

Massachusetts School Building Authority
Debt Management, Post-Issuance Compliance and Continuing Disclosure
Obligations: Policies and Procedures

Purpose

The purpose of this document is to describe and provide a framework for the issuance and management of debt by the Massachusetts School Building Authority (MSBA or Authority) in support of its mission. The primary mission of the MSBA is to provide grants to public K-12 public school districts for school construction and renovation projects in order to partner with Massachusetts communities to support the design and construction of educationally- appropriate, flexible, sustainable, and cost-effective school facilities. Debt issued by the MSBA is used to provide grants to cities, towns and regional districts throughout the Commonwealth. In connection with the issuance of debt, the Authority has established policies and procedures supporting its post-issuance compliance and continuing disclosure obligations, also described in this document.

The MSBA recognizes that one of the keys to sound financial management are written policies guiding the issuance of debt and procedures relating to its associated compliance and disclosure obligations. The development of such policies are a recommended practice by the Government Finance Officers Association and bond rating agencies, as well required by state and federal rules and regulations surrounding the issuance of debt by public entities. The advantages of a debt policy are that it enhances the quality of decisions made by the MSBA in relation to management of its debt, identifies clear objectives for MSBA staff, and demonstrates a commitment to long-term financial planning. Policies and procedures related to post-issuance compliance and continuing disclosure obligations ensure that the Authority is meeting all of the state and federal requirements related to the issuance of debt.

The Authority's debt management policy establishes the parameters for issuing and managing its debt. It provides guidelines regarding the timing and purposes for which debt may be issued, presents the types of permissible debt, selection of finance professionals, modeling, market surveillance, relations with credit rating agencies and the methods of sale that may be used. Adherence to this debt policy helps to ensure that the MSBA maintains a sound financial position and that the MSBA's credit quality and credit ratings are protected. Adherence to policies and procedures related to post-issuance compliance and continuing obligations protects the Authority and ensures that it is meeting all requirements necessary for the ongoing issuance of debt and management of its debt program.

Provisions of the MSBA's Enabling Act

The MSBA was created by chapter 208 of the Acts of 2004, 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"). Pursuant to the Act, the Commonwealth has dedicated one cent of the Commonwealth's state-wide sales tax to the MSBA.

Section 3B of chapter 70B of the Massachusetts General Laws specifically authorizes the MSBA

to issue debt. The aggregate principal amount of all bonds issued by the MSBA cannot exceed \$10,000,000,000 outstanding at any time. The Act permits the MSBA to enter into a trust agreement with a bond trustee to pledge revenues and provide protections to bondholders of its debt. Debt issued by the MSBA is authorized by a resolution of the MSBA's Board of Directors. Prior to the issuance of debt, the MSBA must advise the State Finance and Governance Board of the timing and terms of the debt issue. Debt of the MSBA is not considered debt of the Commonwealth or any of its political subdivisions.

Review of Policies and Procedures for Debt Management, Post-Issuance Compliance and Continuing Disclosure Obligations

The MSBA shall review these policies and procedures at least bi-annually and may make recommendations for changes, updates or other revisions as may be deemed necessary.

The Executive Director shall be responsible for retaining appropriately qualified staff to implement the provisions of these policies and procedures.

Debt Management

Current Debt Outstanding

As of December 1, 2019, the MSBA will have total debt outstanding of \$6,117,330,000. The final maturity of existing debt is February 2049. The largest MSBA debt issuance to date was \$2,500,000,000, and the smallest issuance was \$76,315,000. Interest on \$743,380,000 of the outstanding debt is eligible for varying levels of subsidy from the federal government. There are seventeen series of bonds outstanding.

Key Requirements of Trust Agreements

As of December 1, 2019, the MSBA will have issued twenty-one series of bonds. The bond issues have been issued pursuant to a Trust Agreement and series-specific supplemental agreements. The original Trust Agreement was adopted in August 2005. The most recent Supplemental Trust Agreement was adopted in November 2019. Six of the bond series were issued as subordinate lien debt.

