

In the opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Under existing law, interest on the Bonds and any profit on the sale of the Bonds are exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See Tax Exemption herein.

\$853,555,000

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION
Metropolitan Highway System Revenue Bonds (Subordinated)
Commonwealth Contract Assistance Secured

\$592,335,000 Variable Rate Demand Obligations 2010 Series A-1, A-2, A-3, A-4, A-5, A-6 and A-7
\$261,220,000 2010 Series B

Dated: Date of Delivery**Due:** January 1, as shown on the inside cover pages

The Bonds are issuable only as fully-registered bonds, without coupons, initially registered in book-entry form in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company (“DTC”), New York, New York. Purchasers will not receive certificates representing their interest in Bonds purchased. See *Appendix H - Book-Entry Only System* herein. Details of payment of the Bonds are more fully described in this Official Statement. The 2010 Series A Bonds are variable rate bonds that initially will bear interest at Weekly Interest Rates determined by the applicable Remarketing Agent, as described herein. 2010 Series A Bonds bearing interest at a Weekly Interest Rate may be purchased upon demand of the registered owners thereof provided in the manner described herein. The Bonds are subject to redemption prior to maturity and, in the case of the 2010 Series A Bonds, optional and mandatory tender for purchase prior to maturity and conversion to other interest rate modes, all as more fully described herein.

Principal of, and premium, if any, on the Bonds will be payable when due upon surrender thereof at the corporate trust office of The Bank of New York Mellon, as Trustee (the “Trustee”). So long as DTC or its nominee is the Bondowner, principal, premium, if any, and interest payments are to be made by the Trustee directly to DTC as Bondowner. Disbursement of such payments to the DTC Participants (as defined herein) is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants and the Indirect Participants, as described herein.

The Bonds are being issued by the Massachusetts Department of Transportation (“MassDOT” or the “Issuer”), as successor to the Massachusetts Turnpike Authority (the “Authority”), for the purposes described herein under the Metropolitan Highway System Trust Agreement, dated as of September 1, 1997, as amended, and a Seventh Supplemental Metropolitan Highway System Trust Agreement dated as of March 1, 2010 (collectively, the “Trust Agreement”), each by and between MassDOT and the Trustee.

The Commonwealth of Massachusetts (the “Commonwealth”) and the Authority, predecessor to MassDOT, entered into a Contract for Financial Assistance dated as of June 30, 2009, as amended (the “Contract”) providing for the payment by the Commonwealth to MassDOT in the amount of \$100,000,000 per fiscal year until June 30, 2039. In the opinion of Bond Counsel, the obligation of the Commonwealth to make such payments to MassDOT constitutes a general obligation of the Commonwealth for which the full faith and credit of the Commonwealth are pledged. See *Payments from the Commonwealth* herein. Under the Trust Agreement, such payments are deposited directly to the Subordinated Debt Service Fund and used first to pay debt service on the Bonds and other parity subordinated obligations outstanding thereunder. Such payments, together with other funds to be deposited to the Subordinated Debt Service Fund, are expected to exceed the total amount of such obligations payable from such Fund in each year that the Bonds and other Subordinated Bonds are Outstanding. See *Subordinated Net Debt Service Requirements* herein. The Enabling Act currently prohibits the issuance of additional Bonds under the Trust Agreement, other than to refund Authority obligations issued prior to July 1, 2009.

The 2010 Series A Bonds are enhanced by standby bond purchase agreements or direct pay letters of credit, as described herein.

The Bonds will constitute special obligations of MassDOT payable solely from and secured solely by a pledge of certain Revenues and funds and accounts established under the Trust Agreement, including amounts payable by the Commonwealth and deposited directly to the Subordinated Debt Service Fund, all as described herein. The Issuer has no taxing power. Neither the Commonwealth nor any political subdivision thereof is or shall be obligated to pay the principal and redemption price of and interest on the Bonds and neither the faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to such payment.

The Bonds are offered when, as and if issued and received by the applicable Underwriters, subject to the unqualified approval of legality by Edwards Angell Palmer & Dodge LLP, Bond Counsel, Boston, Massachusetts and certain other conditions. Certain legal matters will be passed upon for MassDOT by Greenberg Traurig, LLP, Boston, Massachusetts, Disclosure Counsel to MassDOT, and for the Commonwealth and the Underwriters by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Disclosure Counsel to the Commonwealth and counsel to the Underwriters. Public Financial Management, Inc. has acted as Financial Advisor to MassDOT with respect to the Bonds. It is expected that the Bonds will be available for delivery at or through DTC, New York, New York on or about April 14, 2010.

