from the Authority, except at the discretion of the Authority. New Project Grants may range from thirty-one percent (31%) to eighty percent (80%) of approved project costs, based on a formula set forth in the Act and regulations promulgated by the Authority, and subject to the availability of funds. The aggregate amount of New Project Grants that may be approved in any Fiscal Year is limited to not more than \$500 million beginning in Fiscal Year 2008, which limit increases or decreases annually thereafter by the lesser of four and one half percent (4.5%) of the limit for the prior Fiscal Year or the percentage increase or decrease of the Dedicated Sales Tax Revenue Amount over the prior Fiscal Year. The limit on New Project Grants does not include payments with respect to Prior Grant Projects or Waiting List Projects.

### **Audits**

The Act directs the Authority to complete final audits on all Prior Grant Projects and Waiting List Projects for which a final audit had not been completed as of the effective date of Chapter 208. Under the former school building assistance program, when the Department of Education approved a school construction project, it approved the project based on the estimated approved costs of the project. Payments would be made to a city, town or regional school district based upon these estimated costs of constructing, renovating and originally equipping the approved project, and these payments generally were made over a 20-year period. The actual cost of the project was not determined until a final audit was conducted, which often lagged several years behind the project's completion. Upon completion of the audit, the Department of Education would adjust the remaining payments to a city, town or regional school district to account for the audit results. Upon the effective date of Chapter 208, there was a backlog of approximately 800 incomplete and otherwise unresolved audits related to Prior Grant Projects and Waiting List Projects. Completion of these audits will allow the Authority to determine the final approved cost of such Projects, and the Authority will adjust the payments it makes for such Projects in accordance with the results of those audits. As of June 1, 2012, the Authority had completed approximately 779 of these outstanding audits, with approximately 12 additional audits in various stages of review. Another 12 Projects had been removed from the Waiting List by the district that had initially requested the project. These audits may increase or decrease the actual amount to be reimbursed for any particular project.

### **Power to Issue Bonds**

The Authority has the power to issue general obligation or revenue bonds for any purpose of the Authority, and may secure its bonds with a pledge of revenues or funds of the Authority, including amounts on deposit in the SMART Fund. The Act currently provides that the aggregate principal amount of all bonds issued by the Authority shall not exceed \$10 billion outstanding at any time; provided, however, that the principal amount of Authority bonds for which refunding bonds have been issued shall be excluded from this limitation. Prior to the issuance of the 2012A Bonds, the Authority had approximately \$5.5 billion of Bonds outstanding. Subject to the Trust Agreement, there can be no assurance that the Authority will issue less than the amount of bonds authorized by the Act.

## **PLAN OF REFUNDING**

The proceeds of the 2012A Bonds, together with other funds available under the Trust Agreement, will be used to (i) refund a portion of the outstanding 2005A Bonds identified in APPENDIX D - "TABLE OF REFUNDED BONDS" (the "Refunded Bonds"), through the deposit of such proceeds in a Refunding Trust Fund established pursuant to a Refunding Trust Agreement, as described below, and (ii) pay the costs of issuing the

2012A Bonds. The Authority and The Bank of New York Mellon Trust Company, N.A., as Refunding Bond Trustee (the “Refunding Bond Trustee”) will enter into a Refunding Trust Agreement establishing a Refunding Trust Fund for the Refunded Bonds. Proceeds of the 2012A Bonds will be deposited in the Refunding Trust Fund and used on each payment date for the 2005A Bonds to pay the principal of and interest on the Refunded Bonds then due, to and including August 15, 2015. The Refunded Bonds will be redeemed in full on such date at par, plus accrued interest. Amounts on deposit in the Refunding Trust Fund will be invested in Defeasance Obligations. Upon the issuance of the 2012A Bonds, the Refunded Bonds will no longer be outstanding under the Trust Agreement. The sufficiency of the amounts deposited in the Refunding Trust Fund to pay in full the principal and redemption price of and interest on the Refunded Bonds, as and when due, will be verified by AMTEC Corporation and Ross & Company, PLLC (a Certified Public Accountant). See “VERIFICATION OF MATHEMATICAL COMPUTATIONS” below.

**Estimated Sources and Uses of Funds**

(rounded to the nearest dollar)

**Estimated Sources of Funds**

Principal amount of 2012A Bonds	\$766,140,000
Original Issue Premium	157,138,810
Release from the Senior Debt Service Fund	1,683,781
Transfer from the 2005A Senior Debt Service Reserve Account	<u>86,386,317</u>
<b>TOTAL</b>	<b>\$1,011,348,908</b>

**Estimated Uses of Funds**

Deposit to Refunding Trust Fund	\$920,687,911
2012A Senior Debt Service Reserve Account	86,386,317
Costs of Issuance <sup>1</sup>	<u>4,274,680</u>
<b>TOTAL</b>	<b>\$1,011,348,908</b>

<sup>1</sup> Includes the Underwriters’ discount.

## AGGREGATE DEBT SERVICE AND SINKING FUND DEPOSIT REQUIREMENTS

The following table sets forth the debt service and sinking fund deposit schedule on the Authority's Outstanding Bonds, including the 2012A Bonds and after giving effect to the refunding of the Refunded Bonds, for each Fiscal Year (totals may not add due to rounding):

Fiscal Year Ending June 30	Outstanding Senior Bonds <sup>(1)</sup>			Outstanding Subordinate Bonds			2012A Bonds (Senior) <sup>(1)</sup>			Total Senior Debt Service <sup>(1)</sup>	Aggregate Debt Service and Sinking Fund Deposits
	Principal	Interest	Total Debt Service	Sinking Fund Deposits <sup>(2)</sup>	Interest	Total Sinking Fund Deposits and Interest	Principal	Interest	Total Debt Service		
2012	\$ 94,505,000	\$231,263,576	\$325,768,576	\$17,257,647	\$11,483,149	\$28,740,796	--	--	--	\$325,768,576	\$354,509,372
2013	108,165,000	233,564,481	341,729,481	17,257,647	15,211,943	32,469,590	--	\$18,831,670	\$ 18,831,670	360,561,151	393,030,741
2014	118,490,000	208,300,119	326,790,119	17,257,647	15,211,943	32,469,590	--	37,873,750	37,873,750	364,663,869	397,133,459
2015	131,140,000	202,956,794	334,096,794	17,257,647	15,211,943	32,469,590	--	37,873,750	37,873,750	371,970,544	404,440,134
2016	115,375,000	196,417,706	311,792,706	17,257,647	15,211,943	32,469,590	--	37,873,750	37,873,750	349,666,456	382,136,046
2017	133,920,000	190,631,331	324,551,331	17,257,647	15,211,943	32,469,590	--	37,873,750	37,873,750	362,425,081	394,894,671
2018	139,365,000	183,988,606	323,353,606	17,257,647	15,211,943	32,469,590	--	37,873,750	37,873,750	361,227,356	393,696,946
2019 <sup>(3)</sup>	141,905,000	177,170,206	319,075,206	17,257,647	15,211,943	32,469,590	--	37,873,750	37,873,750	356,948,956	389,418,546
2020	149,285,000	169,706,856	318,991,856	17,257,647	15,211,943	32,469,590	--	37,873,750	37,873,750	356,865,606	389,335,196
2021	154,880,000	162,176,306	317,056,306	17,257,647	15,211,943	32,469,590	--	37,873,750	37,873,750	354,930,056	387,399,646
2022	62,815,000	156,838,431	219,653,431	17,257,647	15,211,943	32,469,590	\$ 99,445,000	35,499,975	134,944,975	354,598,406	387,067,996
2023	47,200,000	154,133,181	201,333,181	17,257,647	15,211,943	32,469,590	104,345,000	30,595,950	134,940,950	336,274,131	368,743,721
2024	48,595,000	151,738,306	200,333,306	17,257,647	15,211,943	32,469,590	109,615,000	25,325,325	134,940,325	335,273,631	367,743,221
2025	30,065,000	149,771,806	179,836,806	17,257,647	15,211,943	32,469,590	107,680,000	19,892,950	127,572,950	307,409,756	339,879,346
2026	33,285,000	148,298,241	181,583,241	17,257,647	15,211,943	32,469,590	111,410,000	14,415,700	125,825,700	307,408,941	339,878,531
2027	32,925,000	146,835,488	179,760,488	8,375,294	15,211,943	23,587,237	128,105,000	8,427,825	136,532,825	316,293,313	339,880,550
2028	157,040,000	142,254,775	299,294,775	8,375,294	6,955,263	15,330,557	20,515,000	4,738,225	25,253,225	324,548,000	339,878,557
2029	175,975,000	134,060,594	310,035,594	--	3,477,632	3,477,632	--	4,251,250	4,251,250	314,286,844	317,764,475
2030	184,905,000	125,130,975	310,035,975	--	--	--	--	4,251,250	4,251,250	314,287,225	314,287,225
2031 <sup>(3)</sup>	335,730,000	112,216,831	447,946,831	--	--	--	85,025,000	2,125,625	87,150,625	535,097,456	535,097,456
2032	187,480,000	99,160,095	286,640,095	--	--	--	--	--	--	286,640,095	286,640,095
2033	196,260,000	89,504,900	285,764,900	--	--	--	--	--	--	285,764,900	285,764,900
2034	205,410,000	79,405,639	284,815,639	--	--	--	--	--	--	284,815,639	284,815,639
2035	214,965,000	68,842,698	283,807,698	--	--	--	--	--	--	283,807,698	283,807,698
2036	224,975,000	57,790,550	282,765,550	--	--	--	--	--	--	282,765,550	282,765,550
2037	235,650,000	46,063,431	281,713,431	--	--	--	--	--	--	281,713,431	281,713,431
2038 <sup>(3)</sup>	376,705,000	30,378,234	407,083,234	--	--	--	--	--	--	407,083,234	407,083,234
2039	121,820,000	17,524,540	139,344,540	--	--	--	--	--	--	139,344,540	139,344,540
2040 <sup>(3)</sup>	127,315,000	10,890,813	138,205,813	--	--	--	--	--	--	138,205,813	138,205,813
2041	73,140,000	5,673,000	78,813,000	--	--	--	--	--	--	78,813,000	78,813,000
2042	76,890,000	1,922,250	78,812,250	--	--	--	--	--	--	78,812,250	78,812,250

<sup>(1)</sup> Not net of Interest Subsidy Payments. See "Sources of Payment and Security for the 2012A Bonds - Additional Revenues and Dedicated Payments."

<sup>(2)</sup> The sinking funds deposits are equal annual deposits made by the Authority in accordance with the Supplemental Trust Agreements providing for the issuance of the 2010A Bonds and the 2011A Bonds.

<sup>(3)</sup> Aggregate debt service on Senior Bonds for Fiscal Years (FY) 2019, 2031, 2038, 2040 and 2042 will be funded in part by releases from the Senior Debt Service Reserve Fund. The approximate amounts to be released are \$16,422,000 in FY 2019, \$226,450,000 in FY 2031, \$129,179,000 in FY 2038, \$37,224,000 in FY 2040, and \$79,021,000 in FY 2042.

## **THE 2012A BONDS**

### **General**

The 2012A Bonds will be issued in the aggregate principal amount of \$766,140,000. The 2012A Bonds will be dated their date of delivery, will mature on August 15 in the respective years and bear interest from their date at the per annum rates as set forth on the inside cover hereof. Interest on the 2012A Bonds will be payable on February 15 and August 15 of each year, commencing February 15, 2013, calculated on basis of a 360-day year, consisting of twelve 30-day months.

The 2012A Bonds are being issued only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository for the 2012A Bonds. Purchases of beneficial interests in the 2012A Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in 2012A Bonds purchased. So long as DTC or its nominee, Cede & Co., is Bondowner, payments of the principal of and interest on the 2012A Bonds will be made directly to such Bondowner. Disbursement of such payments to the DTC Participants (hereinafter defined) is the responsibility of DTC and disbursement of such payments to Beneficial Owners (hereinafter defined) is the responsibility of the DTC Participants and the Indirect Participants (hereinafter defined). See “BOOK-ENTRY ONLY SYSTEM.”

### **Redemption Provisions for the 2012A Bonds**

The 2012A Bonds maturing before August 15, 2023, are not subject to redemption prior to their stated dates of maturity. The 2012A Bonds maturing on or after August 15, 2023 shall be subject to redemption prior to maturity at the option of the Authority, on or after August 15, 2022 as a whole or in part at any time, from maturities selected by the Authority at a Redemption Price equal to the principal amount of each 2012A Bond or portion thereof to be redeemed, plus accrued interest to the redemption date.

### **Selection of Bonds to Redeemed**

If less than all the 2012A Bonds of like maturity are to be redeemed, the 2012A Bonds to be so redeemed shall be selected by lot within a maturity in such manner as the Trustee in its discretion shall deem appropriate and fair, provided that so long as Cede & Co., as nominee of DTC, is the Registered Owner of the 2012A Bonds, the particular 2012A Bonds within a maturity to be redeemed shall be selected by DTC in such manner as DTC may determine.

### **Redemption Notices**

When 2012A Bonds are to be redeemed, the Trustee shall give notice to the Registered Owners in the name of the Authority, of the redemption of such 2012A Bonds, which notice shall specify the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Outstanding 2012A Bonds are to be redeemed, the letters and numbers or other distinguishing marks of such 2012A Bonds to be redeemed, and, in the case of registered 2012A Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. The Trustee shall mail a copy of such notice, postage prepaid not less than 30 days or more than 60 days before the redemption date, to the Registered Owners of any 2012A Bonds or portions of 2012A Bonds that are to be redeemed at their last address, if any, appearing upon the registration books of the Trustee, but failure so to mail any such notice to any one Registered Owner shall not affect the validity of the proceedings for the redemption of 2012A Bonds owned by any other Registered Owner to whom such notice has been mailed.

Any notice of optional redemption of the 2012A Bonds may state that it is conditional upon receipt by the Trustee of money sufficient to pay the Redemption Price of such 2012A Bonds or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such Redemption Price if any such condition so specified is not satisfied or if any such other event occurs. The Trustee is required to provide notice of any rescission or failure to meet any such condition or other such event as promptly as practicable after the failure of such condition or the occurrence of such other event.

## **Book-Entry Only System**

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the 2012A Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2012A Bond will be issued for each maturity of the 2012A Bonds, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. 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) and [www.dtc.org](http://www.dtc.org).

Purchases of 2012A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2012A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2012A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2012A Bonds, except in the event that use of the book-entry system for the 2012A Bonds is discontinued.

To facilitate subsequent transfers, all 2012A 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 2012A 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 2012A Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2012A 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 DTC. If less than all of the 2012A 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 any other DTC nominee) will consent or vote with respect to 2012A Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus

Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2012A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2012A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

*No Responsibility of Authority, the Trustee or the Underwriters.* None of the Authority, the Trustee or the Underwriters 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 2012A Bonds, as nominee of DTC, references herein to the Bondowners or Registered Owners of the 2012A Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the 2012A Bonds.

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

*Certificated Bonds.* DTC may discontinue providing its services as securities depository with respect to the 2012A 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 2012A Bonds. If for either reason the Book-Entry Only System is discontinued, 2012A 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 2012A Bonds may be exchanged for an equal aggregate principal amount of the 2012A Bonds in other authorized denominations, upon surrender thereof at the principal corporate trust office of the Trustee. The transfer of any 2012A 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 2012A 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 2012A Bonds. The Trustee will not be required to transfer or exchange any 2012A Bond during the notice period preceding any redemption if such 2012A Bond (or any part thereof) is eligible to be selected or has been selected for redemption.

## **Transfer and Exchange**

In the event that the Book-Entry Only System is discontinued, the following provisions would apply: 2012A Bonds may be exchanged for an equal aggregate principal amount of 2012A Bonds in other authorized denominations, upon surrender thereof at the principal corporate trust office of the Trustee. The transfer of any 2012A 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 2012A Bonds the Authority and the Trustee may charge 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 2012A Bonds in exchange for temporary bonds, (ii) in the case of a bond issued upon the first exchange or transfer of a 2012A Bond surrendered for such purpose within 60

days after the first authentication and delivery of the 2012A Bonds, or (iii) as otherwise provided in the Trust Agreement, the Trustee may charge a sum sufficient to pay the cost of preparing each new 2012A Bond issued upon such exchange or transfer, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer.

Neither the Authority nor the Trustee shall be required (a) to register, transfer or exchange 2012A Bonds for a period of 15 days next preceding an interest payment on the 2012A Bonds or next preceding any selection of 2012A Bonds to be redeemed or thereafter until the mailing of any notice of redemption, or (b) to register, transfer or exchange any 2012A Bonds called for redemption.

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

Under the Act, the 2012A Bonds are made securities in which all public officers and agencies, insurance companies, financial institutions, investment companies, executors, administrators, trustees and others may properly invest funds, including capital within their control and securities that may be deposited with any public officer or any agency for which the deposit of bonds is authorized by law.

## **LITIGATION**

No material litigation is pending, or to the knowledge of the Attorney General of the Commonwealth, threatened against or affecting the Commonwealth in any way contesting the right of the Commonwealth to collect and apply the Pledged Receipts as set forth in the Act and the Trust Agreement.

There is no litigation now pending or, to the knowledge of the officers of the Authority, threatened against the Authority to restrain or enjoin the issuance or delivery of the 2012A Bonds, or in any way contesting the existence or powers of the Authority relating to the issuance of the 2012A Bonds.

## **LEGISLATION**

It is expected that legislation will be periodically filed in the state legislature relating to or affecting 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 2012A Bonds would, in the opinion of Bond Counsel, with respect to the 2012A Bonds be subject to the provisions of the federal and Commonwealth constitutions prohibiting any law impairing the obligation of contracts and therefore could not unconstitutionally impair the contract of the owners of the Bonds.