The key provisions of the Trust Agreements are:

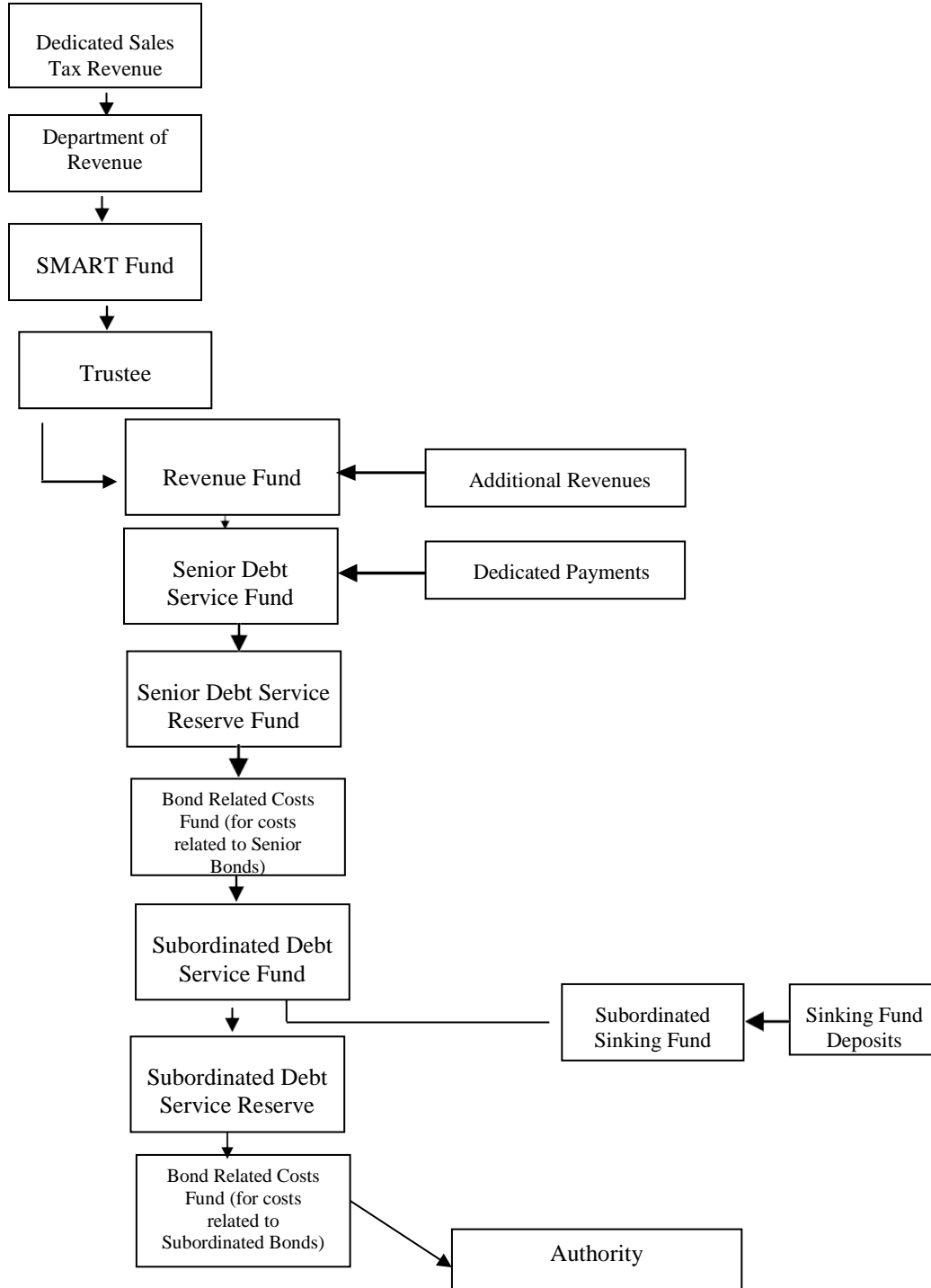
- a gross pledge of sales tax revenues;
- establishment of a flow of funds; and
- a limitation on the amount of future debt issuance in the form of additional bonds tests.