Citi**BofA Merrill Lynch****Barclays Capital****J.P. Morgan**

\$592,335,000
Massachusetts Department of Transportation
Metropolitan Highway System Revenue Bonds (Subordinated)
Commonwealth Contract Assistance Secured
Variable Rate Demand Obligations 2010 Series A-1, A-2, A-3, A-4, A-5, A-6 and A-7

Terms Applicable to all 2010 Series A Bonds:

Price: 100%

Initial Interest Rate Determination Method: Weekly Interest Rate

Interest Payment Dates: January 1 and July 1, commencing July 1, 2010

Record Date for Interest Payments: 15th day of the month next preceding the interest payment date

Authorized Denominations: \$100,000 or any integral multiple of \$5,000 in excess of \$100,000

Subseries	2010 Series A-1	2010 Series A-2	2010 Series A-3	2010 Series A-4	2010 Series A-5	2010 Series A-6	2010 Series A-7
Principal Amount:	\$43,625,000	\$83,100,000	\$92,845,000	\$92,845,000	\$92,845,000	\$92,845,000	\$94,230,000
Maturity Date:	January 1, 2029	January 1, 2037	January 1, 2039	January 1, 2039	January 1, 2039	January 1, 2039	January 1, 2029
Credit Facility or Liquidity Facility:	Standby Bond Purchase Agreement	Standby Bond Purchase Agreement	Letter of Credit	Standby Bond Purchase Agreement	Standby Bond Purchase Agreement	Letter of Credit	Standby Bond Purchase Agreement
Bank:	TD Bank, N.A.	JPMorgan Chase Bank, N.A.	Bank of America, N.A.	Barclays Bank PLC	Barclays Bank PLC	Bank of America, N.A.	JPMorgan Chase Bank, N.A.
Commitment Expiration:	April 12, 2013	April 12, 2013	April 13, 2012	April 12, 2013	April 12, 2013	April 13, 2012	April 13, 2012
Remarketing Agent:	Citi	J.P. Morgan	BofA Merrill Lynch	Barclays Capital	Barclays Capital	BofA Merrill Lynch	Citi
Short-Term Ratings Moody's/S&P/Fitch:	VMIG 1/A-1+/F1+	VMIG 1/A-1+/F1+	VMIG 1/A-1/F1+	VMIG 1/A-1+/F1+	VMIG 1/A-1+/F1+	VMIG 1/A-1/F1+	VMIG 1/A-1+/F1+
Long-Term Ratings Moody's/S&P/Fitch*:	Aa3/AA/AA*	Aa3/AA/AA*	Aaa/AAA/AAA*	Aa3/AA/AA*	Aa3/AA/AA*	Aaa/AAA/AAA*	Aa3/AA/AA*
Underlying Long-Term Ratings For Letter of Credit-Backed Subseries (A-3 and A-6 Only) Moody's/S&P/Fitch:			Aa3/AA/AA*			Aa3/AA/AA*	
CUSIP No.:	57563C AA0	57563C AB8	57563C AC6	57563C AD4	57563C AE2	57563C AF9	57563C AG7

* On March 29, 2010, Fitch announced that it will recalibrate the long-term rating on the 2010 Series A-1 Bonds, the 2010 Series A-2 Bonds, the 2010 Series A-4 Bonds, the 2010 Series A-5 Bonds and the 2010 Series A-7 Bonds and the underlying rating on the 2010 Series A-3 Bonds and the 2010 Series A-6 Bonds to “AA” from “AA-” and that it will recalibrate the enhanced rating on the 2010 Series A-3 Bonds and the 2010 Series A-6 Bonds to “AAA” from “AA+,” all effective April 5, 2010 . These changes are part of Fitch's recalibration of its long-term municipal ratings to its global rating scales.

\$261,220,000
Massachusetts Department of Transportation
Metropolitan Highway System Revenue Bonds (Subordinated)
Commonwealth Contract Assistance Secured
2010 Series B

Ratings (Moody's/S&P/Fitch^{*}): Aa3/AA/AA^{*}

Dated: Date of Delivery

Due: January 1, as shown below

Authorized Denominations: \$5,000 or any integral multiple thereof
Interest Payment Dates: January 1 and July 1, commencing July 1, 2010

<u>Maturity</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2019	\$855,000	3.25%	3.37%	57563C AQ5
2020	22,155,000	5.00	3.56	57563C AR3
2021	25,260,000	5.00	3.68 ^{**}	57563C AS1
2022	24,420,000	5.00	3.76 ^{**}	57563C AT9
2023	20,190,000	5.00	3.84 ^{**}	57563C AU6
2024	22,550,000	5.00	3.92 ^{**}	57563C AV4
2025	5,600,000	5.00	4.00 ^{**}	57563C AW2
2026	8,395,000	5.00	4.08 ^{**}	57563C AX0
2027	2,000,000	4.00	4.16	57563C AY8
2028	2,060,000	4.00	4.23	57563C AZ5
2029	2,000,000	5.00	4.30 ^{**}	57563C BA9
2030	12,390,000	5.00	4.32 ^{**}	57563C BB7

\$113,345,000 5.00% Term Bonds maturing January 1, 2035 to Yield 4.45%^{} CUSIP 57563C BC5**

^{*} On March 29, 2010, Fitch announced that it will recalibrate the rating on the 2010 Series B Bonds to "AA" from "AA-" effective April 5, 2010. This change is part of Fitch's recalibration of its long-term municipal ratings to its global rating scales.