In June 2011, the Massachusetts Senate approved a bill (the "Senate Bill") that includes, among other things, provisions for the establishment of a sunset commission that would assign a sunset date for each agency, authority and advisory commission of the Commonwealth, including the Authority (each a "state entity"). The sunset commission is required to file legislation to implement the schedule. The Senate Bill requires each state entity to file a report prior to its scheduled abolition providing information regarding the application to the state entity of criteria specified in the Senate Bill regarding whether a public need exists for the continuation of the state entity or for the performance of the functions of the state entity. The sunset commission is required to review each state entity and provide a report to the Legislature based upon such criteria. In its report, the sunset commission would be required to make recommendations on specified matters, including on the abolition, continuation or reorganization of the state entity, on the need for performance of the functions of the state entity, and on the consolidation, transfer or reorganization of the programs of the state entity. The Legislature would be required to act upon the recommendations made by the sunset commission in its report. The Senate Bill includes provisions relating to state entities that have outstanding bonds, providing that such bonds would remain valid and enforceable under their terms and requiring the Governor to designate an appropriate agency or authority to continue to carry out all covenants contained in the bonds and to provide for payment of the bonds from the sources of payment provided for under the bonds. In February 2012, the Massachusetts House of Representatives approved a bill generally covering similar subjects as the Senate Bill (the "House Bill"), but the House Bill does not include any provisions to establish a similar sunset commission. Both the Senate Bill and the House Bill have been referred to a conference committee. Any final bill from the conference committee would be subject to approval of both the Senate and the House of Representatives. The Authority cannot predict whether, when or if any such bill from the conference committee will be enacted or the form it will take.

## TAX EXEMPTION

Bond Counsel is of the opinion that, under existing law, interest on the 2012A Bonds will not be included in the gross income of holders of such 2012A Bonds for federal income tax purposes. Bond Counsel's opinion is expressly conditioned upon continued compliance by the Authority with certain requirements imposed by the Internal Revenue Code of 1986, as amended (the "Code"), which requirements must be satisfied subsequent to the date of issuance of the 2012A Bonds in order to ensure that the interest on the 2012A Bonds is and continues to be excludable from the gross income of the holders of the 2012A Bonds for federal income tax purposes. In particular, and without limitation, section 148 of the Code requires that certain proceeds of the 2012A Bonds be invested at a yield not materially higher than the yield on the 2012A Bonds and that certain profits earned from investment of proceeds of the 2012A Bonds be rebated to the United States. The Authority has provided certifications and covenants as to its continued compliance with such requirements. Failure to so comply could cause the interest on the 2012A Bonds to be included in the gross income of the holders thereof retroactive to the date of issuance of the 2012A Bonds.

Bond Counsel is of the opinion that, under existing law, interest on the 2012A 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 2012A Bonds will be included in "adjusted current earnings" of corporate holders of the 2012A 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.

An amount equal to the excess, if any, of the purchase price of a 2012A Bond over the principal amount payable at maturity generally constitutes amortizable bond premium. The required amortization of such premium during the term of a 2012A Bond will result in reduction of the holder's tax basis in such 2012A Bond. Such amortization also will result in reduction of the amount of the stated interest on the 2012A Bond taken into account as interest for tax purposes. Holders of 2012A Bonds purchased at a premium should consult their own tax advisors with respect to the determination and treatment of such premium.

Bond Counsel has not opined as to any other matters of federal tax law relating to the 2012A Bonds. However, prospective purchasers should be aware of certain collateral consequences which may result under federal tax law for certain holders of the 2012A Bonds: (i) section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the 2012A Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the 2012A Bonds, (ii) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(i) reduces the deduction for losses incurred by 15% of the sum of certain items, including interest on the 2012A Bonds, (iii) interest on the 2012A 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 2012A 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 2012A Bonds, and (vi) receipt of investment income, including interest on the 2012A 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.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the 2012A Bonds may affect the tax exempt status of interest on the 2012A Bonds or the tax consequences of ownership of the 2012A Bonds. No assurance can be given that future legislation, or amendments to the Code, if enacted into law, will not contain provisions which could directly or indirectly reduce the benefit of the exclusion of interest on the 2012A Bonds from gross income for federal income tax purposes. Deficit reduction measures, including the limitation of federal tax expenditures, will be under ongoing consideration by the United States Congress, as will tax reform proposals. These efforts to date have included provisions to reduce the benefit of the interest exclusion from income for certain holders of tax-exempt bonds, including bonds currently outstanding. Any such proposed changes could affect the market value or marketability of the 2012A Bonds. Holders should consult their own tax advisors with respect to any of the foregoing.

In the opinion of Bond Counsel, under existing law, interest on the 2012A Bonds and any profit on the sale thereof are exempt from Massachusetts personal income taxes, and the 2012A Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the 2012A Bonds. Prospective purchasers should be aware, however, that the 2012A Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the 2012A 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 2012A Bonds or the income therefrom under the laws of any state other than Massachusetts.

On the date of delivery of the 2012A Bonds, the original purchasers thereof will be furnished with an opinion of Bond Counsel substantially in the form attached hereto. See APPENDIX B – “PROPOSED FORM OF OPINION OF BOND COUNSEL.”

## **RATINGS**

The 2012A Bonds have been assigned ratings by Fitch Ratings (“Fitch”), Moody’s Investors Service (“Moody’s”) and Standard & Poor’s Ratings Services (“S&P”) of AA+, Aa1 and AA+, respectively.

Each such rating reflects only the respective view of such organization, and an explanation of the significance of such rating may be obtained from the rating agency furnishing the same. There is no assurance that any rating will continue for any given period of time or that any 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 2012A Bonds.

## **FINANCIAL STATEMENTS**

Reference is made to the Authority’s audited financial statements for the Fiscal Year ended June 30, 2011, which have been filed with the Municipal Securities Rulemaking Board, Electronic Municipal Market Access (EMMA) System. An electronic copy of the Authority’s audited financial statements can be accessed through the EMMA system at [www.emma.msrb.org](http://www.emma.msrb.org). KPMG LLP, the Authority’s independent auditor, has not been engaged to perform and has not performed, since the date of its report referenced therein, any procedures on the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this Official Statement.

## **VERIFICATION OF MATHEMATICAL COMPUTATIONS**

The arithmetical accuracy of certain computations included in the schedules provided by Citi Global Markets Inc. (“Citi”) on behalf of the Authority relating to (i) computation of anticipated receipts of principal of and interest on the Defeasance Obligations and the anticipated payments of principal and interest to redeem the Refunded Bonds, and (ii) computation of the yields on the 2012A Bonds and the Defeasance Obligations was examined by AMTEC Corporation of Avon, Connecticut and Ross & Company, PLLC (a Certified Public Accountant) of Louisville, Kentucky (together, the “Verification Agent”). Such computations were based solely upon assumptions and information supplied by Citi on behalf of the Authority. The Verification Agent has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of future events.

## **CERTAIN LEGAL MATTERS**

Legal matters incident to the authorization, issuance and sale of the 2012A Bonds are subject to the approval of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel to the Authority. The approving opinion of Bond Counsel in substantially the form attached hereto as Appendix B will be delivered with the 2012A Bonds. Certain legal matters will be passed upon for the Authority by Greenberg Traurig, LLP, Boston, Massachusetts, Disclosure Counsel, and for the Underwriters by Nixon Peabody, LLP, Boston, Massachusetts.

## UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase from the Authority the 2012A Bonds at a discount from the initial offering prices equal to \$3,945,174.72. The Underwriters have agreed to allocate book-running management credit to Citigroup Inc., Jefferies & Company, Inc. and J.P. Morgan Securities LLC, in the amounts of 45%, 27.5% and 27.5%, respectively. The initial public offering price of the 2012A Bonds may be changed from time to time by the Underwriters. The Underwriters will be obligated to purchase all 2012A Bonds if any such 2012A Bonds are purchased.

Citigroup Inc. and Morgan Stanley, the respective parent companies of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated, each an underwriter of the Bonds, have entered into a retail brokerage joint venture. As part of the joint venture each of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, each of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC. for its selling efforts in connection with their respective allocations of Bonds.

J.P. Morgan Securities LLC (“JPMS”), one of the Underwriters of the 2012A Bonds, has entered into negotiated dealer agreements (each a “Dealer Agreement”) with each of UBS Financial Services Inc. (“UBSFS”) and Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings, including the 2012A Bonds, at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS&Co. will purchase 2012A Bonds from JPMS at the initial public offering price less a negotiated portion of the selling concession applicable to any of the 2012A Bonds that such firm sells.

On April 2, 2012, Raymond James Financial, Inc. (“RJF”), the parent company of Raymond James & Associates, Inc. (“Raymond James”), acquired all of the stock of Morgan Keegan & Company, Inc. (“Morgan Keegan”) from Regions Financial Corporation. Raymond James and Morgan Keegan are each registered broker-dealers. Both Raymond James and Morgan Keegan are wholly owned subsidiaries of RJF and, as such, are affiliated broker-dealer companies under the common control of RJF, utilizing the trade name “Raymond James | Morgan Keegan” that appears on the cover of this Official Statement. It is anticipated that the businesses of Raymond James and Morgan Keegan will be combined.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, N.A.

## CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, as amended (the “Rule”), the Authority will enter into a Continuing Disclosure Agreement with the Trustee for the benefit of owners of the 2012A Bonds setting forth the undertaking of the Authority regarding continuing disclosure with respect to the 2012A Bonds. The proposed form of the Continuing Disclosure Agreement is set forth in Appendix C. To date, the Authority has not failed to comply in any material respect with any of its prior Continuing Disclosure Agreements pertaining to the 2005A Bonds, the 2007A Bonds, the 2009A and 2009B Bonds, the 2010A Bonds, the 2011A Bonds or the 2011B Bonds.

## MISCELLANEOUS

The summaries of the provisions of the Act, the 2012A Bonds, the Trust Agreement, the Refunding Trust Agreement and the MOU 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 Act, the form of the 2012A Bonds, the Trust Agreement, the Refunding Trust Agreement and the MOU are available for inspection at the offices of the Authority and the Trustee.

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

MASSACHUSETTS SCHOOL BUILDING AUTHORITY

June 20, 2012

By: /s/ John K. McCarthy  
Executive Director

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

*The following is a summary of certain provisions of the Trust Agreement, as supplemented, including certain terms used in the Trust Agreement not used elsewhere in this Official Statement. This summary does not purport to be complete and reference is made to the 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 Trust Agreement:

“Accreted Value” shall mean with respect to any Bonds that are Capital Appreciation Bonds, an amount equal to the principal amount of such Capital Appreciation Bonds (determined on the basis of the initial principal amount per \$5,000 at maturity thereof) plus the amount assuming compounding (as set forth in the Applicable Supplemental Trust Agreement) of earnings which would be produced on the investment of such initial amount, beginning on the dated date of such Capital Appreciation Bonds and ending at the maturity date thereof, at a yield which, if produced until maturity, will produce \$5,000 at maturity.

“Act” shall mean, collectively, Chapter 70B of the Massachusetts General Laws, Section 35BB of Chapter 10 of the Massachusetts General Laws, Chapter 208 of the Acts of 2004 of the Commonwealth and Chapter 210 of the Acts of 2004 of the Commonwealth, in each case as amended from time to time.

“Additional Bonds” shall mean Bonds of the Authority issued pursuant to the Trust Agreement.

“Additional Revenues” shall mean any revenues of the Authority (other than the Dedicated Sales Tax Revenue Amount and the Phase-in Amount) legally available and pledged by resolution of the Authority for its obligations under the Trust Agreement and deposited to the Revenue Fund, provided that (i) if such Additional 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 Bonds or they must 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 Additional 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 Bonds or (iii) the Authority has received a Rating Confirmation with respect to the designation of such revenues as Additional Revenues.

“Adjusted Bond Debt Service Requirement” shall mean, for any period of calculation, the aggregate Bond Debt Service Requirement with respect to all Bonds Outstanding or projected to be Outstanding during such period, as applicable, taking into account the following adjustments:

(i) With respect to Variable Rate Bonds, the aggregate Bond Debt Service Requirement shall be calculated based upon an interest rate equal to the average interest rate of the SIFMA Index over the 15 years immediately prior to the date of calculation, as determined by the Authority, provided, however, if the Authority (1) enters into a Fixed Rate Hedge Agreement as described under the heading “Qualified Hedge Agreements” and (2) has made a determination that such Fixed Rate Hedge Agreement was entered into for the purpose of limiting the potential increase in the interest rate for a particular maturity of such Variable Rate Bonds in a principal amount equal to the notional amount of the Fixed Rate Hedge Agreement, then during the term of such Fixed Rate Hedge Agreement and so long as the Hedge Provider under such Fixed Rate Hedge Agreement is not in default thereunder, the interest rate on such Variable Rate Bonds shall be determined as if such Bonds bore interest at the Fixed Hedge Rate, payable by the Authority under such Fixed Rate Hedge Agreement;

(ii) with respect to Fixed Rate Bonds, if the Authority (1) enters into a Variable Rate Hedge Agreement with a Hedge Provider as described under the heading “Qualified Hedge Agreements” and (2) has made a determination that such Variable Rate Hedge Agreement was entered into for the

purpose of providing substitute interest payments for a particular maturity of such Fixed Rate Bonds in a principal amount equal to the notional amount of the Qualified Hedge Agreement, then during the term of such Variable Rate Hedge Agreement and so long as the Hedge Provider under such Qualified Hedge Agreement is not in default under such Variable Rate Hedge Agreement, the interest rate on such Fixed Rate Bonds shall be determined as if such Fixed Rate Bonds bore interest at the Assumed Hedge Rate;

(iii) with respect to Tender Bonds, the aggregate Bond Debt Service Requirement shall not include amounts payable upon mandatory or optional tender; if such Tender Bonds are secured by a Liquidity Facility, the aggregate Bond Debt Service Requirement shall be deemed to include all periodic Bond Related Costs payable to the provider of any Liquidity Facility but shall not be deemed to include any Reimbursement Obligation to such provider except to the extent provided in the Applicable Supplemental Trust Agreement;

(iv) with respect to Bonds that have Credit Enhancement, the aggregate Bond Debt Service Requirement shall be deemed to include all periodic Bond Related Costs payable to the provider of the Credit Enhancement and, except as otherwise provided in the Applicable Supplemental Trust Agreement, any Reimbursement Obligations incurred in connection therewith which are deemed to be Outstanding Bonds or Qualified Hedge Payments as described under the heading “Credit Enhancement and Liquidity Facilities” or, in the case of any Reserve Credit Facility, which are payable from amounts deposited in the Senior Debt Service Reserve Fund or Subordinated Debt Service Reserve Fund as described in paragraph (ii) and (v), respectively, under the heading “Flow of Funds”;

(v) the amount of any investment earnings and return of principal or projected investment earnings and projected return of principal, as the case may be, allocable to amounts in the Senior Debt Service Fund, the Subordinated Debt Service Fund, the Revenue Fund, any applicable Senior Debt Service Reserve Accounts and any applicable Subordinated Debt Service Reserve Accounts shall be deducted from the Adjusted Bond Debt Service Requirement for the applicable period;

(vi) any amounts received or projected to be received as payment of accrued interest from the sale of Bonds and deposited in the Senior Debt Service Fund or the Subordinated Debt Service Fund, as applicable, and the amount of Bond proceeds or other moneys, if any, which will be applied to pay interest on the Bonds in accordance with the Applicable Supplemental Trust Agreement shall be deducted from the Adjusted Bond Debt Service Requirement for the applicable period;

(vii) any additional amounts transferred to the Senior Debt Service Fund or the Subordinated Debt Service Fund, as applicable, at the Authority’s direction shall be deducted from the Adjusted Bond Debt Service Requirement for the applicable period;

(viii) Dedicated Payments deposited or to be deposited in the Senior Debt Service Fund in accordance with the Trust Agreement shall be deducted from the Adjusted Bond Debt Service Requirement for the applicable period; and

(ix) with respect to Balloon Indebtedness, the aggregate Bond Debt Service Requirement shall be calculated as if the Principal Installments with respect to such Bonds amortized over a period of 25 years at an interest rate equal to *The Bond Buyer’s* Revenue Bond Index (or, if such index is no longer published, such other substantially comparable index as may be selected by the Authority) as of the most recent date for which such index was published prior to the date of such calculation.

“Adjusted Senior Bond Debt Service Requirement” shall mean, for any period of calculation, the aggregate Senior Bond Debt Service Requirement with respect to all Senior Bonds Outstanding or projected to be Outstanding during such period, as applicable, taking into account the following adjustments:

(i) With respect to Variable Rate Bonds that are designated Senior Bonds, the aggregate Senior Bond Debt Service Requirement shall be calculated based upon an interest rate equal to the average interest rate of the SIFMA Index over the 15 years immediately prior to the date of calculation, as determined by the Authority, provided, however, if the Authority (1) enters into a Fixed Rate Hedge

Agreement as described under the heading “Qualified Hedge Agreements” and (2) has made a determination that such Fixed Rate Hedge Agreement was entered into for the purpose of limiting the potential increase in the interest rate for a particular maturity of such Variable Rate Bonds in a principal amount equal to the notional amount of the Fixed Rate Hedge Agreement, then during the term of such Fixed Rate Hedge Agreement and so long as the Hedge Provider under such Fixed Rate Hedge Agreement is not in default thereunder, the interest rate on such Variable Rate Bonds shall be determined as if such Bonds bore interest at the Fixed Hedge Rate, payable by the Authority under such Fixed Rate Hedge Agreement;

(ii) with respect to Fixed Rate Bonds that are designated Senior Bonds, if the Authority (1) enters into a Variable Rate Hedge Agreement with a Hedge Provider as described under the heading “Qualified Hedge Agreements” and (2) has made a determination that such Variable Rate Hedge Agreement was entered into for the purpose of providing substitute interest payments for a particular maturity of such Fixed Rate Bonds in a principal amount equal to the notional amount of the Qualified Hedge Agreement, then during the term of such Variable Rate Hedge Agreement and so long as the Hedge Provider under such Qualified Hedge Agreement is not in default under such Variable Rate Hedge Agreement, the interest rate on such Fixed Rate Bonds shall be determined as if such Fixed Rate Bonds bore interest at the Assumed Hedge Rate;

(iii) with respect to Tender Bonds that are designated Senior Bonds, the aggregate Senior Bond Debt Service Requirement shall not include amounts payable upon mandatory or optional tender; if such Tender Bonds are secured by a Liquidity Facility, the aggregate Senior Bond Debt Service Requirement shall be deemed to include all periodic Bond Related Costs payable to the provider of any Liquidity Facility with respect to such Senior Bonds but shall not be deemed to include any Reimbursement Obligation to such provider except to the extent provided in the Applicable Supplemental Trust Agreement;

(iv) with respect to Senior Bonds that have Credit Enhancement, the aggregate Senior Bond Debt Service Requirement shall be deemed to include all periodic Bond Related Costs payable to the provider of the Credit Enhancement and, except as otherwise provided in the Applicable Supplemental Trust Agreement, any Reimbursement Obligations incurred in connection therewith which are deemed to be Outstanding Senior Bonds or Qualified Hedge Payments as described under the heading “Credit Enhancement and Liquidity Facilities” or, in the case of any Reserve Credit Facility, which are payable from amounts deposited in the Senior Debt Service Reserve Fund as described in paragraph (ii) under the heading “Flow of Funds”;

(v) the amount of any investment earnings and return of principal or projected investment earnings and projected return of principal, as the case may be, allocable to amounts in the Senior Debt Service Fund, the Revenue Fund and any applicable Senior Debt Service Reserve Accounts shall be deducted from the Adjusted Senior Bond Debt Service Requirement for the applicable period;

(vi) any amounts received or projected to be received as payment of accrued interest from the sale of Senior Bonds and deposited in the Senior Debt Service Fund and the amount of Senior Bond proceeds or other moneys, if any, which will be applied to pay interest on the Senior Bonds in accordance with the Applicable Supplemental Trust Agreement shall be deducted from the Adjusted Senior Bond Debt Service Requirement for the applicable period;

(vii) any additional amounts transferred to the Senior Debt Service Fund at the Authority’s direction shall be deducted from the Adjusted Senior Bond Debt Service Requirement for the applicable period;

(viii) Dedicated Payments deposited or to be deposited in the Senior Debt Service Fund in accordance with the Trust Agreement shall be deducted from the Adjusted Senior Bond Debt Service Requirement for the applicable period; and

(ix) with respect to Balloon Indebtedness, the aggregate Senior Bond Debt Service Requirement shall be calculated as if the Principal Installments with respect to such Bonds amortized over a period of 25 years at an interest rate equal to *The Bond Buyer's* Revenue Bond Index (or, if such index is no longer published, such other substantially comparable index as may be selected by the Authority) as of the most recent date for which such index was published prior to the date of such calculation.