Gross Pledge of Dedicated Sales Tax Revenue

Under the Trust Agreements, the MSBA has covenanted a true unconditional gross pledge of the Dedicated Sales Tax Revenue. All dedicated sales tax receipts, once collected by the Massachusetts Department of Revenue, are deposited directly with the Bond Trustee monthly for payment of principal and interest on the MSBA's outstanding debt. After the Bond Trustee has fully funded any required Debt Service Fund(s) deposit(s), the remaining revenues are forwarded to the MSBA.

Flow of Funds

The Trust Agreement established a flow of funds which sets the priority of funding various accounts. By order of priority, the senior bondholder debt service and reserve accounts are funded first, the subordinate bond debt service and reserves are funded next, and lastly, any remaining funds are made available to the MSBA. The following chart shows the flow of funds as prescribed pursuant to the MSBA’s Trust Agreement.



Additional Bonds Test

Section 206(b)(v)(A) of the Trust Agreement dated as of August 1, 2005 provides that additional senior lien debt may be issued if recent annual sales tax revenues are 140% or more of the maximum senior net debt service in any future year. Section 206(b)(vi)(A) of the Trust Agreement dated as of June 1, 2010 provides that additional subordinate lien debt may be issued if recent annual sales tax revenues are 130% or more of the maximum net debt service (both senior and subordinate lien) in any future year. These provisions are intended to make MSBA debt highly rated and attractive to many investors.

Professional Services Selection Process

To assist in its debt program, the MSBA may engage the professional services of a bond counsel, disclosure counsel, bond trustee, underwriters, financial advisor(s), auditor(s), rebate consultant(s), verification agent(s), reinvestment agent(s), bidding agent(s), and other professional services as may be required.

Prior to engaging the services of any professional, the MSBA shall undertake a selection process as permitted by the MSBA's Procurement Policy, which includes issuing a Request for Services (RFS). Each RFS shall contain appropriate criteria to be used in selecting a firm(s). These criteria may include, but not be limited to:

- individual or team members;
- experience of individuals or team;
- capacity of the firm;
- prior service to MSBA;
- understanding of the MSBA's business processes and practices, specific needs, and debt structure; and
- fees.

In selecting a firm(s) the Authority should strongly consider any fees to be paid; however, it shall not be required to select the lowest bidder. Rather, the MSBA should select the most responsible, responsive and qualified bidder offering the best value. Responses to the RFS should be reviewed by a selection committee. The committee's recommendation is subject to approval by the MSBA Board or Executive Director. Upon receipt of the necessary approval, a firm(s) may be engaged to provide professional services.

Modeling, Debt Affordability and Stress Tests

The MSBA will prepare or update a finance model prior to each debt issuance. The purpose of the financial model is to provide the MSBA with an understanding of its capacity to fund school

renovation or construction grants over a long-term horizon. The model should be run using conservative assumptions. Generally, sales tax growth should be assumed to be modest, and future interest rates should be assumed to be higher than the current rates. The model will provide data to assist in the determination of the appropriate debt structure for upcoming debt issues. The model will also be used to run various scenarios or stress tests to allow the MSBA to gauge sensitivities and risks with model assumptions.

Ongoing Debt Market Surveillance

The MSBA shall monitor debt markets on an ongoing basis. The monitoring shall have three points of focus: secondary trading of MSBA debt, slope of the yield curve and spreads between taxable and tax-exempt municipal debt. Such monitoring will assist in the sizing, timing and structure of future new money and refunding issues.

Special emphasis on market surveillance should occur immediately following each bond sale. Trades of new MSBA bonds should be monitored to determine the consistency of the initial pricing to secondary market transactions. In the event that new MSBA bonds trade at prices significantly different from original issuance, the MSBA shall review available market information to try to determine the reason for such difference.

Debt Structuring

The structure of each new MSBA debt issue must be viewed in conjunction with past debt issuances and expected future capital needs. The structure of each debt offering should consider the following factors: current debt structure, expected capital needs over the next several years, slope of the yield curve, spread between senior and subordinate lien debt, spread between taxable and tax-exempt municipal debt, percentage of debt that is fixed rate, and costs of credit enhancement. Maturity should be consistent with expected useful life of projects receiving grants.

The primary factor in structuring a debt issue is the impact on the MSBA's Additional Bonds Test. The MSBA should avoid structures that significantly increase the maximum adjusted bond debt service calculation. The year with the highest net debt service will limit the amount of debt the MSBA is permitted to issue debt under the Trust Agreement.

The debt structure of the MSBA may include both fixed and variable rate debt. The fixed rate portion of the debt portfolio shall be 90% or greater as of the delivery of any new issuance of variable rate debt.

Method of Debt Issuance

The MSBA will issue debt either through a competitive bid process or by negotiation with underwriters. The method of debt issuance should be dictated by the goal of achieving lower cost source of funding. Factors to consider in determining which method of issuance to use are the following: size, type of bond, target investor base, complexity, market volatility, type and length of final maturity.

Approach to Credit Ratings

The MSBA will pursue policies that both achieve a high credit rating and do not prevent the Authority from performing its mission. The Authority will avoid overly restrictive covenants that may achieve a higher rating but severely limit the capacity to provide grant funding.

The MSBA will maintain an ongoing dialogue with the rating agencies. This dialogue will require the MSBA to notify the rating agencies of both favorable and unfavorable developments that may potentially affect the credit of the MSBA.

Legality

The MSBA will receive an opinion acceptable to the market, from a nationally recognized law firm that specializes in Bond Counsel services, that each financing transaction complies with applicable law and all agreements in connection with any financing are legal, valid and binding obligations of the MSBA.

Continuing Disclosure, Post Issuance Compliance, and Investor Relations

The MSBA will provide continuing disclosure at or above industry standards. Every debt issue will contain a provision committing the Authority to provide ongoing disclosure. The MSBA will track and respond as necessary to non-disclosure requirements associated with debt issuance, such as the calculation and payment of arbitrage rebate. The MSBA website may have a section with basic information that may be useful to investors. The MSBA will also participate in various investor and public finance conferences. The MSBA may utilize, when deemed appropriate, various forms of media to advertise and promote its bond sales. The media employed will depend upon the type and maturity of debt issued.

Refunding and Defeasance of Debt

The MSBA will monitor its debt portfolio and interest rates to determine the quality of any refunding or defeasance. Defeasance of non-callable or current refundable maturities will be evaluated based on the unrestricted funds available and the impact the defeasance will have on coverage ratios. A refunding must be considered in the context of the overall debt structure of the MSBA. Prior to refunding any debt, the MSBA shall conduct an analysis of the efficiency of the potential refunding. Savings from a refunding of a bond series will be spread over numerous years to achieve the goal of lowering the maximum adjusted bond debt service to facilitate future debt issuance.

Derivatives

To date, the MSBA has not entered into any derivative transactions.

Prior to engaging in a derivative transaction, the MSBA shall prepare a detailed report on the proposed transaction, which shall include, but not be limited to, the following:

- a clear statement of the reason for entering into the derivative transaction;
- the process for executing the derivative transaction;

- a statement explaining the intended benefit;
- a review of the long-term implications associated with entering into the derivative transaction, including costs of borrowing, historical interest rate trends, variable rate capacity, credit enhancement capacity, opportunities to refund related debt obligations and other similar considerations; and
- the risks inherent in the proposed derivative transaction, including but not limited to, counterparty risk, termination risk, liquidity risk, rollover risk, basis risk, tax event risk and/or amortization risk.