“Advance Refunded Municipal Bonds” shall mean any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (i) which are not callable at the option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, (ii) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash, Government Obligations or Agency Obligations which fund may be applied only to the payment of interest when due, and the principal of and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable notice, as appropriate, and (iii) as to which the principal of and interest on the Government Obligations or Agency Obligations which have been deposited in such fund along with any cash on deposit in such fund is sufficient to pay all interest when due, and all principal of and redemption premium, if any, on the bonds or other obligations described in this definition on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable notice referred to in subclause (i) above, as appropriate.

“Agency Obligations” shall mean obligations issued or guaranteed by the Federal National Mortgage Association, Government National Mortgage Association, Federal Financing Bank, Federal Intermediate Credit Banks, Federal Farm Credit Bank, Banks for Cooperatives, Federal Land Banks, Federal Farm Credit Banks Funding Corporation, Farm Credit System Financial Assistance Corporation, Federal Home Loan Banks, Farmers Home Administration, Export-Import Bank of the United States, Resolution Funding Corporation, Student Loan Marketing Association, United States Postal Service, Tennessee Valley Authority, Federal Home Loan Mortgage Corporation 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.

“Applicable Supplemental Trust Agreement” shall mean, with respect to any Series of Bonds, the Supplemental Trust Agreement authorizing such Series of Bonds.

“Appreciated Value” shall mean, with respect to Bonds that are Deferred Income Bonds, until the Interest Commencement Date thereon, an amount equal to the principal amount of such Deferred Income Bond (determined on the basis of the initial principal amount per \$5,000 at the Interest Commencement Date thereof) plus the amount, assuming compounding (as set forth in the Applicable Supplemental Trust Agreement) of earnings which would be produced as the investment of such initial amount, beginning on the dated date of such Deferred Income Bond and ending on the Interest Commencement Date, at a yield which, if produced until the Interest Commencement Date, will produce \$5,000 at the Interest Commencement Date. As of any Valuation Date, the Appreciated Value of any Bonds that are Deferred Income Bonds shall mean the amount set forth for such date in the Applicable Supplemental Trust Agreement and, as of any date other than a Valuation Date, the sum of (i) the Appreciated Value on the preceding Valuation Date and (ii) the product of (1) a fraction, the numerator of which is the number of days having elapsed from and including the preceding Valuation Date to the Valuation Date and the denominator of which is the number of days from and including such preceding Valuation Date to and including the next succeeding Valuation Date, and (2) the difference between the Appreciated Values for such Valuation Dates.

“Assumed Hedge Rate” shall have the meaning set forth under the heading “Qualified Hedge Agreements.”

“Authorized Newspapers” shall mean no fewer than two newspapers or financial journals of general circulation (or substantial circulation in the financial community), one in the City of Boston, Massachusetts, and one in the Borough of Manhattan, City and State of New York, each customarily published at least once a day for at least five days (other than legal holidays) in each calendar week and printed in the English language.

“Authorized Officer” shall mean the Executive Director, the Chief Financial Officer or the General Counsel of the Authority and, when used in reference to an act or document, shall also mean any other member, officer or employee of the Authority authorized by the Authority to perform such act or sign such document.

“Balloon Indebtedness” shall mean (i) a Series of Bonds with respect to which, upon the issuance thereof, 25% or more of the Principal Installments are due in the same Fiscal Year or (ii) any portion of a Series of Bonds which is so designated by the Authority pursuant to a certificate of an Authorized Officer stating that such portion shall be deemed to constitute a separate issue of Balloon Indebtedness.

“Bond Counsel” shall mean Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, or any other counsel nationally recognized as experienced in matters relating to bonds issued by states and their political subdivisions and instrumentalities selected by the Authority and satisfactory to the Trustee.

“Bond Debt Service Requirement” shall mean, for any period of calculation, the aggregate of the interest, principal amount and Sinking Fund Payments due or to become due other than by reason of redemption at the option of the Authority or the Registered Owner of any Bonds on all Senior Bonds and Subordinated Bonds Outstanding during such period, provided, however, that for purposes of this definition, the scheduled principal and interest portions of the Accreted Value of Capital Appreciation Bonds and the Appreciated Value of Deferred Income Bonds becoming due at maturity or by virtue of Sinking Fund Payments shall be included in the calculations in such manner and during such period of time as shall be specified in the Applicable Supplemental Trust Agreement authorizing such Capital Appreciation Bonds or Deferred Income Bonds.

“Bond Related Costs” shall mean (i) all costs, fees and expenses, other than Costs of Issuance, incurred for or related to the administration of the Trust Agreement, including without limitation costs, fees and expenses incurred or related to any Liquidity Facility, Credit Enhancement, Reserve Credit Facility, Rating Agency or remarketing or other secondary market transaction, any fees of Bond Counsel, attorneys, financial advisors, the Trustee, remarketing agents, rebate consultants, accountants and others retained by the Authority in connection with the Trust Agreement or the Bonds, and, to the extent provided in the Trust Agreement and the Applicable Supplemental Trust Agreement, any Reimbursement Obligation or other fee, charge and expense that may be lawfully incurred by the Authority to a provider of any Credit Enhancement, Liquidity Facility or Reserve Credit Facility to repay or reimburse any amounts paid by such provider due to a payment under such Credit Enhancement, Liquidity Facility or Reserve Credit Facility, and any interest on such Reimbursement Obligation or other repayment obligation; and (ii) except as otherwise provided in the Applicable Supplemental Trust Agreement, all payments to be made by the Authority on any Qualified Hedge Agreement other than Scheduled Hedge Payments to be made by the Authority on a Parity Hedge Agreement.

“Business Day” shall mean any day other than a Saturday, a Sunday or any other day on which banks doing business in the Commonwealth are authorized or required to be closed for business.

“Capital Appreciation Bonds” shall mean any Bonds as to which interest is payable only at the maturity or prior redemption thereof. For the purposes of (i) receiving payment of the redemption price, if any, of a Capital Appreciation Bond that is redeemed prior to maturity, and (ii) computing the principal amount of Capital Appreciation Bonds held by the Registered Owner thereof in giving any notice, consent, request, or demand pursuant to the Applicable Supplemental Trust Agreement for any purpose whatsoever, the principal amount of a Capital Appreciation Bond as of a specific date shall be deemed to be its Accreted Value as of such date.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and all regulations (final, temporary or proposed) promulgated thereunder which are applicable to the Bonds.

“Costs of Issuance” shall mean all items of expense directly or indirectly payable or reimbursable by or to the Authority and related to the authorization, sale and issuance of Bonds, including but not limited to printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, costs and expenses of refunding, fees, expenses and other amounts payable to any underwriters of the Bonds, accrued interest payable upon the initial investment of the proceeds of Bonds, fees and expenses payable in connection with any Credit

Enhancement, Liquidity Facility or Reserve Credit Facility, fees and expenses payable in connection with any remarketing agreements or interest indexing agreements payable in connection with the original issuance of the Bonds and any other cost, charge or fee payable in connection with the original issuance of Bonds.

“Credit Enhancement” shall mean any agreement, including, but not limited to a policy of bond insurance, surety bond, irrevocable letter of credit, credit agreement, credit facility or guaranty arrangement with a bank, trust company, insurance company, surety bonding company, pension fund or other financial institution that provides increased credit on or security for any Series of Bonds (or portion thereof) or the obligations of the Authority under any Qualified Hedge Agreement and, to the extent authorized by a Supplemental Trust Agreement, may include a Reserve Credit Facility, provided that either the provider or the party guaranteeing the obligations of the provider has, at the time such agreement is entered into, unsecured obligations rated in the highest short-term Rating Category by each Rating Agency then maintaining a rating on the Bonds Outstanding.

“Debt Service” shall mean for any period, as of any date of calculation and with respect to the Outstanding Bonds of any Series, an amount equal to the sum of (i) interest accruing during such period on Outstanding 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 for such Series 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 Bonds of such Series, whichever date is later. Such interest and Principal Installments for such Series shall be calculated on the assumption that no Bonds (except for Tender 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 the principal amount of Tender 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 Payment Date” shall mean any date on which any Principal Installment of or interest on any Bond Outstanding thereunder is payable in accordance with the terms of such Bond.

“Debt Service Reserve Accounts” shall mean the Accounts so designated and created by the Trust Agreement and the Applicable Supplemental Trust Agreement.

“Dedicated Payments” shall mean any revenues of the Authority which are not Pledged Receipts, as defined in the Trust Agreement as initially executed, which the Authority subsequently pledges as additional security for its payment obligations on the Bonds pursuant to a resolution of the Authority and which are specifically designated as Dedicated Payments by the Authority in accordance with the limitations set forth under the heading “Dedicated Payments” and, accordingly, are to be deposited in the Senior Debt Service Fund upon receipt.

“Dedicated Sales Tax Revenue Amount” shall have the meaning set forth in paragraph (a) of Section 35BB of Chapter 10 of the Massachusetts General Laws.

“Defeasance Obligations” shall mean Government Obligations, Agency Obligations or Advance Refunded Municipal Bonds.

“Deferred Income Bonds” shall have the meaning set forth under the heading “Authorization of Bonds.”

“Discount Bonds” shall have the meaning set forth under the heading “Authorization of Bonds.”

“Fiduciary” shall mean the Trustee, any Paying Agent or any Authenticating Agent.

“Fiscal Year” shall mean the period of twelve calendar months ending with June 30 of any year.

“Fixed Rate Bonds” shall have the meaning set forth under the heading “Authorization of Bonds.”

“Fixed Rate Hedge Agreement” shall mean a Qualified Hedge Agreement requiring the Authority to pay a fixed interest rate on a notional amount.

“Fixed Hedge Rate” shall mean the fixed interest rate payable by the Authority on a notional amount under a Fixed Rate Hedge Agreement.

“Funded Series Debt Service Reserve Fund Requirement” shall mean, with respect to a Series of Bonds, as of any particular date of computation, an amount equal to the applicable Series Debt Service Reserve Fund Requirement, if any, less the stated and unpaid amounts of all applicable Reserve Credit Facilities; the Funded Series Debt Service Reserve Fund Requirement shall, to the extent authorized by a Supplemental Trust Agreement, include any amount required to reimburse any provider of a Reserve Credit Facility upon any drawing of amounts thereunder.

“Government Obligations” shall mean direct general obligations of the United States of America or obligations (including obligations of any federal agency or corporation) the full and timely payment of the principal and interest on which, by act of the Congress of the United States or in the opinion of the Attorney General of the United States in office at the time such obligations were issued, are guaranteed by the full faith and credit of the United States of America.

“Hedge Provider” shall mean the counterparty with which the Authority enters into a Qualified Hedge Agreement.

“Interest Commencement Date” shall mean with respect to any Deferred Income Bonds, the date specified in the Applicable Supplemental Trust Agreement (which date must be prior to the maturity date for such Deferred Income Bonds), after which interest accruing on such Deferred Income Bonds shall be payable with the first such payment date being the applicable Debt Service Payment Date immediately succeeding such Interest Commencement Date.

“Liquidity Facility” shall mean any agreement with a bank, trust company, insurance company, surety bonding company, pension fund, investment banking company or other financial institution under which it agrees to purchase Tender Bonds, provided that either the provider or the party guaranteeing the obligations of the provider has, at the time such agreement is entered into, unsecured obligations rated in the highest short-term Rating Category by each Rating Agency then maintaining a rating on the Bonds Outstanding.

“Outstanding,” when used with reference to Bonds, shall mean as of a particular date, all Bonds theretofore and thereupon being authenticated and delivered except (i) any Bond cancelled by the Authority or the Trustee at or before said date, (ii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered and (iii) Bonds deemed to have been paid as provided as described under the section entitled “Defeasance,” below.

“Parity Hedge Agreement” shall have the meaning set forth under the heading “Qualified Hedge Agreements.”

“Permitted Investments,” except as otherwise limited in a Supplemental Trust Agreement, shall mean and include any of the following, if and to the extent the same are at the time legal for investment of Authority funds:

- (i) Government Obligations;
- (ii) Certificates or receipts representing direct ownership of future interest or principal payments on Government Obligations or any obligations of agencies or instrumentalities of the United States of America

which are backed by the full faith and credit of the United States, which obligations are held by a custodian in safekeeping on behalf of the registered owners of such receipts;

(iii) Agency Obligations;

(iv) Obligations of, or obligations unconditionally guaranteed by, the World Bank (International Bank for Reconstruction and Development and International Finance Corporation), European Bank for Reconstruction and Development, European Investment Bank, Asian Development Bank, Inter-American Development Bank, African Development Bank and the Nordic Investment Bank, provided that such obligations are rated at the time of purchase hereunder in one of the two highest rating categories by each Rating Agency;

(v) Interest-bearing time or demand deposits, certificates of deposit, or other similar banking arrangements with any government securities dealer, bank, trust company, savings and loan association, national banking association or other savings institution (including the Trustee or any affiliate of the Trustee), provided that such deposits, certificates, and other arrangements are fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or (b) interest-bearing time or demand deposits or certificates of deposit with any bank, trust company, national banking association or other savings institution (including the Trustee or any affiliate of the Trustee), provided such deposits and certificates are in or with a bank, trust company, national banking association or other savings institution whose long-term unsecured debt is rated in one of the two highest long-term Rating Categories by each Rating Agency then maintaining a rating on any Bonds;

(vi) Repurchase agreements collateralized by securities described in subparagraphs (i), (ii) or (iii) above with any registered broker/dealer or with any commercial bank, provided that (a) a specific written repurchase agreement governs the transaction, (b) the securities are held, free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (1) a Federal Reserve Bank, or (2) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$25 million, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee, (c) the repurchase agreement has a term of thirty days or less, or the Trustee or the third-party custodian will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within five Business Days of such valuation, and (d) the fair market value of the collateral securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 102%;

(vii) Forward purchase agreements providing for delivery of securities described in subparagraphs (i), (ii) or (iii) above or subparagraph (ix) below with banks or other financial institutions (including the Trustee or any affiliate of the Trustee) whose long-term unsecured debt or claims-paying ability is rated in one of the two highest Rating Categories by each Rating Agency then maintaining a rating on any of the Bonds Outstanding, provided that any such agreement must be accompanied by an opinion of counsel to the effect that the securities delivered will not be considered a part of the estate of such bank or other financial institution in the event of a declaration of bankruptcy or insolvency by such bank or institution;

(viii) Money market funds rated in the highest short term Rating Category by each Rating Agency then maintaining a rating on any Bonds, including, without limitation, the JPMorgan Money Market Mutual Funds, or any other mutual fund rated in the highest short term Rating Category by each Rating Agency then maintaining a rating on any Bonds, for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or sub custodian, notwithstanding that (A) the Trustee or an affiliate of the Trustee receives fees from such funds for services rendered, (B) the Trustee charges and collects fees for services rendered pursuant to this Trust Agreement, which fees are separate from the fees received from such funds, and (C) services performed for such funds and pursuant to this Trust Agreement may at times duplicate those provided to such funds by the Trustee or its affiliates.

(ix) Commercial paper rated in the highest short term Rating Category by each Rating Agency then maintaining a rating on any Bonds;

(x) Advanced-Refunded Municipal Bonds;

(xi) Short-term or long-term obligations, whether tax exempt or taxable, of any state or local government or authority or instrumentality thereof or any other entity that has the ability to issue obligations the interest on which is excludable from gross income for federal income tax purposes, provided that any such obligations are rated at the time of purchase in one of the two highest rating categories by each Rating Agency then maintaining a rating on any Bonds Outstanding;

(xii) Investment contracts with banks or other financial institutions (including the Trustee or any affiliate of the Trustee) whose long-term unsecured debt or claims-paying ability is rated in one of the two highest Rating Categories by each Rating Agency then maintaining a rating on any of the Bonds Outstanding; and

(xiii) Any other investment in which moneys of the Authority may be legally invested, provided that the Authority receives a Rating Confirmation in connection with such investment from each Rating Agency then maintaining a rating on any Bonds Outstanding.

“Phase-in Amount” shall mean, with respect to Fiscal Years 2006, 2007, 2008, 2009 and 2010, the greater of the applicable dollar amount or percentage of the Dedicated Sales Tax Revenue Amount for such Fiscal Year set forth in the table in the section of the Official Statement “DEDICATED SALES TAX REVENUE AMOUNT - Phase-in Amount” in accordance with Section 4 of Chapter 210 of the Acts of 2004 of the Commonwealth.

“Pledged Receipts” shall mean and include (i) for Fiscal Years 2006, 2007, 2008, 2009 and 2010, the Phase-in Amount, (ii) for Fiscal Years 2011 and thereafter, the Dedicated Sales Tax Revenue Amount and (iii) Additional Revenues, if any.

“Principal Installment” shall mean, as of any particular date of computation and with respect to Bonds of a particular Series, an amount of money equal to the aggregate of (i) the principal amount of Outstanding Bonds of said Series which mature on a single future date, reduced by the aggregate principal amount of such Outstanding Bonds which would at or before said future date be retired by reason of the payment when due and application in accordance with the Trust Agreement of Sinking Fund Payments payable at or before said future date for the retirement of such Outstanding Bonds, plus (ii) the amount of any Sinking Fund Payment payable on said future date for the retirement of any Outstanding Bonds of said Series.

“Qualified Hedge Agreement” shall mean an interest rate exchange, cap, floor or collar agreement between the Authority and a Hedge Provider based upon a notional amount, where either (a) the Hedge Provider, or the party guaranteeing the obligation of the Hedge Provider to make any payments due to the Authority, has unsecured long-term obligations rated, or the hedge agreement itself is rated, in each case as of the date the hedge agreement is entered into, by each Rating Agency then maintaining a rating on the Bonds Outstanding, in one of the two highest Rating Categories of such Rating Agency or (b) the Authority received a Rating Confirmation with respect to such hedge agreement prior to entering into such hedge agreement.

“Qualified Hedge Payments” shall mean, collectively, all Scheduled Hedge Payments and all Termination Hedge Payments payable by the Authority or a Hedge Provider, as the case may be, under a Qualified Hedge Agreement.

“Rating Agency” shall mean Fitch Ratings, Moody’s Investors Service and Standard & Poor’s and their successors or assigns, but shall not include any rating agency maintaining a rating on Outstanding Bonds which has not been solicited by the Authority.

“Rating Categories” shall mean rating categories as published by a Rating Agency in its written compilations of ratings and any written supplement or amendment thereto and any such Rating Category shall be determined on the generic rating without regard to any modifiers and, unless otherwise specified in the Trust Agreement or in an Applicable Supplemental Trust Agreement, shall be long term ratings.

“Rating Confirmation,” with respect to any action taken or to be taken thereunder, shall mean a letter (or other evidence satisfactory to the Trustee) from a Rating Agency to the effect that it will not lower, suspend or otherwise adversely affect any underlying rating then maintained on any Bonds Outstanding, without regards to any Credit Enhancement, as a result of such action.

“Redemption Price” shall mean, with respect to any Bond, the principal amount thereof plus the premium, if any, payable upon redemption thereof.

“Refunding Bonds” shall mean any of the Bonds authorized for the purpose of refunding all or any part of the Bonds Outstanding under the Trust Agreement.

“Registered Owner” or “Owner,” when used with reference to Bonds, shall mean the registered owner of the Bonds as shown on the registration books of the Authority held by the Trustee.

“Reimbursement Obligations” shall have the meaning set forth under the heading “Credit Enhancement and Liquidity Facilities.”

“Reserve Credit Facility” shall mean one or more of the following:

- (i) an irrevocable, unconditional and unexpired letter of credit or other financial commitment or guarantee issued by a banking institution, insurance company or other financial institution the unsecured long-term obligations of which are rated by each Rating Agency then maintaining a rating on the Bonds Outstanding in one of the two highest Rating Categories by such Rating Agency, or, if any such Rating Agency does not maintain a rating on such banking institution, insurance company or other financial institution, it has provided a Rating Confirmation to the Trustee with respect to the applicable Series of Bonds, or
- (ii) an irrevocable and unconditional policy of insurance, surety bond or other similar commitment in full force and effect issued by an insurer having a rating from each Rating Agency then maintaining a rating on the Bonds Outstanding in one of the two highest Rating Categories by such Rating Agency, or, if any such Rating Agency does not maintain a rating on such insurer, it has provided a Rating Confirmation to the Trustee with respect to the applicable Series of Bonds,

in each case providing for the payment of sums for the payment of Principal Installments and interest on Senior Bonds or Subordinated Bonds, as applicable, in the manner provided under the Trust Agreement.

“Scheduled Hedge Payments,” except as otherwise provided in the Applicable Supplemental Trust Agreement, shall mean the scheduled, periodic payments to be made by the Authority or a Hedge Provider, as the case may be, under a Qualified Hedge Agreement with respect to a notional amount.

“Senior Bond Debt Service Requirement” shall mean, for any period of calculation, the aggregate of the interest, principal amount and Sinking Fund Payments due or to become due other than by reason of redemption at the option of the Authority or the Registered Owner of any Senior Bonds on all Senior Bonds Outstanding during such period, provided, however, that for purposes of this definition, the scheduled principal and interest portions of the Accreted Value of Capital Appreciation Bonds and the Appreciated Value of Deferred Income Bonds becoming due at maturity or by virtue of Sinking Fund Payments shall be included in the calculations in such manner and during such period of time as shall be specified in the Applicable Supplemental Trust Agreement authorizing such Capital Appreciation Bonds or Deferred Income Bonds.

“Senior Bonds” shall mean any Bonds designated as such by the Authority.

“Senior Debt Service Fund Requirement” shall mean the amount of Debt Service on all Senior Bonds Outstanding accrued or accruing prior to the last Business Day of the next succeeding month, provided that the payments to be made under this definition shall be appropriately adjusted to reflect the date of original issue of a Series of Senior Bonds, any accrued interest, investment earnings and other available moneys deposited in the

Senior Debt Service Fund, any Dedicated Payments deposited in the Senior Debt Service Fund in accordance with the applicable Supplemental Trust Agreement and any amounts applied from any Senior Debt Service Reserve Account, including investment earnings thereon, and any purchase or redemption of Senior Bonds so that there will be available on each Debt Service Payment Date in the Senior Debt Service Fund the amount necessary to pay the interest and principal or Sinking Fund Payment due or coming due on the Senior Bonds and so that accrued interest and capitalized interest will be applied to the installments of interest to which they are applicable, and provided, further, that, if the Authority (1) has entered into a Parity Hedge Agreement as described under the heading “Qualified Hedge Agreements” and (2) has made a determination that such Parity Hedge Agreement was entered into for the purpose of providing substitute interest payments or limiting the potential increase in the interest rate for a particular maturity of Senior Bonds in a principal amount equal to the notional amount of such Parity Hedge Agreement and (3) the Scheduled Hedge Payments payable by the Hedge Provider under such Parity Hedge Agreement are equal in amount and fall on the same dates as the payment of interest on such Senior Bonds, then during the term of such Parity Hedge Agreement and so long as the Hedge Provider under such Parity Hedge Agreement is not in default thereunder, the interest payable on such Senior Bonds shall be determined at the Fixed Hedge Rate or the Variable Hedge Rate, as the case may be, applicable to payments to be made by the Authority under such Parity Hedge Agreement, provided, however, that if such Parity Hedge Agreement does not satisfy the foregoing requirements, the principal and interest requirements allocable to such Parity Hedge Agreement and the Series of Senior Bonds or portions thereof subject to such Parity Hedge Agreement shall be determined in the manner set forth in the Applicable Supplemental Trust Agreement.

“Series” when used with respect to less than all of the Senior Bonds or Subordinated Bonds, shall mean such Senior Bonds or Subordinated Bonds designated as a Series of Bonds pursuant to a Supplemental Trust Agreement.

“Series Debt Service Reserve Fund Requirement” shall mean, with respect to a Series of Senior Bonds, the amount, if any, required to be deposited in the applicable Senior Debt Service Reserve Account pursuant to the Applicable Supplemental Trust Agreement and with respect to a Series of Subordinated Bonds, the amount, if any, required to be deposited in the applicable Subordinated Debt Service Reserve Account pursuant to the Applicable Supplemental Trust Agreement.

“SIFMA Index” shall mean, on any day, The Securities Industry and Financial Markets Association Municipal Swap Index as of the most recent date for which such index was published by Municipal Market Data, Inc., provided that, if such index is no longer published by Municipal Market Data, Inc. or its successor, then “SIFMA Index” shall mean such other reasonably comparable index selected by the Authority.

“Sinking Fund Payment” shall mean, as of any particular date of computation and with respect to Bonds of a particular Series, the amount of money required by any Supplemental Trust Agreement to be paid by the Authority on a single future date for the retirement of any Outstanding Bonds of said Series which mature after said future date, but does not include any amount payable by the Authority by reason of the redemption of Bonds at the election of the Authority.

“SMART Fund” shall mean the School Modernization and Reconstruction Trust Fund established by Section 35BB of Chapter 10 of the Massachusetts General Laws or any other fund or account of the Commonwealth created in replacement thereof.

“Subordinated Bonds” shall mean any Bonds designated as such by the Authority.

“Subordinated Debt Service Fund Requirement” shall mean the amount of Debt Service on all Subordinated Bonds Outstanding accrued or accruing prior to the last Business Day of the next succeeding month, provided that the payments to be made under this definition shall be appropriately adjusted to reflect the date of original issue of a Series of Subordinated Bonds, any accrued interest, investment earnings and other available moneys deposited in the Subordinated Debt Service Fund and any amounts applied from any Subordinated Debt Service Reserve Account, including investment earnings thereon, and any purchase or redemption of Subordinated Bonds so that there will be available on each Debt Service Payment Date in the Subordinated Debt Service Fund the amount necessary to pay the interest and principal or Sinking Fund Payment due or coming due on the Subordinated Bonds and so that accrued interest and capitalized interest will be applied

to the installments of interest to which they are applicable, and provided, further, that, if the Authority (1) has entered into a Parity Hedge Agreement as described under the heading “Qualified Hedge Agreements” and (2) has made a determination that such Parity Hedge Agreement was entered into for the purpose of providing substitute interest payments or limiting the potential increase in the interest rate for a particular maturity of Subordinated Bonds in a principal amount equal to the notional amount of such Parity Hedge Agreement and (3) the Scheduled Hedge Payments payable by the Hedge Provider under such Parity Hedge Agreement are equal in amount and fall on the same dates as the payment of interest on such Subordinated Bonds, then during the term of such Parity Hedge Agreement and so long as the Hedge Provider under such Parity Hedge Agreement is not in default thereunder, the interest payable on such Subordinated Bonds shall be determined at the Fixed Hedge Rate or the Variable Hedge Rate, as the case may be, applicable to payments to be made by the Authority under such Parity Hedge Agreement, provided, however, that if such Parity Hedge Agreement does not satisfy the foregoing requirements, the principal and interest requirements allocable to such Parity Hedge Agreement and the Series of Subordinated Bonds or portions thereof subject to such Parity Hedge Agreement shall be determined in the manner set forth in the Applicable Supplemental Trust Agreement.

“Supplemental Trust Agreement” shall mean any Trust Agreement of the Authority amending or supplementing the Trust Agreement adopted and becoming effective in accordance with the terms of the Trust Agreement.

“Tax Exempt Bonds” shall mean any Bonds accompanied by a Bond Counsel’s opinion upon the original issuance thereof that the interest on such Bonds is not includable in the gross income of the Registered Owner thereof for Federal income tax purposes.

“Tender Bonds” shall have the meaning set forth under the heading “Authorization of Bonds.”

“Termination Hedge Payments,” except as otherwise provided in an Applicable Trust Agreement, shall mean all payments, other than Scheduled Hedge Payments, to be made by the Authority or a Hedge Provider, as the case may be, under a Qualified Hedge Agreement.

“Valuation Date” shall mean (i) with respect to any Bonds that are Capital Appreciation Bonds, the date or dates set forth in the Applicable Supplemental Trust Agreement on which specific Accreted Values are assigned to such Bonds and (ii) with respect to any Bonds that are Deferred Income Bonds, the date or dates prior to the Interest Commencement Date set forth in the Applicable Supplemental Trust Agreement on which specific Appreciated Values are assigned to such Bonds.

“Variable Hedge Rate” shall mean the variable interest rate payable by the Authority on a notional amount under a Variable Rate Hedge Agreement.

“Variable Rate Bonds” shall have the meaning set forth under the heading “Authorization of Bonds.”

“Variable Rate Hedge Agreement” shall mean a Qualified Hedge Agreement requiring the Authority to pay a variable interest rate on a notional amount.

### **Pledge of the Trust Agreement**

There are pledged in the Trust Agreement for the payment of the principal and Redemption Price of and interest on Senior Bonds, for the payment of Reimbursement Obligations (as described under “Credit Enhancement and Liquidity Facilities” below) and for the payment of Scheduled Hedge Payments payable by the Authority on any Parity Hedge Agreement (as described under “Qualified Hedge Agreements” below), in either case entered into with respect to Senior Bonds, subject only to the provisions of this Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in this Trust Agreement, (i) the Pledged Receipts and all rights to receive the same, whether existing or coming into existence and whether held or hereafter acquired and including any proceeds thereof, (ii) all moneys, securities and any investment earnings with respect thereto in all Funds established by or pursuant to this Trust Agreement (except for the Subordinated Debt Service Fund, the Subordinated Debt Service Reserve Fund and the Subordinated Redemption Fund), provided that amounts held in each Senior Debt Service Reserve Account within the Senior Debt Service Reserve

Fund shall only be pledged to the payment of the related Series of Senior Bonds and (iii) all Scheduled Hedge Payments and all Termination Hedge Payments payable to the Authority by a Hedge Provider pursuant to a Qualified Hedge Agreement (collectively, the "Senior Trust Estate"). Subject only to the foregoing prior pledge created for the payment of the Senior Bonds, and on the terms and conditions set forth herein with respect to such prior pledge, there are hereby pledged for the payment of the principal and Redemption Price of and interest on Subordinated Bonds, for the payment of Reimbursement Obligations (as described under "Credit Enhancement and Liquidity Facilities" below) and for the payment of Scheduled Hedge Payments payable by the Authority on any Parity Hedge Agreement (as described under "Qualified Hedge Agreements" below), in either case entered into with respect to Subordinated Bonds, subject only to the provisions of this Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in this Trust Agreement, (i) the Pledged Receipts and all rights to receive the same, whether existing or coming into existence and whether held or hereafter acquired and including any proceeds thereof, (ii) all moneys, securities and any investment earnings with respect thereto in all Funds established by or pursuant to this Trust Agreement (except for the Senior Debt Service Fund, the Senior Debt Service Reserve Fund and the Senior Redemption Fund), provided that amounts held in each Subordinated Debt Service Reserve Account within the Subordinated Debt Service Reserve Fund shall only be pledged to the payment of the related Series of Subordinated Bonds, and (iii) all Scheduled Hedge Payments and all Termination Hedge Payments payable to the Authority by a Hedge Provider pursuant to a Qualified Hedge Agreement (collectively, the "Subordinate Trust Estate, and together with the Senior Trust Estate, the "Trust Estate").

In accordance with the Act, the foregoing pledge shall be valid and binding and shall be deemed continuously perfected for all purposes of Chapter 106 of the General Laws of the Commonwealth and other applicable laws upon the filing of a copy of the Trust Agreement in the records of the Authority. The Trust Estate so pledged shall immediately be subject to the lien of such pledge without any physical delivery or segregation thereof or further act, and the lien of such pledge shall be valid and binding against any and all parties having a claim of any kind, in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice thereof.

The Bonds and any Qualified Hedge Agreement thereunder shall be special obligations of the Authority payable solely from the Trust Estate to the extent provided in the Trust Agreement.

#### **Trust Agreement to Constitute Contract**

The Trust Agreement constitutes a contract between the Authority, the Fiduciaries and the Registered Owners from time to time of the Bonds, and the pledge made in the Trust Agreement and the covenants and agreements therein set forth to be performed by or on behalf of the Authority shall be for the equal benefit, protection and security of the Registered Owners of any and all of the Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as otherwise expressly provided in or permitted by the Trust Agreement.

#### **Authorization of Bonds**

The Authority is authorized to issue Bonds to be issued from time to time in one or more Series without limitation as to amount except as provided in the Trust Agreement or as may be limited by law. All such Bonds shall be entitled "Dedicated Sales Tax Bonds" and shall be further designated as either "Senior" or as "Subordinated".

The Bonds shall not be general obligations of the Authority or a pledge of its full faith and credit, but shall be special obligations of the Authority secured solely as provided in the Trust Agreement and payable solely from the funds, amounts and other rights and property available and pledged to such payments pursuant to the Trust Agreement and the Applicable Supplemental Trust Agreement.

The Bonds may be issued as Fixed Rate Bonds, Variable Rate Bonds, Tender Bonds, Capital Appreciation Bonds, Deferred Income Bonds or Discount Bonds or any combination thereof subject to the provisions and limitations provided in the Trust Agreement and in the applicable Supplemental Trust Agreement.

The Authority may issue bonds (“Fixed Rate Bonds”) which bear a fixed rate or rates of interest during the term thereof.

The Authority may issue bonds (“Variable Rate Bonds”) which provide for a variable, adjustable, convertible or other similar rates of interest, not fixed as to percentage at the date of issue for the term thereof.

The Authority may provide that any Series of Bonds may include an option exercisable by the Registered Owners thereof to have such Bonds (“Tender Bonds”) either repurchased or redeemed prior to the maturity thereof.

The Authority may issue Capital Appreciation Bonds which provide for the addition of accrued and unpaid interest to the principal due thereon upon such terms with respect thereto determined by an Applicable Supplemental Trust Agreement.

The Authority may issue Bonds (“Discount Bonds”) which either bear a zero stated rate of interest or bear a stated rate of interest such that such Bonds are sold at a price less than the aggregate principal amount thereof in order to provide such yield thereon as deemed appropriate and desirable thereon by the Authority.

The Authority may issue Bonds (“Deferred Income Bonds”) which provide for the deferral of interest on such Bonds until the Interest Commencement Date.

#### **Additional Bonds**

One or more Series of Additional Bonds may be issued for any purpose of the Authority, including without limitation financing the school building assistance program contemplated by the Act, making deposits to one or more Funds, paying Costs of Issuance or refunding Outstanding Bonds or other obligations of the Authority.