Derivative transactions shall not:

- Be used for speculative purposes
- Create extraordinary leverage or risk
- Lack adequate liquidity to terminate without incurring significant costs
- Provide insufficient price transparency to allow reasonable valuation

If the MSBA has entered into any derivative transactions, then the MSBA shall issue a report on derivative transactions at least once per year or as requested by the MSBA Board of Directors. Such report shall include the following:

- a summary of key terms of the agreements, including notional amounts, interest rates, maturity and method of procurement;
- the marked to market value of each derivative agreement;
- the full name, description and credit ratings of each counterparty or the applicable guarantor;
- the amounts that were required to be paid and received and any amounts that were actually paid and received;
- listing of any credit enhancement, liquidity facility or reserves and accounting of all costs and expenses associated with the credit enhancement, liquidity facility or reserves; and
- the aggregate marked to market value for each counterparty and relative exposure compared to other counterparties.

Post-Issuance Tax Compliance

The purpose of these post-issuance tax compliance procedures is to provide guidance and establish procedures in connection with bonds subject to the provisions of sections 141 and/or 148 of the Internal Revenue Code (“Bonds”) issued by the Massachusetts School Building Authority (“MSBA”), to ensure that the MSBA complies with all applicable post-issuance requirements of federal income tax law needed to preserve the tax advantaged status of the Bonds.

General

The Chief Financial Officer and Treasurer (“the Administrators”) are jointly responsible for all matters relating to MSBA financings and financial transactions. The Administrators will be assisted by the Director of Audit, General Counsel, and additional staff when appropriate.

The Administrators, Director of Audit and General Counsel will undertake efforts to become and remain knowledgeable of the relevant tax law. Such efforts may include, but not be limited to one or more of the following, attending educational conferences, viewing webinars, reviewing IRS releases, and consulting with the MSBA’s bond counsel and other consultants at least annually while tax-exempt bonds are outstanding.

Post-Issuance Compliance Requirements

External Advisors

The Administrators and other appropriate MSBA staff shall consult with Bond Counsel, Disclosure Counsel, and other parties, as needed, throughout the bond issuance process to identify requirements and establish policies and procedures necessary to ensure that interest on the Bonds will remain exempt from taxation under federal and state law or the Bonds will remain eligible for tax credits and/or subsidies from the United States. These policies, procedures, and requirements will be documented in the Tax Certificate and other appropriate documents prepared and finalized by Bond Counsel at or before the issuance of the Bonds. Of particular importance are policies and procedures to ensure compliance with applicable arbitrage rebate requirements and all other post-issuance requirements of federal tax law.

After issuance of the Bonds, the Administrators and other MSBA staff shall consult with Bond Counsel, Disclosure Counsel, and a Rebate Consultant to ensure that all applicable post-issuance requirements are understood and being met, as necessary.

Arbitrage Rebate

The MSBA shall engage the services of a Rebate Consultant to determine the amount of any rebate liability for any issue of Bonds. Such consultant shall annually determine the amount of any rebate liability for each issue of Bonds.

The MSBA, its Bond Trustee, and any investment provider shall provide the Rebate Consultant with all reports and documents needed to determine the amount of any rebate liability.

Annually, during the grant origination period and thereafter, the Administrators and assigned staff shall monitor the investment and grants made with Bond proceeds and shall consult with the Rebate Consultant to determine compliance with any applicable yield limitations, following the issue date of the Bonds. In addition, the MSBA shall deposit or maintain in a segregated restricted account the total amount of any rebate liability determined by the Rebate Consultant as of the end of each fiscal year.

The Administrators and appropriate MSBA staff shall monitor and review reports prepared by the Rebate Consultant. Administrators and MSBA staff shall take actions necessary to ensure that all rebate liability amounts are remitted to the federal government within 60 days after each 5-year anniversary of the issue date of each Bond and within 60 days after the last Bond of each issue is redeemed.

Use of Bond Proceeds

The Administrators and other appropriate MSBA staff shall consult with Bond Counsel regarding the planned use of proceeds to ensure that such usage is consistent with the Tax Certificate and other applicable documents.