A Series of Additional Bonds may be issued and delivered to the Trustee but only upon receipt by the Trustee, among other items, of the following:

- (i) An opinion of Bond Counsel with respect to the validity of the Additional Bonds and the enforceability of the pledge under the Trust Agreement.
- (ii) A certificate of an Authorized Officer stating that, as of the delivery of such Additional Bonds and application of their proceeds, no Event of Default under the Trust Agreement will have happened and will then be continuing and no outstanding Reimbursement Obligations will then be due and unpaid (unless the providers of the Credit Enhancement or Liquidity Facility to which such Reimbursement Obligations pertain have consented to the issuance of such Additional Bonds);
- (iii) An amount of cash, Permitted Investments, Reserve Credit Facilities in a stated amount or other moneys, including proceeds of Bonds, such that following the issuance of such Additional Bonds and application of their proceeds, the amount on deposit in the applicable Senior Debt Service Reserve Account or Subordinated Debt Service Reserve Account, if any, shall at least equal the applicable Series Debt Service Reserve Fund Requirement, if any;
- (iv) If the Additional Bonds are to be issued as Senior Bonds, one of the following certificates as determined by the Authority:
  - (A) A certificate of an Authorized Officer showing that the Dedicated Sales Tax Revenue Amount during any 12 consecutive months out of the 24-month period ending with the last full month for which such information is available prior to the issuance of the Additional Senior Bonds was not less than 140% of the maximum Adjusted Senior Bond Debt Service Requirement in the then current or any future Fiscal Year with respect to all Senior Bonds Outstanding including the proposed Additional Senior Bonds, provided that if any of the

proposed Additional Senior Bonds will be Outstanding prior to July 1, 2010, such certificate shall also demonstrate that the applicable Dollar Amount or Percentage of Dedicated Sales Tax Revenue Amount (using the foregoing 12-month Dedicated Sales Tax Revenue Amount) for each Fiscal Year during which the Authority will be receiving the Phase-in Amount will be not less than 140% of the Adjusted Senior Bond Debt Service Requirement for such Fiscal Year with respect to all Senior Bonds Outstanding including the proposed Additional Senior Bonds, or

(B) a certificate of an Authorized Officer setting forth the estimated Pledged Receipts expected to be received by the Authority in each Fiscal Year following the issuance of the proposed Additional Senior Bonds and showing for each Fiscal Year that the estimated Pledged Receipts for such Fiscal Year will be not less than 140% of the Adjusted Senior Bond Debt Service Requirement for such Fiscal Year with respect to all Senior Bonds Outstanding including the proposed Additional Senior Bonds;

(v) If the Additional Bonds are to be issued as Subordinated Bonds, one of the following certificates as determined by the Authority:

(A) a certificate of an Authorized Officer showing that the Dedicated Sales Tax Revenue Amount during any 12 consecutive months out of the 24-month period ending with the last full month for which such information is available prior to the issuance of the Additional Subordinated Bonds was not less than 130% of the maximum Adjusted Bond Debt Service Requirement in the then current or any future Fiscal Year with respect to all Bonds Outstanding including the proposed Additional Subordinated Bonds, provided that if any of the proposed Additional Subordinated Bonds will be Outstanding prior to July 1, 2010, such certificate shall also demonstrate that the applicable Dollar Amount or Percentage of Dedicated Sales Tax Revenue Amount (using the foregoing 12-month Dedicated Sales Tax Revenue Amount) for each Fiscal Year during which the Authority will be receiving the Phase-in Amount will be not less than 130% of the Adjusted Bond Debt Service Requirement for such Fiscal Year with respect to all Bonds Outstanding including the proposed Additional Subordinated Bonds, or

(B) a certificate of an Authorized Officer setting forth the estimated Pledged Receipts expected to be received by the Authority in each Fiscal Year following the issuance of the proposed Additional Subordinated Bonds and showing for each Fiscal Year that the estimated Pledged Receipts for such Fiscal Year will be not less than 130% of the Adjusted Bond Debt Service Requirement for such Fiscal Year with respect to all Bonds Outstanding including the proposed Additional Subordinated Bonds;

(vi) A certificate of an Authorized Officer showing that the total principal amount of Outstanding Bonds issued by the Authority under the Act, after giving effect to the issuance of such Series of Additional Bonds, will not exceed the limits, if any, imposed by the Act;

(vii) If the Authority shall deliver a certificate pursuant to subparagraphs (iv)(B) or (v)(B) above, a Rating Confirmation from each Rating Agency maintaining a rating on Bonds Outstanding; and

(viii) If applicable, the certificate of an Authorized Officer required by paragraph (c) under the heading "Qualified Hedge Agreements."

### **Refunding Bonds**

One or more Series of Refunding Bonds may be issued in accordance for the purpose of refunding all or any part of the Bonds of one or more Series Outstanding and delivered to the Trustee, but only upon receipt by the Trustee, among other items of the following:

(i) An opinion of Bond Counsel as described above under the section "Additional Bonds";

- (ii) A certificate of an Authorized Officer stating that, as of the delivery of such Refunding Bonds and application of their proceeds, (a) no Event of Default under the Trust Agreement will have happened and will then be continuing, (b) the amount on deposit in the Senior Debt Service Reserve Account or Subordinated Debt Service Reserve Account applicable to such Refunding Bonds, if any, is at least equal to the applicable Series Debt Service Reserve Fund Requirement, if any, and (c) the total principal amount of Outstanding Bonds issued by the Authority under the Act, after giving effect to the issuance of such Series of Refunding Bonds, and treating the Bonds to be refunded as no longer Outstanding, in accordance with the Act, will not exceed the limits, if any, imposed by the Act;
- (iii) A certificate of an Authorized Officer setting forth the Adjusted Bond Debt Service Requirement for each Fiscal Year in which Bonds are or will be Outstanding (a) computed immediately prior to the delivery of such Refunding Bonds and (b) computed immediately after the delivery of such Refunding Bonds, and showing either that (x) the Adjusted Bond Debt Service Requirement in each Fiscal Year in which Bonds will be Outstanding as computed in (b) of this paragraph will not be greater than the Adjusted Bond Debt Service Requirement in each such Fiscal Year as computed in (a) of this paragraph or (y) the maximum annual Adjusted Bond Debt Service Requirement for all such Fiscal Years as computed in (b) of this paragraph will not be greater than the maximum annual Adjusted Bond Debt Service Requirement for all such Fiscal Years as computed in (a) of this paragraph, provided that, in lieu of such certificate, the Authorized Officer may deliver to the Trustee either (A) a certificate satisfying the conditions of described above under “Additional Bonds” treating the Refunding Bonds to be issued as Additional Senior Bonds (if such Refunding Bonds are being issued as Senior Bonds) or (B) a certificate satisfying the conditions of described above under “Additional Bonds” treating the Refunding Bonds to be issued as Additional Subordinated Bonds (if such Refunding Bonds are being issued as Subordinated Bonds) or (C) a Rating Confirmation;
- (iv) A certificate of an Authorized Officer specifying the Bonds to be refunded and designating the Refunding Bonds as either Senior Bonds or Subordinated Bonds;
- (v) If any Bonds are to be redeemed prior to maturity, irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of the Bonds to be redeemed on a redemption date specified in the instructions;
- (vi) If the Bonds to be refunded are not by their terms due to mature or subject to redemption within the next succeeding 60 days, irrevocable instructions to the Trustee, satisfactory to it, to give due notice as provided under the Trust Agreement to the Registered Owners of the Bonds to be refunded;
- (vii) An amount of money or Defeasance Obligations sufficient to effect payment at maturity or redemption of the Bonds to be refunded;
- (viii) If applicable, the certificate of an Authorized Officer required by paragraph (c) under the heading “Qualified Hedge Agreements.”

### **Bond Anticipation Notes**

Whenever the Authority shall authorize the issuance of a Series of Bonds, the Authority may, to the extent authorized by the Act or any other law, issue notes (and renewals thereof) in anticipation of such Series. The principal of and interest on notes authorized hereunder and renewals thereof shall be payable from any moneys of the Authority lawfully available therefor, from the proceeds of such notes or from the proceeds of the sale of the Series of Bonds in anticipation of which such notes are issued. The proceeds of such Bonds may be pledged for the payment of the principal of and interest on such notes. Notes issued in anticipation of a Series of Senior Bonds may be paid from the proceeds of the sale of a Series of Subordinated Bonds, if the Authority so determines, and the proceeds of such Subordinated Bonds may be pledged for the payment of the principal of and

interest on such notes. The Authority may also pledge the Pledged Receipts to the payment of such notes on a subordinated basis, provided that prior to the issuance of any notes secured by such a pledge, the Authority shall (i) certify to the Trustee that it reasonably expects that all applicable requirements pertaining to the issuance of the Series of Bonds in anticipation of which such notes are to be issued can be satisfied and (ii) deliver a Rating Confirmation to the Trustee.

### **Creation of Liens; Other Indebtedness**

Except as otherwise set forth in the Trust Agreement, the Authority shall not issue any bonds, notes or other evidences of indebtedness, other than the Bonds, or enter into any Qualified Hedge Agreement, secured by a pledge of or other lien on the Trust Estate held or set aside by the Authority or by the Trustee under the Trust Agreement, and shall not otherwise create or cause to be created any lien or charge on such Trust Estate.

The Authority may at any time or from time to time issue notes or other evidences of indebtedness (and renewals thereof) in anticipation of Bonds, which notes, if so determined by the Authority and to the extent permitted by law, may be payable out of, or secured by a pledge of, the Trust Estate, provided that such payment or pledge shall in all respects be subordinate to the provisions of the Trust Agreement and the pledge created thereby for the benefit of the related Senior Bonds Outstanding or Subordinated Bonds Outstanding, as applicable, thereunder.

The Authority may issue bonds (other than Additional Bonds or Refunding Bonds), notes or other evidences of indebtedness, and may enter into Qualified Hedge Agreements, which are payable out of, or secured by a pledge of, the Trust Estate, provided that such payment or pledge shall in all respects be subordinate to the provisions of the Trust Agreement and the pledge created thereby for the benefit of the Senior Bonds Outstanding and Subordinated Bonds Outstanding thereunder.

The Authority may issue bonds, notes or other evidences of indebtedness, and may enter into any Qualified Hedge Agreement, which are payable out of, or secured by a pledge of, Pledged Receipts to be derived on and after such date as the pledge of the Trust Estate created by the Trust Agreement has been discharged or which have been released from the lien and pledge thereof.

### **Credit Enhancement and Liquidity Facilities**

The Authority may obtain or cause to be obtained Credit Enhancement or a Liquidity Facility providing for the payment of all or a portion of the principal, premium, or interest due or to become due on any Series of Bonds or any Qualified Hedge Payments payable by the Authority on a Qualified Hedge Agreement or providing for the purchase of such Bonds or a portion thereof by the issuer of any such Credit Enhancement or Liquidity Facility. The Authority may agree with the issuer of any Credit Enhancement or Liquidity Facility to reimburse such issuer from amounts held under the Trust Agreement or otherwise legally available to the Authority for amounts paid under the terms of such Credit Enhancement or Liquidity Facility together with interest thereon ("Reimbursement Obligations"). Any Reimbursement Obligation may be secured by a lien on the Trust Estate on a parity with the lien created under the Trust Agreement for the benefit of the related Series of Senior Bonds Outstanding or Subordinated Bonds Outstanding, as applicable, and as set forth below under the heading "Qualified Hedge Agreements" for the benefit of any Hedge Provider of any Parity Hedge Agreement.

To the extent provided in the Applicable Supplemental Trust Agreement, upon the payment of amounts under any Credit Enhancement, other than a Reserve Credit Facility, which is secured by a lien on the Trust Estate on a parity with the lien created by the Trust Agreement for the related Series of Senior Bonds or Subordinated Bonds, any Reimbursement Obligation arising therefrom may be deemed a Senior Bond Outstanding or Subordinated Bond Outstanding, as applicable, under the Trust Agreement or, in the case of any Reimbursement Obligation arising from Credit Enhancement on any Parity Hedge Agreement, a Scheduled Hedge Payment thereon payable in either case from the Senior Debt Service Fund on a parity with the Senior Bonds or the Subordinated Debt Service Fund on a parity with the Subordinated Bonds. Except as otherwise provided in the Applicable Supplemental Trust Agreement, any Reimbursement Obligation arising upon the payment of amounts under any Reserve Credit Facility shall be payable from amounts deposited in the Senior Debt Service Reserve

Fund or the Subordinated Debt Service Reserve Fund as set forth in paragraph (b) under the heading “Flow of Funds”.

### **Qualified Hedge Agreements**

(a) The Authority may from time to time enter into Qualified Hedge Agreements with a Hedge Provider with respect to all or a portion of the Bonds of any Series Outstanding. Prior to the effective date of any Qualified Hedge Agreement, the Authority shall deliver to the Trustee the following:

- (i) A fully executed copy of the Qualified Hedge Agreement, together with a certificate of an Authorized Officer stating that such agreement and the Hedge Provider meet the requirements of a Qualified Hedge Agreement and Hedge Provider thereunder; and
- (ii) A certificate of an Authorized Officer designating the Series of Senior Bonds or Subordinated Bonds or portions thereof subject to the Qualified Hedge Agreement.

(b) To the extent provided in a Supplemental Trust Agreement, the obligations of the Authority under a Qualified Hedge Agreement (herein referred to as a “Parity Hedge Agreement”) to make all or any portion of the Scheduled Hedge Payments required to be made by the Authority thereunder may be secured by a pledge of the Trust Estate on a parity with the pledge thereof created thereunder for the benefit of the Registered Owners of the related Series of Senior Bonds or Subordinated Bonds. If such Parity Hedge Agreement is entered into with respect to Senior Bonds, all Scheduled Hedge Payments to be made by the Authority under any Parity Hedge Agreement shall be payable from amounts deposited in the Senior Debt Service Fund on a parity with all other payments therefrom with respect to the Senior Bonds and if such Parity Hedge Agreement is entered into with respect to Subordinated Bonds, all Scheduled Hedge Payments to be made by the Authority under any Parity Hedge Agreement shall be payable from amounts deposited in the Subordinated Debt Service Fund on a parity with all other payments therefrom with respect to the Subordinated Bonds. The obligations of the Authority to make all or any portion of any Termination Hedge Payments under any Parity Hedge Agreement, and the obligation of the Authority to make any Qualified Hedge Payments under any other Qualified Hedge Agreement, may be secured by a pledge of the Trust Estate, provided that such pledge shall in all respects be subordinate to the pledge created by the Trust Agreement for the benefit of the related Senior Bonds or Subordinated Bonds Outstanding thereunder.

(c) Upon the issuance of any Variable Rate Bonds under the Trust Agreement which are subject to a Fixed Rate Hedge Agreement, an Authorized Officer shall deliver to the Trustee a certificate setting forth the Fixed Hedge Rate payable by the Authority during the term of such Fixed Rate Hedge Agreement on a notional amount of such Variable Rate Bonds.

(d) Upon the issuance of any Fixed Rate Bonds under the Trust Agreement which are subject to a Variable Rate Qualified Hedge Agreement, an Authorized Officer shall deliver to the Trustee a certificate setting forth the interest rate (the “Assumed Hedge Rate”) which such Authorized Officer reasonably determines will be the average interest rate which will be payable during the term of such Variable Rate Hedge Agreement then in effect on a notional amount of such Fixed Rate Bonds.

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

The following Funds shall be established and shall be held by the Trustee and are subject to the pledge created under the Trust Agreement:

- (i) Revenue Fund,
- (ii) Senior Debt Service Fund,
- (iii) Subordinated Debt Service Fund,
- (iv) Senior Debt Service Reserve Fund,

- (v) Subordinated Debt Service Reserve Fund,
- (vi) Senior Redemption Fund,
- (vii) Subordinated Redemption Fund, and
- (viii) Bond Related Costs Fund.

**Flow of Funds**

The Authority shall, following the execution of the Trust Agreement, transfer to the Trustee for payment into the Revenue Fund all Pledged Receipts as received. Without limiting the generality of the foregoing, the Authority, pursuant to the Trust Agreement, irrevocably requests the Treasurer and Receiver-General of the Commonwealth, pursuant to Section 35BB of Chapter 10 of the Massachusetts General Laws, to disburse all amounts in the SMART Fund constituting Pledged Receipts to the Trustee for deposit in the Revenue Fund as soon as practicable after identifying amounts as such, but in no event later than two Business Days after such identification, provided, however, that in the case of Pledged Receipts identified in July of each year on account of the preceding June, the Treasurer and Receiver-General shall so disburse 90% of the amount identified as such and shall disburse the balance, net of any necessary year-end audit adjustments, as soon as practicable after issuance of the State Auditor’s report on state tax revenues pursuant to paragraph (b) of Section 5 of Chapter 62F of the Massachusetts General Laws, but in any event within two Business Days after the issuance of such report. There shall also be deposited in the Revenue Fund any Scheduled Hedge Payments and any Termination Hedge Payments payable to the Authority by a Hedge Provider pursuant to a Qualified Hedge Agreement and any other moneys so directed by the Trust Agreement or by any Supplemental Trust Agreement and any other moneys of the Authority which it may in its discretion determine to so apply unless required to be otherwise applied by the Trust Agreement or any Supplemental Trust Agreement.

On or before the last Business Day of each month, the Trustee shall transfer amounts available in the Revenue Fund to the following Funds in the following order:

- (i) to the Senior Debt Service Fund, an amount equal to the Senior Debt Service Fund Requirement, to be further applied to the Senior Debt Service Accounts of the Senior Debt Service Fund as required by the Applicable Supplemental Trust Agreements;
- (ii) to each Senior Debt Service Reserve Account, on a pro-rata basis, the amount, if any, necessary to increase the amount on deposit in each Senior Debt Service Reserve Account to the level required by the Applicable Supplemental Trust Agreement;
- (iii) to the Bond Related Costs Fund, such amounts, if any, as may be set forth in an Applicable Supplemental Trust Agreement or in a certificate of an Authorized Officer delivered to the Trustee as necessary to pay Bond Related Costs with respect to Senior Bonds or to reimburse the Authority for the payment thereof;
- (iv) to the Subordinated Debt Service Fund, an amount equal to the Subordinated Debt Service Fund Requirement, to be further applied to the Subordinated Debt Service Accounts of the Subordinated Debt Service Fund as required by the Applicable Supplemental Trust Agreements;
- (v) to each Subordinated Debt Service Reserve Account, on a pro-rata basis, the amount, if any, necessary to increase the amount on deposit in each Subordinated Debt Service Reserve Account to the level required by the Applicable Supplemental Trust Agreement; and
- (vi) to the Bond Related Costs Fund, such amounts, if any, as may be set forth in an Applicable Supplemental Trust Agreement or in a certificate of an Authorized Officer delivered to the Trustee as necessary to pay Bond Related Costs with respect to Subordinated Bonds or to reimburse the Authority for the payment thereof.