The Administrators and other appropriate MSBA staff shall monitor the expenditure of bond proceeds on an annual basis until expended and prepare a final expenditure report. The purpose of the monitoring shall be to verify that proceeds are expended only for permitted purposes and in compliance with non-arbitrage requirements.

To further ensure compliance, the Administrators and other appropriate MSBA staff shall meet at least annually with personnel responsible for bond-financed grants to identify and discuss any existing or planned use of grant proceeds, to ensure that those uses are consistent with all covenants and restrictions set forth in applicable MSBA documents and Tax Certificates.

Record Keeping Requirements

Unless otherwise specified in applicable resolutions or Tax Certificates, MSBA shall maintain the following documents for the term of each issue of Bonds (including refunding Bonds, if any) plus at least three years:

- a copy of the bond closing transcript(s) and other relevant documentation delivered to the Issuer at or in connection with closing of the issue of the Bonds;
 - copies of all records of investments, expenditures, investment agreements, required arbitrage reports, continuing disclosure filings and Trustee statements and reports; and
 - copies of all material contracts and documents relating to the grants.
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- Any records may be kept for a shorter time if and as authorized by written guidance

published by the Internal Revenue Service. Records may be kept in written or electronic form.

For each debt issuance, a separate checklist, in the form attached hereto as Exhibit A (with such modifications as may be necessary), will be prepared in consultation with Bond Counsel and filed, with supporting documentation, in the records of MSBA.

Remedial Action

If the MSBA discovers a potential tax violation, the MSBA shall within 30 days of discovery consult with Bond Counsel and determine appropriate corrective measures. Such measures may include participation in the IRS's Voluntary Closing Agreement Program.

EXHIBIT A

FORM CHECKLIST

(To be maintained on a Series by Series basis)

Bond Documents

1. Bond Transcript (including the Supplemental Trust Agreement, the Tax Certificate and exhibits, the Rebate Regulatory Agreement, Form 8038, Official Statement, copies of any investment agreements)
2. Cash Flows, including Sources and Uses and Costs of Issuance
3. Yield Report
4. Records relating to investment of Bonds proceeds in Project Fund and Debt Service Reserve Fund
5. Records relating to bidding for Investment Agreements
6. Records relating to bids for and identification of any derivative products

Post Issuance Monitoring

7. Compliance with non-arbitrage requirements (including expenditure targets) in the Tax Certificate
8. Project Funding Agreement relating to Bond proceeds and other material contracts relating to grants
9. Reports of any change of use or non-compliance with grant agreements
10. Copies of any modifications to the Bond Documents
11. Final Expenditure Report
12. Forms 8038CP, if any

Yield and Arbitrage Calculations

13. Annual report of Rebate Consultant
14. First rebate installment due on fifth anniversary of bond issuance plus 60 day
15. Succeeding installments every five years plus 60 days
16. Final installment 60 days after retirement of last bond of the issue
17. Forms 8038T, if applicable

Disclosure and Continuing Disclosure Procedures

The purpose of these procedures is to provide guidance to the Authority for compliance generally with its disclosure obligations in the issuance of its debt, as well as with its continuing disclosure obligations following the issuance of such debt.

As the Authority's bonds are secured solely by the by Dedicated Sales Tax Revenue Amount, and not by any other revenues of the Authority, the Authority believes that it is appropriate for staff responsible for the Authority's disclosure obligations to participate in the Commonwealth's annual disclosure training program. The Chief Financial Officer will ensure that the appropriate staff attend the annual program. Staff also will consult with the Authority's Disclosure Counsel, as appropriate, to understand how changes from time to time in the federal securities laws may impact the Authority's disclosure obligations generally, including its continuing disclosure obligations.

For each issuance of bonds, the Authority shall execute a continuing disclosure agreement dated as of the date of closing, which shall be executed in conjunction with the Authority's bond trustee pursuant to which the Authority and the trustee covenant and agree that the continuing disclosure agreement is entered into solely to assist the Participating Underwriter (as defined) of the bonds in complying with subsection (b)(5) of the Rule (as defined). The continuing 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 (sometimes collectively called "owners"). The Chief Financial Officer of the Authority will be responsible for ensuring compliance with the Authority's continuing disclosure obligations.