Any balance remaining in the Revenue Fund following the above payments shall be retained in the Revenue Fund to be available for future payments therefrom or, upon the written direction of an Authorized Officer, shall be transferred by the Trustee to the Senior Redemption Fund or Subordinated Redemption Fund, to

the extent permitted by the Trust Agreement, or upon the written direction of an Authorized Officer, shall be transferred by the Trustee to the Authority, free and clear of any trust, lien, pledge or assignment securing the Bonds or otherwise existing under the lien of the Trust Agreement.

As long as no Event of Default shall have occurred and be continuing, the Trustee shall be entitled to rely without inquiry on a certificate of an Authorized Officer as to the proper amounts to be deposited in or withdrawn from any Fund as required by the Trust Agreement. The Authority shall furnish the Trustee with such a certificate prior to each time the Trustee is required or directed to deposit amounts in or withdraw amounts from any Fund thereunder. The Trustee shall retain copies of such certificates while any of the Bonds remain Outstanding.

Notwithstanding anything in this Section to the contrary, so long as there shall be held in the Senior Debt Service Fund an amount sufficient to fully pay all Outstanding Senior Bonds in accordance with their terms (including Principal Installments or Redemption Price and interest) no deposits shall be required to be made into the Senior Debt Service Fund and so long as there shall be held in the Subordinated Debt Service Fund an amount sufficient to fully pay all Outstanding Subordinated Bonds in accordance with their terms (including Principal Installments or Redemption Price and interest) no deposits shall be required to be made into the Subordinated Debt Service Fund.

### **Senior Debt Service Fund**

The Trustee shall pay out of the applicable Senior Debt Service Account of the Senior Debt Service Fund (i) on or before each Debt Service Payment Date for a Series of Senior Bonds the amount required for the interest and Principal Installments payable on such date (ii) on or before each redemption date for a Series of Senior Bonds, other than a redemption date on account of Sinking Fund Payments, the amount required for the payment of interest and Redemption Price on such Series of Senior Bonds then to be redeemed and (iii) on or before each Debt Service Payment Date for a Series of Senior Bonds the amount, if any, required for all Scheduled Hedge Payments payable by the Authority on such date under any Parity Hedge Agreement with respect to such Series of Senior Bonds; provided that in each case the Authority may direct the Trustee to make such payments on such date prior to the due date as the Authority determines to the extent amounts are available therefor in such Fund. Amounts accumulated in the applicable Senior Debt Service Account of the Senior Debt Service Fund with respect to any Sinking Fund Payment (together with amounts accumulated therein with respect to interest on the Senior Bonds for which such Sinking Fund Payment was established) may, and if so directed by an Authorized Officer shall, be applied by the Trustee prior to the 45th day preceding the due date of such Sinking Fund Payment, to (i) the purchase of Senior Bonds of the Series and maturity for which such Sinking Fund Payment was established, at prices not exceeding the applicable sinking fund Redemption Price plus interest on such Senior Bonds to the first date on which such Senior Bonds could be redeemed (or, in the case of a Sinking Fund Payment due on the maturity date, the principal amount thereof plus interest to such date), such purchases to be made in such manner as the Authority shall arrange, or (ii) the redemption of such Senior Bonds then redeemable by their terms. The applicable Redemption Price or principal amount (in the case of maturing Senior Bonds) of any Senior Bonds so purchased or redeemed shall be deemed to constitute part of the applicable Senior Debt Service Account of the Senior Debt Service Fund until such Sinking Fund Payment date for the purpose of calculating the amount of such Fund.

In satisfaction, in whole or in part, of any amount required to be paid into the applicable Senior Debt Service Account of the Senior Debt Service Fund which is attributable to a Sinking Fund Payment, there may be delivered on behalf of the Authority to the Trustee Senior Bonds of the Series and maturity entitled to such payment. All Senior Bonds so delivered to the Trustee in satisfaction of a Sinking Fund Payment shall reduce the amount thereof by the amount of the aggregate of the sinking fund Redemption Prices of such Senior Bonds.

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

The Trustee shall establish a Senior Debt Service Reserve Account within the Senior Debt Service Reserve Fund for each Series of Senior Bonds, if and as directed by the Applicable Supplemental Trust Agreement.

If at any time the amounts on deposit and available therefor in the Senior Debt Service Fund and the Senior Redemption Fund are insufficient to pay (i) the principal or the Redemption Price of, and interest on, a Series of Senior Bonds then due and (ii) all Scheduled Hedge Payments then payable by the Authority under any Parity Hedge Agreement relating to such Series of Senior Bonds, the Trustee shall withdraw amounts on deposit in the Senior Debt Service Reserve Account, if any, applicable to such Series of Senior Bonds, solely to pay the principal of and interest on such Series of Senior Bonds and Scheduled Hedge Payments relating to such Series of Senior Bonds. Amounts so withdrawn from a Senior Debt Service Reserve Account shall be derived, first, from cash or Permitted Investments on deposit therein and, second, from draws or demands on Reserve Credit Facilities held as a part thereof upon the terms and conditions set forth in any such Reserve Credit Facility or as set forth in the Applicable Supplemental Trust Agreement providing for such Reserve Credit Facility. If the Trustee shall draw on any cash or Permitted Investments and Reserve Credit Facilities in a Senior Debt Service Reserve Account, any amounts deposited in such Account to replenish the amounts drawn shall be paid, first, pro rata to the providers of the Reserve Credit Facilities as authorized under a Supplemental Trust Agreement and, second, shall be deposited therein as a cash deposit.

Subject to the provisions set forth in the first paragraph under the heading “Investments,” if on any Debt Service Payment Date for a Series of Senior Bonds, the amount on deposit in a Senior Debt Service Reserve Account is in excess of the Series Debt Service Reserve Fund Requirement applicable thereto (calculated by an Authorized Officer as of such Debt Service Payment Date after the payment of the amount due on such date for the interest and Principal Installments on the related Series of Senior Bonds Outstanding), 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 specified by the Authority.

Except as otherwise provided in the Applicable Supplemental Trust Agreement, whenever the Trustee shall determine that the amount of cash and Permitted Investments on deposit in a Senior Debt Service Reserve Account, together with all other funds available for the purpose, is equal to or in excess of the Redemption Price of the related Series of Senior Bonds Outstanding, the Trustee, at the direction of an Authorized Officer, shall transfer the balance of such cash and Permitted Investments from such Senior Debt Service Reserve Account to the Senior Debt Service Fund or the Senior Redemption Fund, as directed by an Authorized Officer, in connection with the payment or redemption of all of the Outstanding Senior Bonds of such Series.

Except as otherwise provided in the Applicable Supplemental Trust Agreement, at any time, the Trustee shall, upon the written direction of an Authorized Officer, transfer any amount in a Senior Debt Service Reserve Account to the Authority upon receipt by the Trustee of one or more Reserve Credit Facilities with aggregate stated and unpaid amounts not less than the amount so transferred, but, in no event, more than the amount required by the applicable Series Debt Service Reserve Fund Requirement.

### **Subordinated Debt Service Fund**

The Trustee shall pay out of the applicable Subordinated Debt Service Account of the Subordinated Debt Service Fund (i) on or before each Debt Service Payment Date for such Series of Subordinated Bonds the amount required for the interest and Principal Installments payable on such date (ii) on or before each redemption date for such Series of Subordinated Bonds, other than a redemption date on account of Sinking Fund Payments, the amount required for the payment of interest and Redemption Price on such Series of Subordinated Bonds then to be redeemed and (iii) on or before each Debt Service Payment Date for a Series of Subordinated Bonds the amount, if any, required for all Scheduled Hedge Payments payable by the Authority on such date under any Parity Hedge Agreement with respect to such Series of Subordinated Bonds; provided that in each case the Authority may direct the Trustee to make such payments on such date prior to the due date as the Authority determines to the extent amounts are available therefor in such Fund. Amounts accumulated in the applicable Subordinated Debt Service Account of the Subordinated Debt Service Fund with respect to any Sinking Fund Payment (together with amounts accumulated therein with respect to interest on the Subordinated Bonds for which such Sinking Fund Payment was established) may, and if so directed by an Authorized Officer shall, be applied by the Trustee prior to the 45th day preceding the due date of such Sinking Fund Payment, to (i) the purchase of Subordinated Bonds of the Series and maturity for which such Sinking Fund Payment was established, at prices not exceeding the applicable sinking fund Redemption Price plus interest on such Subordinated Bonds to the first date on which such Subordinated Bonds could be redeemed (or, in the case of a

Sinking Fund Payment due on the maturity date, the principal amount thereof plus interest to such date), such purchases to be made in such manner as the Authority shall arrange, or (ii) the redemption of such Subordinated Bonds then redeemable by their terms. The applicable Redemption Price or principal amount (in the case of maturing Subordinated Bonds) of any Subordinated Bonds so purchased or redeemed shall be deemed to constitute part of the applicable Subordinated Debt Service Account of the Subordinated Debt Service Fund until such Sinking Fund Payment date for the purpose of calculating the amount of such Fund.

In satisfaction, in whole or in part, of any amount required to be paid into the applicable Subordinated Debt Service Account of the Subordinated Debt Service Fund which is attributable to a Sinking Fund Payment, there may be delivered on behalf of the Authority to the Trustee Subordinated Bonds of the Series and maturity entitled to such payment. All Subordinated Bonds so delivered to the Trustee in satisfaction of a Sinking Fund Payment shall reduce the amount thereof by the amount of the aggregate of the sinking fund Redemption Prices of such Subordinated Bonds.

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

The Trustee shall establish a Subordinated Debt Service Reserve Account within the Subordinated Debt Service Reserve Fund for each Series of Subordinated Bonds, if and as directed by the Applicable Supplemental Trust Agreement.

If at any time the amounts on deposit and available therefor in the Subordinated Debt Service Fund and the Subordinated Redemption Fund are insufficient to pay (i) the principal or the Redemption Price of, and interest on, a Series of Subordinated Bonds then due and (ii) all Scheduled Hedge Payments then payable by the Authority under any Parity Hedge Agreement relating to such Series of Subordinated Bonds, the Trustee shall withdraw amounts on deposit in the Subordinated Debt Service Reserve Account, if any, applicable to such Series of Subordinated Bonds, solely to pay the principal of and interest on such Series of Subordinated Bonds and Scheduled Hedge Payments relating to such Series of Subordinated Bonds. Amounts so withdrawn from a Subordinated Debt Service Reserve Account shall be derived, first, from cash or Permitted Investments on deposit therein and, second, from draws or demands on Reserve Credit Facilities held as a part thereof upon the terms and conditions set forth in any such Reserve Credit Facility or as set forth in the Applicable Supplemental Trust Agreement providing for such Reserve Credit Facility. If the Trustee shall draw on any cash or Permitted Investments and Reserve Credit Facilities in a Subordinated Debt Service Reserve Account, any amounts deposited in such Account to replenish the amounts drawn shall be paid, first, pro rata to the providers of the Reserve Credit Facilities as authorized under a Supplemental Trust Agreement and, second, shall be deposited therein as a cash deposit.

Subject to the provisions set forth in the first paragraph under the heading "Investments," if on any Debt Service Payment Date for a Series of Subordinated Bonds, the amount on deposit in a Subordinated Debt Service Reserve Account is in excess of the Series Debt Service Reserve Fund Requirement applicable thereto (calculated by an Authorized Officer as of such Debt Service Payment Date after the payment of the amount due on such date for the interest and Principal Installments on the related Series of Subordinated Bonds Outstanding), such excess may be, in the discretion of the Authority, transferred by the Trustee to the Subordinated Debt Service Fund or, if approved by an opinion of Bond Counsel, to any Fund specified by the Authority.

Except as otherwise provided in the Applicable Supplemental Trust Agreement, whenever the Trustee shall determine that the amount of cash and Permitted Investments on deposit in a Subordinated Debt Service Reserve Account, together with all other funds available for the purpose, is equal to or in excess of the Redemption Price of the related Series of Subordinated Bonds Outstanding, the Trustee, at the direction of an Authorized Officer, shall transfer the balance of such cash and Permitted Investments from such Subordinated Debt Service Reserve Account to the Subordinated Debt Service Fund or the Subordinated Redemption Fund, as directed by an Authorized Officer, in connection with the payment or redemption of all of the Outstanding Subordinated Bonds of such Series.

Except as otherwise provided in the Applicable Supplemental Trust Agreement, at any time, the Trustee shall, upon the written direction of an Authorized Officer, transfer any amount in a Subordinated Debt Service Reserve Account to the Authority upon receipt by the Trustee of one or more Reserve Credit Facilities with

aggregate stated and unpaid amounts not less than the amount so transferred, but, in no event, more than the amount required by the applicable Series Debt Service Reserve Fund Requirement.

### **Senior Redemption Fund**

The Authority may deposit in the Redemption Fund any moneys, including Pledged Receipts, not otherwise required by the Trust Agreement to be deposited or applied. Subject to the next to last paragraph of the section “Flow of Funds,” above, if at any time the amount on deposit and available therefor in the Senior Debt Service Fund is insufficient to pay the Redemption Price of and interest on the Senior Bonds then due the Trustee shall withdraw from the Senior Redemption Fund and deposit in the Senior Debt Service Fund the amount necessary to meet the deficiency (other than amounts held therein for the redemption of Senior Bonds for which a notice of redemption shall have been given). Subject to the foregoing, amounts in the Senior Redemption Fund may be applied by the Authority to the redemption of Senior Bonds to the purchase of Senior Bonds at prices not exceeding the applicable Redemption Prices (plus accrued interest) had such Senior Bonds been redeemed (or, if not then subject to redemption, at the applicable Redemption Prices when next subject to redemption), such purchases to be paid for by the Trustee at such times and in such manner as arranged and directed by an Authorized Officer.

### **Subordinated Redemption Fund**

The Authority may deposit in the Redemption Fund any moneys, including Pledged Receipts, not otherwise required by the Trust Agreement to be deposited or applied. Subject to the next to last paragraph of the section “Flow of Funds,” above, if at any time the amount on deposit and available therefor in the Subordinated Debt Service Fund is insufficient to pay the Redemption Price of and interest on the Subordinated Bonds then due the Trustee shall withdraw from the Subordinated Redemption Fund and deposit in the Subordinated Debt Service Fund the amount necessary to meet the deficiency (other than amounts held therein for the redemption of Subordinated Bonds for which a notice of redemption shall have been given). Subject to the foregoing, amounts in the Subordinated Redemption Fund may be applied by the Authority to the redemption of Subordinated Bonds to the purchase of Subordinated Bonds at prices not exceeding the applicable Redemption Prices (plus accrued interest) had such Subordinated Bonds been redeemed (or, if not then subject to redemption, at the applicable Redemption Prices when next subject to redemption), such purchases to be paid for by the Trustee at such times and in such manner as arranged and directed by an Authorized Officer.

### **Bond Related Costs Fund**

Except as otherwise provided in a Supplemental Trust Agreement, amounts deposited in the Bond Related Costs Fund shall be applied by the Trustee to pay Bond Related Costs or to reimburse the Authority for the prior payment thereof in the manner, at the times and in the amounts as directed from time to time by an Authorized Officer.

Upon the certification of an Authorized Officer that all Bond Related Costs for a Series of Senior Bonds have been paid, any balance in the Bond Related Costs Fund allocable to such Series, or any portion thereof as directed by such Authorized Officer may be applied to Bond Related Costs for a Series of Subordinated Bonds. Upon the certification of an Authorized Officer that all Bond Related Costs related to Subordinated Bonds have been paid, any balance in the Bond Related Costs Fund shall be withdrawn therefrom and paid to the Authority to be used for any lawful corporate purpose of the Authority.

### **Investments**

Except as otherwise provided under “Defeasance” below, money held for the credit of any Fund under the Trust Agreement shall, to the fullest extent practicable, be invested, either alone or jointly with moneys in any other Fund, by or at the direction of an Authorized Officer, in Permitted Investments which shall mature or be redeemable at the option of the owner thereof, on such dates and in such amounts as may be necessary to provide moneys to meet the payments required to be made from such Funds, provided that if moneys in two or more funds or accounts are commingled for purposes of investments, the Trustee shall maintain appropriate records of the Permitted Investments or portions thereof which it makes and which are held for the credit of such Fund.

Except as otherwise provided by an Applicable Supplemental Trust Agreement, Permitted Investments purchased as an investment of moneys in any Fund shall be deemed at all times to be a part of such Fund and all income thereon shall accrue to and be deposited in such Fund and all losses from investment shall be charged against such Fund, provided that all income earned on investment or deposit of the Senior Debt Service Reserve Fund shall be credited to and deposited upon receipt in the Senior Debt Service Fund and all income earned on investment or deposit of the Subordinated Debt Service Reserve Fund shall be credited to and deposited upon receipt in the Subordinated Debt Service Fund.

In computing the amount in any Fund thereunder for any purpose, Permitted Investments shall be valued at amortized cost. As used herein the term “amortized cost,” when used with respect to an obligation purchased at a premium above or a discount below par, means the value as of any given time obtained by dividing the total premium or discount at which such obligation was purchased by the number of days remaining to maturity on such obligation at the date of such purchase and by multiplying the amount thus calculated by the number of days having passed since purchase; and (i) in the case of an obligation purchased at a premium by deducting the product thus obtained from the purchase price, and (ii) in the case of an obligation purchased at a discount by adding the product thus obtained to the purchase price. Unless otherwise provided in the Trust Agreement, Permitted Investments in any Fund thereunder shall be valued at least once in each Fiscal Year on the last day thereof. Notwithstanding the foregoing, Permitted Investments in a Senior Debt Service Reserve Account or Subordinated Debt Service Reserve Account shall be valued at amortized cost for all purposes of the Trust Agreement unless and until a withdrawal from such Account shall be required, in which event such investments shall thereafter be valued at amortized cost or market, whichever is lower, until the balance in such Fund, on the basis of such valuation, shall equal the Funded Series Debt Service Reserve Fund Requirement. So long as no default shall have occurred and be continuing thereunder, any Reserve Credit Facility held for the account of a Debt Service Reserve Account thereunder shall be valued at the stated and unpaid amount thereof.

#### **Powers as to Bonds and Pledge**

The Authority represents that it is duly authorized under the Act and all applicable laws to create and issue Bonds thereunder and enter into the Trust Agreement and to pledge the Trust Estate purported to be pledged by the Trust Agreement in the manner and to the extent provided in the Trust Agreement. The Trust Estate so pledged is and will be free and clear of any pledge, lien, charge or encumbrance thereon with respect thereto prior to, or of equal rank with, the pledge created by the Trust Agreement except to the extent expressly permitted by the Trust Agreement. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Trust Estate pledged under the Trust Agreement and all the rights of the Registered Owners and, to the extent provided therein, each Hedge Provider under the Trust Agreement against all claims and demands of all persons whomsoever. Without limiting the generality of the foregoing, the Authority agrees, so long as any Bonds remain Outstanding or any Reimbursement Obligations, Qualified Hedge Payments or Bond Related Costs remain unpaid or not provided for, (i) not to authorize the transfer of any excess amount from the SMART Fund to the Commonwealth if any portion of such amount was derived from the Dedicated Sales Tax Revenue Amount or the Phase-in Amount or if such transfer would in any way diminish the Authority’s right or ability to receive Pledged Receipts and (ii) not to make any determination pursuant to paragraph (f) of Section 35BB of Chapter 10 of the Massachusetts General Laws that Pledged Receipts are unnecessary for the purposes for which they have been pledged so as to permit a reduction in the rate of the excises imposed by Chapter 64H and Chapter 64I of the Massachusetts General Laws below the rate prescribed by said Section 35BB.

#### **Accounts and Reports**

The Authority shall keep proper books of record and account in which complete and correct entries shall be made of the Funds established by the Trust Agreement, and which shall at all times be subject to the inspection of the Trustee, the Owners of an aggregate of not less than 25% in principal amount of the Senior Bonds then Outstanding and the Owners of an aggregate of not less than 25% in principal amount of the Subordinated 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 to the Trustee a copy of the report of such audit. The reports, statements and other documents required to be furnished by the Authority to the Trustee pursuant to any provisions of the Trust Agreement shall be available for the inspection of Bondowners at the office of the Trustee.

## **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 Registered Owners of any Series of Tax Exempt Bonds. The Authority shall not permit the investment or application of the proceeds of any Series of Tax Exempt Bonds, 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 indebtedness to be “arbitrage bonds” within the meaning of said section 148.

## **Dedicated Payments**

In the Authority’s discretion, revenues of the Authority which are not Pledged Receipts as defined in the Trust Agreement as initially executed may be pledged and designated as Dedicated Payments thereunder by resolution of the Authority, provided that the conditions in one of the three following sentences are satisfied. If such Dedicated Payments are to be received from the United States of America or any agency or instrumentality thereof, (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 securing 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 an arrangement (a) such arrangement, by its terms, will not terminate so long as the Authority is relying thereon for the purpose of securing 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. If such Dedicated Payments are to be received in a manner not described in one of the two preceding sentences, the Authority may, in its sole discretion, designate any revenues which are not Pledged Receipts as Dedicated Payments, provided that either (i) such 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 Bonds or (ii) the Authority has received a Rating Confirmation from each Rating Agency then maintaining a rating on Outstanding Bonds. Without limiting the generality of the foregoing, payments made by the United States Treasury pursuant to Section 6431 of the Code are hereby deemed to satisfy the conditions of this section to qualify as Dedicated Payments. All Dedicated Payments shall be deposited upon receipt in the Senior Debt Service Fund. The Authority may in its discretion reverse or modify any pledge and designation of Dedicated Payments by a further resolution, and any determination to deposit Dedicated Payments in the Senior Debt Service Fund may be reversed or modified by written direction to the Trustee from an Authorized Officer, provided that such Authorized Officer shall certify to the Trustee that following such reversal or modification the Authority will meet the test for incurring one dollar of Additional Senior Bonds set forth in the Trust Agreement.

## **Events of Default**

One or more of the following events shall constitute an Event of Default under the Trust Agreement:

- (i) If default shall be made in the payment of the principal or Redemption Price of any Bond when due, whether at maturity or by call for mandatory redemption or redemption or purchase at the option of the Authority or any Registered Owner, or otherwise, or in the payment of any Sinking Fund Payment when due; or
- (ii) If default shall be made in the payment of any installment of interest on any Bond when due; or
- (iii) If default shall be made by the Authority in the performance or observance of any of the covenants, agreements or conditions on its part provided in the Trust Agreement or in the Bonds and such default shall continue for a period of 90 days after written notice thereof shall be given to the Authority by the Trustee, having received written notice of such default, or to the Authority and the Trustee by the Registered Owners of a majority in principal amount of the

Bonds Outstanding; provided that if such default cannot be remedied within such 90-day period, it shall not constitute an Event of Default under the Trust Agreement if corrective action is instituted by the Authority within such period and diligently pursued until the default is remedied.

### **No Right of Acceleration**

Neither the Registered Owners nor the Trustee shall have any right to accelerate the payment of principal or interest due on any Bonds Outstanding upon the occurrence of any Event of Default.

### **Application of Revenues and Other Moneys after Default**

The Authority covenants in the Trust Agreement 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 the Trustee to the extent permitted by law forthwith, all Pledged Receipts not otherwise held by the Trustee thereunder upon receipt thereof by the Authority.

During the continuance of an Event of Default, the Trustee shall apply the moneys, securities and funds held by the Trustee and such Pledged Receipts and the income therefrom as follows and in the following order:

- (i) to the payment of the reasonable and proper charges and expenses of the Trustee and of any counsel selected by a Trustee;
- (ii) then, as follows:
  - (a) unless the principal amount of all of the Bonds shall have become due and payable,

First: To the payment to the persons entitled thereto to all installments of interest then due on the Senior Bonds in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full all installments maturing on the same date, then to the payment thereof ratably, according to the amounts 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 amount or Redemption Price of any Senior Bonds which shall become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all the Senior Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference;

Third: To the payment of any person entitled to the payment of any Bond Related Costs related to Senior Bonds ratably in accordance with the amount of such Bond Related Costs;

Fourth: To the payment to the persons entitled thereto to all installments of interest then due on the Subordinated Bonds in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full all installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference;

Fifth: To the payment to the persons entitled thereto of the unpaid principal amount or Redemption Price of any Subordinated Bonds which shall become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount

available shall not be sufficient to pay in full all the Subordinated Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference; and

Sixth: To the payment of any person entitled to the payment of any Bond Related Costs related to Subordinated Bonds ratably in accordance with the amount of such Bond Related Costs.

(b) if the principal of all of the Bonds shall have become due and payable,

First: To the payment of the principal amount and interest then due and unpaid upon the Senior Bonds 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, or of any Senior Bond over any other Senior Bond, ratably, according to the amounts due respectively for principal amount and interest, to the persons entitled thereto, without any discrimination or preference;

Second: To the payment of any person entitled to the payment of any Bond Related Costs related to Senior Bonds ratably in accordance with the amount of such Bond Related Costs;

Third: To the payment of the principal amount and interest then due and unpaid upon the Subordinated Bonds 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, or of any Subordinated Bond over any other Subordinated Bond, ratably, according to the amounts due respectively for principal amount and interest, to the persons entitled thereto, without any discrimination or preference; and

Fourth: To the payment of any person entitled to the payment of any Bond Related Costs related to Subordinated Bonds ratably in accordance with the amount of such Bond Related Costs.

Notwithstanding anything in this section to the contrary, amounts on deposit in the Senior Debt Service Fund, the Senior Debt Service Reserve Fund and the Senior Redemption Fund and the investment earnings on such amounts shall be applied solely to the payment of amounts due on the respective Series of Senior Bonds and amounts on deposit in the Subordinated Debt Service Fund, the Subordinated Debt Service Reserve Fund and the Subordinated Redemption Fund and the investment earnings on such amounts shall be applied solely to the payment of amounts due on the respective Series of Subordinated Bonds.

The proceeds of any Credit Enhancement or Liquidity Facility shall be applied by the Trustee in the manner provided in the Supplemental Trust Agreement authorizing such Credit Enhancement or Liquidity Facility.

#### **Proceedings Brought by Trustee**

If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee may proceed to protect and enforce its rights and the rights of the Registered Owners of the Bonds under the Trust Agreement by a suit or suits in equity or at law. The Registered Owners of a majority in principal amount of the Senior Bonds then Outstanding, or if no Senior Bonds are Outstanding, a majority in principal amount of the Subordinated Bonds then Outstanding, may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, provided that the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Registered Owners not parties to such direction.

Regardless of the happening of an Event of Default, the Trustee shall have power to, but unless requested in writing by the Registered Owners of a majority in principal amount of the Senior Bonds then Outstanding, or if no Senior Bonds are Outstanding, a majority in principal amount of the Subordinated Bonds then Outstanding, and furnished with security and indemnity reasonably satisfactory to the Trustee, shall be under no obligation to, institute and maintain such suits and proceedings as it may deem necessary or expedient to prevent any impairment of the security under the Trust Agreement by any acts which may be unlawful or in violation of the Trust Agreement, or necessary or expedient to preserve or protect its interests and the interests of the Registered Owners.

Nothing contained in the Trust Agreement is intended to preclude the Trustee upon the occurrence of an Event of Default thereunder from asserting any and all remedies it may have at law or equity with respect to the Pledged Receipts and other amounts held as security thereunder, including asserting any rights it may have as Trustee thereunder as a secured party with respect to all security granted thereunder.

### **Restrictions on Registered Owners' Action**

No Registered Owner of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Trust Agreement or for any remedy under the Trust Agreement, unless such Registered Owner shall have previously given to the Trustee written notice of the happening of any Event of Default and the Registered Owners of at least a majority in principal amount of the Senior Bonds then Outstanding, or if no Senior Bonds are Outstanding, of a majority in principal amount of the Subordinated Bonds then Outstanding, shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity to exercise the powers granted in this Article in its own name, and unless such Registered Owners shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred thereby, and the Trustee shall have refused to comply with such request within a reasonable time.

### **Responsibility of Fiduciaries**

The duties and obligations of the Fiduciaries shall be determined by the express provisions of the Trust Agreement and any Applicable Supplemental Trust Agreement and the Fiduciaries shall not be liable except for their respective performance of such duties and obligations as are specifically set forth therein or in any Applicable Supplemental Trust Agreement and no further duties or obligations shall be implied. No Fiduciary shall be under any responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof or the application of any moneys paid to the Authority.

No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect of the Trust Agreement, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties under the Trust Agreement except for its own negligence or bad faith nor shall any Fiduciary be liable for the action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Trust Agreement.

### **Resignation and Removal**

The Trustee may at any time resign and be discharged of the duties and obligations created by the Trust Agreement by giving not less than 30 days' written notice to the Authority and each Registered Owner specifying the date when such resignation shall take effect, and such resignation shall take effect upon the day specified in such notice provided a successor shall have been appointed. If there exists an Event of Default hereunder and the Trustee determines that it is a conflict of interest to serve as Trustee for both the Senior Bonds and the Subordinated Bonds, the Trustee may resign and a successor Trustee may be appointed for the Subordinated Bonds by the Registered Owners of a majority in principal amount of the Subordinated Bonds then Outstanding and pending such appointment, as further set forth in the section entitled "Appointment of Successor Fiduciary".

The Trustee may be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Registered Owners of a majority in principal amount of the Senior Bonds then

Outstanding, or if no Senior Bonds are Outstanding, of a majority in principal amount of the Subordinated Bonds then Outstanding, or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the Authority. Except during the existence of an Event of Default, the Authority may remove the Trustee at any time for cause or upon not less than 30 days' prior written notice to the Trustee for such other reason as shall be determined in the sole discretion of the Authority.

### **Appointment of Successor Fiduciary**

In case at any time a Fiduciary shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of such Fiduciary, or of its property, shall be appointed, or if any public officer shall take charge or control of such Fiduciary, or of its property or affairs, a successor may be appointed (i) in the case of the Trustee, by the Registered Owners of a majority in principal amount of the Senior Bonds then Outstanding, or if no Senior Bonds are Outstanding, of a majority in principal amount of the Subordinated Bonds then Outstanding, excluding any Bonds held by or for the account of the Authority, by an instrument or concurrent instruments in writing signed and acknowledged by such Registered Owners or by their attorneys-in-fact duly authorized and delivered to such successor Trustee, notification thereof being given to the Authority and the predecessor Trustee and any other Fiduciary, and (ii) in the case of the Paying Agent, by the Authority, notification thereof being given to the predecessor Paying Agent and any other Fiduciary. Pending the appointment of a successor Trustee by the Registered Owners of a majority in principal amount of the Senior Bonds then Outstanding, or if no Senior Bonds are Outstanding, of a majority in principal amount of the Subordinated Bonds then Outstanding, the Authority by a written instrument signed by an Authorized Officer and delivered to the predecessor Trustee shall forthwith appoint a Trustee to fill such vacancy until a successor Trustee shall be appointed by the Registered Owners as authorized in the Trust Agreement. Any Trustee appointed in succession to the Trustee shall be a bank or trust company or a national banking association authorized to do business in the Commonwealth, having a capital and surplus aggregating at least \$50,000,000, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all duties imposed upon it by the Trust Agreement.

### **Supplemental Trust Agreement Effective upon Filing**

The Authority and the Trustee may at any time and from time to time enter into supplements or amendments to the Trust Agreement for any one or more of the following purposes:

- (i) to cure any ambiguity, inconsistency or formal defect or omission in the Trust Agreement;
- (ii) to close the Trust Agreement against, or provide limitations and restrictions contained in the Trust Agreement on, the original issuance of Bonds;
- (iii) to add to the covenants and agreements of the Authority contained in the Trust Agreement other covenants and agreements thereafter to be observed for the purpose of further securing the Bonds;
- (iv) to surrender any right, power or privilege reserved to or conferred upon the Authority by the Trust Agreement;
- (v) to authorize Bonds of a Series for any purpose permitted under the Trust Agreement or authorized by law and, in connection therewith, to specify and determine any matters and things relative to such Bonds not contrary to or inconsistent with the Trust Agreement;
- (vi) to authorize any Credit Enhancement, Liquidity Facility or Reserve Credit Facility;
- (vii) to exercise any provision in the Trust Agreement or to make such determinations thereunder as expressly provided therein to be exercised or determined in a Supplemental Trust Agreement;

- (viii) to confirm, as further assurance, any pledge under and the subjection to any lien or pledge created or to be created by the Trust Agreement of the Trust Estate; and
- (ix) for any other purpose, provided that such Supplemental Trust Agreement does not prejudice in any material respect the rights of the Registered Owner of any Bonds Outstanding at the date such Supplemental Trust Agreement becomes effective.

### **Powers of Amendment**

Except as provided in the section entitled “Supplemental Trust Agreement Effective Upon Filings,” any modification or amendment of the Bonds or of the Trust Agreement may be made by a Supplemental Trust Agreement with the written consent (i) of the Registered Owners of at least a majority in the principal amount of all Senior Bonds Outstanding, or if no Senior Bonds are Outstanding, all Subordinated Bonds Outstanding, at the time such consent is given, or (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Registered Owners of at least a majority in principal amount of each class by lien and priority of the Bonds of each Series so affected and Outstanding at the time such consent is given, and (iii) in case the modification or amendment changes the amount or date of any Sinking Fund Payment, of the Registered Owners of the Bonds of the particular Series and maturity entitled to such Sinking Fund Payment 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 Bonds of any specified like Series and maturity remain Outstanding, the vote or consent of the Registered Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No modification or amendment of the Trust Agreement made by any Supplemental Trust Agreement executed by the Authority and the Trustee shall permit a change in the terms of redemption or maturity of the principal amount of any Outstanding Senior Bond or Subordinated Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or the rate of interest thereon or the method for determining such rate or, except as otherwise provided in the Applicable Supplemental Trust Agreement, the terms of any Credit Enhancement or Liquidity Facility relating to a Bond, without the consent of the Registered Owner of such Senior Bond or Subordinated Bond, as applicable, or shall have a materially adverse affect on any of the rights or obligations of the Trustee or any Hedge Provider without its written assent thereto, or shall reduce the percentages of the principal amount of Bonds the consent of which is required to effect any such modification or amendment.

### **Defeasance**

(a) If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Registered Owners of the Bonds then Outstanding, the principal amount and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Trust Agreement, and if no Reimbursement Obligations, Qualified Hedge Payments or Bond Related Costs then due and payable remain unpaid or payment of such Reimbursement Obligations, Qualified Hedge Payments or Bond Related Costs have been provided for, then the pledge of any Pledged Receipts or other moneys and securities pledged by the Trust Agreement and all other rights granted by the Trust Agreement shall be discharged and satisfied. In such event, the Trustee shall, upon request of the Authority, execute and deliver to the Authority all such instruments as may be desirable to evidence such release and discharge and shall pay over or deliver to the Authority all moneys or securities held by it pursuant to the Trust Agreement which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption or for the payment of Reimbursement Obligations or Qualified Hedge Payments or Bond Related Costs.

(b) Bonds or interest installments for the payment or redemption of which moneys shall be held by a Fiduciary (through deposit by the Authority of funds for such payment or redemption or otherwise), whether at or prior to the maturity or the redemption date of such Bonds, shall be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) of this heading. All Outstanding Bonds of any Series or any part of a Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) of this heading if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, an Authorized Officer shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to provide, notice of redemption on said date of such Bonds, (ii) there

shall have been deposited with a Fiduciary either (x) moneys in an amount which shall be sufficient or (y) Defeasance Obligations (A) not subject to redemption at the option of the issuer thereof prior to the due date thereof or (B) 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 (C) upon compliance with the provisions of paragraph (e) of this heading which are subject to redemption prior to maturity at the option of the issuer thereof on a specified date or dates, in each case the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with a Fiduciary at the time of deposit of such Defeasance Obligations, shall be sufficient (without reference to any forward purchase agreement as hereinafter provided), as certified by a firm of independent public accountants, to pay when due the principal amount or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and in the event said Bonds do not mature and are not by their terms subject to redemption within the next succeeding 60 days, an Authorized Officer shall have given the Trustee in form satisfactory to it irrevocable instructions to provide, as soon as practicable, written notice to the Registered Owners of such Bonds that the deposit required by clause (ii) above has been made with a Fiduciary and that said Bonds are deemed to have been paid in accordance with paragraph (a) of this heading and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal amount or Redemption Price, if applicable, on said Bonds. Neither Defeasance Obligations nor moneys deposited with a Fiduciary pursuant to this heading nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and all of the same shall be held in trust for, the payment of the principal amount or Redemption Price, if applicable, and interest on said Bonds, provided, however that any cash received from the principal or interest payments on such Defeasance Obligations deposited with a Fiduciary, if not then needed for such purpose, may, to the extent practicable be reinvested in Defeasance Obligations as directed by an Authorized Officer or, in lieu of such direction at the time of receipt, an Authorized Officer may authorize and direct such Fiduciary to enter into one or more forward purchase agreements providing for the purchase of Defeasance Obligations at future dates, provided, further, that if such amounts shall have been derived from the proceeds of any Tax Exempt Bonds or bonds not issued thereunder which shall have been issued on the basis that the interest thereon is not includable in the gross income of the Registered Owner thereof for federal income tax purposes, any such amounts may be reinvested, or any such forward purchase agreement may be executed only upon receipt by the Trustee of a Bond Counsel's opinion that such reinvestment or forward purchase agreement shall not adversely affect the exclusion of the interest on such Tax Exempt Bonds or other bonds from gross income for federal income tax purposes. In the event of any conflict between the terms of such forward purchase agreement and the Trust Agreement, the provisions of the Trust Agreement shall apply. After the making of the payments for which such Defeasance Obligations or moneys were held, any surplus shall be promptly paid over to the Authority, as received by such Fiduciary, free and clear of any trust, lien or pledge or assignment securing the Bonds or otherwise existing under the Trust Agreement.