Relevant Definitions

"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 the Authority's continuing disclosure agreement.

"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.

"MSRB" means the Municipal Securities Rulemaking Board.

"Participating Underwriter" shall mean any of the original underwriters of the Authority's bonds required to comply with the Rule in connection with an offering of bonds.

"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 the Authority's continuing disclosure agreement, including any official interpretation thereof.

"SEC" means the United States Securities and Exchange Commission.

Provision of Annual Reports

Not later than January 15 of each year, the trustee shall deliver a written notice to the Authority requesting that the Authority 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 audited financial statements become available. 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 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 the Authority's continuing disclosure agreement, stating the date of such filing.

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 Authority's 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. The trustee is agent of the Authority in the dissemination of the Annual Report and the other notices referenced herein and has not duty or responsibility as to the legal correctness or accuracy of the form or content of said Annual Report or notices. All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

Reporting of Significant Events

Upon occurrence of any of the following listed events with respect to the Authority's 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 Authority's bonds or other material events;
- (vii) modifications to rights of any owners of the Authority's bonds, if material;
- (viii) bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the Authority's 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;
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) incurrence of a financial obligation of the Authority, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Authority, any of which affects holders of the Authority's bonds, if material; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Authority, any of which reflect financial difficulties.

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.

For the purposes of the events identified in subparagraphs (xv) and (xvi) above, the Rule provides that the term “financial obligation” means (i) a debt obligation, (ii) a derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation or (iii) a guaranty of an instrument described in (i) or (ii). The term does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12. Given that the security for the Authority’s bonds is the pledge of the Dedicated Sales Tax Amounts, the Authority does not anticipate that the Authority will incur financial obligations, other than direct indebtedness and interest rate swap agreements, that would have a material effect on the Authority’s bondholders. The Authority’s Finance Department will monitor all such financial obligations to determine whether a notice should be filed with EMMA as described above.

Additional Information

Nothing in the Authority’s continuing disclosure agreement shall be deemed to prevent the Authority from providing any other information, using the means of dissemination set forth in its continuing disclosure agreements or any other means of communication, in addition to that which is required by its continuing disclosure agreement. If the Authority chooses to provide any information in addition to that which is specifically required by its continuing disclosure agreement, the Authority and the trustee shall have no obligation under the Authority’s continuing disclosure agreement to update such information in the future.

Enforceability of the Authority’s Continuing Disclosure Agreement; Termination

To the extent permitted by law, the provisions of the Authority’s continuing disclosure agreement is 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 Authority’s 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 the Authority’s continuing disclosure agreement; provided, however, that the sole remedy for a violation of the Authority’s continuing disclosure agreement shall be limited to an action to compel specific performance of the obligations of the Authority and the trustee under the continuing

disclosure agreement and shall not include any rights to monetary damages. A default under its continuing disclosure agreement shall not be deemed an Event of Default under the Authority's Trust Agreement. The Authority's continuing disclosure agreement for a particular issue of bonds 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.

Amendments

The Authority's continuing disclosure agreement may be amended, changed or modified by the parties thereto, 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 its continuing 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 the Authority's continuing disclosure agreement shall be in writing and shall be agreed to by the Authority and trustee.

If the Authority's continuing 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 the Authority's continuing 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.

Disclaimer

No information provided by or on behalf of the Authority under its continuing 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 its continuing disclosure agreement to update information provided pursuant to the continuing disclosure agreement except as specifically stated herein.

Duties, Immunities and Liabilities of the Trustee

The Authority's bond trustee shall have only such duties under the Authority's continuing disclosure agreement as are specifically set forth in the continuing 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. The obligations of the Authority under this Section 10 shall survive resignation or removal of the trustee and payment of the associated bonds.

Actions to be Performed on Non-Business Days

Any action required by the Authority's continuing 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.