(c) For purposes of determining whether Variable Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Defeasance Obligations and moneys, if any, in accordance with paragraph (b)(ii) of this heading, the interest to come due on such Variable Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the Variable Rate Ceiling if in effect with respect to such Bonds, provided that if on any date, as a result of such Variable Rate Bonds having borne interest at less than such Variable Rate Ceiling for any period, the total amount of moneys and Defeasance Obligations on deposit with the Fiduciary for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been required to be deposited with the Fiduciary on such date in respect of such Variable Rate Bonds in order to satisfy the provisions of paragraph (b)(ii) above, the Fiduciary shall, if requested by the Authority, pay promptly the amount of such excess to the Authority free and clear of any trust, lien, pledge or alignment securing the Bonds or otherwise existing under the Trust Agreement.

(d) Tender Bonds shall be deemed to have been paid in accordance with paragraph (b)(ii) of this heading only if, in addition to satisfying the requirements thereof, there shall have been deposited with a Fiduciary 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 Bonds which could become payable to the Registered Owners of such Bonds upon the exercise of any options provided to the Registered Owners of such Bonds, provided that if, at the time a deposit is made with a Fiduciary pursuant to the provisions of paragraph (b)(ii) above, the options

originally exercisable by the Registered Owner of Tender Bonds are no longer exercisable, such Bonds shall not be considered Tender Bonds for purposes of this paragraph (d). If any portion of the moneys deposited with a Fiduciary for the payment of the principal amount of and premium, if any, and interest on Tender Bonds is not required for such purpose, the Fiduciary shall, if requested by the Authority, pay promptly the amount of such excess to the Authority free and clear of any trust, lien, pledge or assignment securing said Bonds or otherwise existing under the Trust Agreement.

(e) Defeasance Obligations described in paragraph (b)(ii) above may be included in the Defeasance Obligations deposited with a Fiduciary in order to satisfy the requirements of paragraph (b)(ii) above only if the determination as to whether moneys and Defeasance Obligations to be deposited with a Fiduciary in order to satisfy the requirements of such paragraph (b)(ii) above would be sufficient to pay when due either on the maturity date thereof or, in the case of any Bonds to be redeemed prior to the maturity date thereof, on the redemption date or dates specified in any notice of redemption to be made by the Trustee or in the instructions to give a notice of redemption provided to the Trustee in accordance with paragraph (b)(ii) above, the principal of or Redemption Price, if applicable, and interest on the Bonds which will be deemed to have been paid as provided in paragraph (b)(ii) above is made both (i) on the assumption that the Defeasance Obligations described in paragraph (b)(ii) above were not redeemed at the option of the issuer prior to the maturity date thereof and (ii) on the assumption that such Defeasance 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 Defeasance Obligations and that the proceeds of such redemption would not be reinvested by the Fiduciary.

(f) Anything in the Trust Agreement to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any Bonds which remain unclaimed for three years after the date when such 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 six months less than the applicable statutory escheat period (as determined by an Authorized Officer) if such moneys were deposited with the Fiduciary after the date when such Bonds become due and payable, shall, upon written direction from the Authority, be paid to the Authority as its absolute property and free from trust, and such Fiduciary shall thereupon be released and discharged with respect thereto and the Registered Owners shall look only to the Authority for the payment of such Bonds, provided that before being required to make any such payment to the Authority, such Fiduciary shall, at the expense of the Authority, cause to be published at least twice, at an interval of not less than seven days between publications, in Authorized Newspapers, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall not be less than 30 days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned promptly to the Authority.

### **No Recourse on the Bonds**

No recourse shall be had for the payment of the principal or Redemption Price of or the interest on the Bonds or for any Reimbursement Obligation or any Qualified Hedge Payment thereunder or for any claim based thereon or on the Trust Agreement against any official, agent, representative or employee of the Authority or any person executing the Bonds or the applicable Qualified Hedge Agreement. No official, agent, representative or employee of the Authority shall be held personally liable to any purchaser or Registered Owner of any Bond under or upon such Bond, or under or upon the Trust Agreement or any Supplemental Trust Agreement, or to any Hedge Provider or the issuer of any Credit Enhancement or any Liquidity Facility, or, to the extent permitted by law, because of the sale or issuance or attempted sale or issuance of Bonds, or because of any act or omission in connection with the investment or management of the Pledged Receipts, funds or moneys of the Authority, or otherwise in connection with the management of its affairs, excepting solely for things willfully done or omitted to be done with an intent to defraud.

### **Covenant of the Commonwealth**

Pursuant to paragraph (a) of Section 3B of Chapter 70B of the Massachusetts General Laws, the Treasurer and Receiver-General of the Commonwealth covenants in the Trust Agreement on behalf of the Commonwealth as set forth below:

- (a) The Treasurer and Receiver-General agrees to hold and disburse Pledged Receipts in the SMART Fund in compliance with all covenants and provisions relating thereto in the Trust Agreement. Without limiting the generality of the foregoing, the Treasurer and Receiver-General agrees, in accordance with Section 35BB of Chapter 10 of the Massachusetts General Laws, to disburse all amounts in the SMART Fund constituting Pledged Receipts to the Trustee for deposit in the Revenue Fund under the Trust Agreement as soon as practicable after identifying amounts as such, but in no event later than two Business Days after such identification, provided, however, that in the case of Pledged Receipts identified in July of each year on account of the preceding June, the Treasurer and Receiver-General agrees to disburse 90% of the amount identified as such and to disburse the balance, net of any necessary year-end audit adjustments, as soon as practicable after issuance of the State Auditor's report on state tax revenues pursuant to paragraph (b) of Section 5 of Chapter 62F of the Massachusetts General Laws, but in any event within two Business Days after the issuance of such report. The Treasurer and Receiver-General acknowledges, in accordance with said Section 35BB, that by affixing her signature to the Trust Agreement the Executive Director of the Authority has duly and irrevocably requested the Treasurer and Receiver-General to disburse all amounts in the SMART Fund constituting Pledged Receipts to the Trustee as aforesaid, so long as the Authority shall remain liable under the Trust Agreement on any Bonds or Qualified Hedge Agreements.
- (b) So long as any Bonds are Outstanding under the Trust Agreement or any Reimbursement Obligations, Qualified Hedge Payments or Bond Related Costs then due and payable remain unpaid or payment of such Reimbursement Obligations, Qualified Hedge Payments or Bond Related Costs shall not have been provided for, the Pledged Receipts shall not be diverted from the SMART Fund except to be transferred to the Revenue Fund as provided in the Trust Agreement, and the rates of the excises the revenues from which constitute the Dedicated Sales Tax Revenue Amount shall not be reduced below 1%.

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## PROPOSED FORM OF OPINION OF BOND COUNSEL

[DATE OF DELIVERY]

Massachusetts School Building Authority  
40 Broad Street, Suite 500  
Boston, Massachusetts 02109

Re: \$766,140,000 Senior Dedicated Sales Tax Refunding Bonds, 2012 Series A (the “Bonds”).

We have acted as bond counsel to the Massachusetts School Building Authority (the “Authority”) in connection with the issuance by the Authority of its \$766,140,000 Senior Dedicated Sales Tax Refunding Bonds, 2012 Series A (the “Bonds”). The Bonds are being issued pursuant to Chapter 70B of the Massachusetts General Laws, as amended (the “Act”), and the Trust Agreement, dated as of August 1, 2005 between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), as heretofore amended, restated and supplemented and as further supplemented by the Eleventh Supplemental Trust Agreement dated as of August 1, 2012 between the Authority and the Trustee (as amended, restated and 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 public instrumentality 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 Receipts and Dedicated Payments (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 Receipts, Dedicated Payments and amounts to the purposes and on the conditions permitted by the Trust Agreement.

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

Massachusetts School Building Authority

[DATE OF DELIVERY]

Page 2

(c) The Trust Agreement has been duly and lawfully authorized, executed and delivered, is in full force and effect and is a valid and binding agreement of the Authority enforceable upon the Authority in accordance with its terms.

(d) (i) Under existing law, interest on the Bonds will not be included in the gross income of the holders of such Bonds for federal income tax purposes. This opinion is rendered subject to the condition that the Authority comply with various requirements of the Internal Revenue Code of 1986, as amended, which requirements must be satisfied subsequent to the date of issuance of the Bonds in order to ensure that the interest on the Bonds is and continues to be excludable from the gross income of the holders of the Bonds 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.

(ii) 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.

(iii) We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

It should be understood that the rights of the holders of the Bonds, and the enforceability of the Bonds and the 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.

## FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated as of August 1, 2012 (the “Disclosure Agreement”) is executed and delivered by the Massachusetts School Building Authority (the “Authority”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), in connection with the issuance of the Massachusetts School Building Authority’s Senior Dedicated Sales Tax Refunding Bonds, 2012 Series A (the “Bonds”). The Bonds are being issued pursuant to Chapter 70B of the Massachusetts General Laws and the Trust Agreement, dated as of August 1, 2005 (as amended, restated and supplemented, the “Trust Agreement”), between the Authority and the Trustee, as supplemented by the Eleventh Supplemental Trust Agreement dated as of August 1, 2012. The Authority and the Trustee covenant and agree as follows:

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

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

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

(b) “EMMA” means the MSRB’s Electronic Municipal Market Access system currently located at <http://emma/msrb.org>, or its successor as designated by the MSRB.

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

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

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

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

All capitalized words and terms used in this Disclosure Agreement and not otherwise defined herein shall have the meaning ascribed to such words and terms in the Official Statement dated June 20, 2012 pertaining to the Bonds (the “Official Statement”).

Section 3. Provision of Annual Reports. The Authority shall deliver to the Trustee by February 1 of such year, an Annual Report for the fiscal year ended the preceding June 30. If said Annual Report does not contain the Authority’s audited financial statements for the fiscal year of the Annual Report, then the Authority shall, in any event, deliver to the Trustee (i) with the Annual Report unaudited financial statements for the fiscal year of the Annual Report and (ii) said audited financial statements as soon as practicable after the audited financial statements become available (but in no event later than April 30).

By February 15 of each year, the Trustee shall forward to EMMA the Authority's Annual Report, with the Authority's audited financial statements (or unaudited financial statements, if the audited financial statements are not then available) or notice of the Authority's failure to provide said Annual Report. If the Authority elects not to provide the Trustee with its audited financial statements as part of its Annual Report by February 1, the Trustee shall forward to EMMA the Authority's audited financial statements as soon as practicable after the Trustee has received the audited financial statements from the Authority. If the Trustee has not received an Annual Report by February 1 of any year, it shall notify the Authority of its failure to provide the Annual Report to the Trustee.

Upon its forwarding of the Annual Report and financial statements, the Trustee shall file a report with the Authority certifying that the Annual Report and financial statements have been forwarded to EMMA pursuant to this disclosure agreement, stating the date of such filing. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

Section 4. Content of Annual Reports. The Annual Report shall contain (i) the quantitative information for the preceding fiscal year of the type presented in the tables titled "HISTORICAL COMMONWEALTH SALES TAX RECEIPTS" and "AGGREGATE DEBT SERVICE AND SINKING FUND DEPOSIT REQUIREMENTS" in the Official Statement and (ii) the audited financial statements of the Authority for such fiscal year if audited financial statements are then available (or unaudited financial statements if audited financial statements are not then available), or (iii) notice of the Authority's failure if any, to provide such information.

Any or all of the items listed above may be included by reference to other documents, including official statements pertaining to debt issued by the Authority, which have been submitted to EMMA. The Authority's annual financial statements for each fiscal year shall consist of the balance sheet of the Authority and a statement of revenues, expenditures and changes in fund balance prepared in accordance with generally accepted accounting principles in effect from time to time, or as applicable law may otherwise provide. Such financial statements shall be audited by a firm of certified public accountants appointed by the Authority.

Section 5. Reporting of Significant Events. Upon the occurrence of any of the following listed events with respect to the Bonds, the Authority shall direct the Trustee to provide to EMMA in a timely manner not in excess of ten business days after the occurrence of the event, notice of such occurrence (numbered in accordance with the provisions of the Rule):

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

- (vii) modifications to rights of any owners of the Bonds, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Authority;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

For the purposes of the event identified in subparagraph (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Authority in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority.

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

Section 7. Enforceability of This Disclosure Agreement; Termination. To the extent permitted by law, the provisions of this Disclosure Agreement are enforceable against the Authority and the Trustee in accordance with the terms hereof by any owner of a Bond, including any beneficial owner acting as a third party beneficiary (upon proof of its status as a beneficial owner reasonably satisfactory to the Trustee). To the extent permitted by law, any such owner shall have the right, for the equal benefit and protection of all owners of the Bonds, by mandamus or other suit or proceeding at law or in equity, to enforce its rights against the Authority and the Trustee and to compel the Authority and the Trustee and any of their officers, agents or employees to perform and carry out their duties under such provisions of this Disclosure Agreement; provided, however, that the sole remedy for a violation of this Disclosure Agreement shall be limited to an action to compel specific performance of the obligations of the Authority and the Trustee under this Disclosure Agreement and shall not include any rights to monetary damages. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement. This Disclosure Agreement shall terminate if no Bonds remain outstanding (without

regard to an economic defeasance) or if the provisions of the Rule concerning continuing disclosure are no longer in effect, whichever occurs first.

Section 8. Amendments. This Disclosure Agreement may be amended, changed or modified by the parties hereto, without the consent of, or notice to, any owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the SEC or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Authority or the Trustee for the benefit of the owners of the Bonds, (d) to modify the contents, presentation and format of the annual financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the undertaking of the Authority in this Disclosure Agreement or otherwise responding to the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the owners of the Bonds, as determined either by a party unaffiliated with the Authority or the Trustee (such as the firm serving at the time as bond counsel to the Authority) or by the vote or consent of the Registered Owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment. Any amendment, change or modification to this Disclosure Agreement must be in writing and executed by the parties hereto.

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

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

Section 10. Duties, Immunities and Liabilities of the Trustee. The Trustee is agent of the Authority in the dissemination of the Annual Report and the other notices referenced herein and has no duty to verify the content, correctness or accuracy of, and shall not be responsible for sufficiency of, the Annual Report or notes. Unless it is specifically informed by, or directed to do so by the Authority, the Trustee shall not: (i) be deemed to have knowledge of any listed event; (ii) have a duty to file a notice of a

listed event described under Section 5 hereof; or (iii) be responsible for verifying any of the information in any such notice or determining the materiality of the event described in such notice. The Trustee shall have only such duties under this Disclosure Agreement as are specifically set forth in this Disclosure Agreement, and the Authority hereby agrees to indemnify and save the Trustee, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the cost and expenses (including attorney's fees) of defending against any claim of liability, but excluding all losses, expenses and liabilities due to the Trustee's negligence or willful misconduct in the performance of its duties hereunder. Notwithstanding anything to the contrary herein, the Trustee shall have the rights, indemnities, privileges and protections in the discharge of its obligations hereunder as it would have in discharging any of its obligations under the Agreement. The obligations of the Authority under this Section 10 shall survive resignation or removal of the Trustee for any reason and payment or defeasance of the Bonds.

Section 11. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 12. Governing Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the Commonwealth and applicable law of the United States of America.

Section 13. Titles of Sections. The titles of sections in this Disclosure Agreement shall have no effect in construing this Disclosure Agreement.

Section 14. Actions to be Performed on Non-Business Days. Any action required by this Disclosure Agreement to be taken on a Saturday, Sunday or holiday within the Commonwealth may be taken on the next business day with the same force and effect as if taken on the day so required.

IN WITNESS WHEREOF, THE MASSACHUSETTS SCHOOL BUILDING AUTHORITY and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee, have executed this Disclosure Agreement, under seal, all as of the day and year first above written.

MASSACHUSETTS SCHOOL BUILDING AUTHORITY

By: \_\_\_\_\_

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., as Trustee

By: \_\_\_\_\_

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## TABLE OF REFUNDED BONDS

<b>Bonds</b>	<b>Maturity/ Sinking Fund Installment (August 15)</b>	<b>Refunded Par</b>	<b>Remaining Par Amount Outstanding</b>	<b>CUSIP</b>	<b>Interest Rate</b>	<b>Redemption Date</b>	<b>Redemption Price</b>
2005 Series A	2021	\$ 98,595,000		576000BD4	5.000%	August 15, 2015	100%
	2022	103,650,000		576000BE2	5.000	August 15, 2015	100
	2023	108,965,000		576000BF9	5.000	August 15, 2015	100
	2024	114,555,000		576000BG7	5.000	August 15, 2015	100
	2025	118,635,000		576000BJ1	5.000	August 15, 2015	100
	2026	126,585,000		576000BK8	5.000	August 15, 2015	100
	2027	51,230,000	\$ 81,850,000	576000BL6*	5.000	August 15, 2015	100
	2030	86,000,000	294,765,000	576000BN2*	5.000	August 15, 2015	100

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\* Upon the refunding of the 2005A Bonds, new CUSIP numbers will be assigned to the refunded and the non-refunded portions.

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