^{**} Priced to the January 1, 2020 optional redemption at par.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The information set forth herein has been obtained from the Commonwealth, MassDOT, the Bank and other sources which are believed to be reliable, but, as to information from other than MassDOT, it is not to be construed as a representation by MassDOT 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 MassDOT 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 MassDOT. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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

The CUSIP (Committee on Uniform Securities Identification Procedures) numbers printed in this Official Statement have been assigned by an organization not affiliated with MassDOT, the Underwriters or the Trustee, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of Bondowners and no representation is made as to the correctness of the CUSIP numbers printed herein. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors, including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financial products. None of MassDOT, the Underwriters or the Trustee has agreed to, nor is there any duty or obligation to, update this Official Statement to reflect any change or correction in the CUSIP numbers printed therein.

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OFFICIAL STATEMENT

of the

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION

relating to

\$853,555,000

Metropolitan Highway System Revenue Bonds (Subordinated)

Commonwealth Contract Assistance Secured

\$592,335,000 Variable Rate Demand Obligations 2010 Series A-1, A-2, A-3, A-4, A-5, A-6 and A-7

\$261,220,000 2010 Series B

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 Department of Transportation (“MassDOT” or the “Issuer”) of its Metropolitan Highway System Revenue Bonds (Subordinated), Commonwealth Contract Assistance Secured, Variable Rate Demand Obligations, \$43,625,000 2010 Series A-1, \$83,100,000 2010 Series A-2, \$92,845,000 2010 Series A-3, \$92,845,000 2010 Series A-4, \$92,845,000 2010 Series A-5, \$92,845,000 2010 Series A-6 and \$94,230,000 2010 Series A-7 (collectively, the “2010 Series A Bonds”) and \$261,220,000 2010 Series B (the “2010 Series B Bonds” and together with the 2010 Series A Bonds, the “Bonds”). Capitalized terms, if not defined herein, shall have the meanings set forth in *Appendix C – Summary of Certain Provisions of the Trust Agreement - Definitions* or, in the case of the 2010 Series A Bonds, *Appendix G - Definitions and Summary of Certain Provisions of the Bonds Relating to Variable Rate Demand Features, the Standby Bond Purchase Agreements, the Reimbursement Agreement and the Letters of Credit*.

Chapter 25 of the Acts of 2009 of the Commonwealth of Massachusetts (as amended, the “Transportation Reform Act”), which was enacted and approved in June 2009, was designed to reform the transportation system of the Commonwealth of Massachusetts (the “Commonwealth”). The Transportation Reform Act created the new authority, the Massachusetts Department of Transportation, through enactment of Chapter 6C of Massachusetts General Laws (the “Enabling Act”). MassDOT has a separate legal existence from the Commonwealth and is governed by a five-member board appointed by the Governor. The Governor has appointed a Secretary of MassDOT, who serves as MassDOT’s chief executive officer. The Board of Directors of MassDOT was authorized to begin exercising its powers on November 1, 2009. See *Massachusetts Department of Transportation*.

The Transportation Reform Act resulted, in part, from legislation enacted in 2004 which established a special Transportation Finance Commission (the “Transportation Commission”) to develop a comprehensive, multi-modal, long-range transportation finance plan for the Commonwealth. The Transportation Commission was charged with analyzing the Commonwealth’s long-term capital and operating needs for the state-wide transportation system and the funds expected to be available for such needs, as well as recommending how to close any perceived funding gap through potential cost savings, efficiencies and additional revenues. The Transportation Reform Act was in response to certain recommendations contained in the reports of the Transportation Commission. See *Massachusetts Department of Transportation*.

The Transportation Reform Act provided for the dissolution of the Massachusetts Turnpike Authority (the “Authority”) and the assumption by MassDOT of all of the Authority’s assets, liabilities, obligations and debt, including debt outstanding under the Trust Agreement. MassDOT assumed the rights, powers and duties of the Authority effective November 1, 2009 in accordance with the Transportation Reform Act. MassDOT’s power to issue debt for its corporate purposes related to the Metropolitan Highway System is limited to refunding obligations of the Authority that were issued prior to July 1, 2009.

The Commonwealth and the Authority, predecessor to MassDOT, pursuant to Section 138 of Chapter 27 of the Acts of 2009, as amended, entered into a Contract for Financial Assistance dated as of June 30, 2009 (as

amended, the “Contract”) providing for the payment by the Commonwealth to MassDOT of \$100,000,000 per fiscal year until June 30, 2039. In the opinion of Bond Counsel, the obligation of the Commonwealth to make such payments to MassDOT constitutes a general obligation of the Commonwealth for which the full faith and credit of the Commonwealth are pledged. See *Payments from the Commonwealth*. Under the Trust Agreement, such payments and certain funds payable under the 1999 Contract (as defined herein) constitute Dedicated Payments and shall be deposited monthly upon receipt from the Commonwealth directly to the Subordinated Debt Service Fund and used first to pay debt service on the Bonds, other Subordinated Bonds, if any, and other parity subordinated obligations payable therefrom. Dedicated Payments are anticipated to exceed the total amount of such obligations payable from the Subordinated Debt Service Fund in each year that the Bonds are Outstanding. See *Subordinated Net Debt Service Requirements* and *Payments from the Commonwealth*. The balance of Dedicated Payments derived from the Contract after satisfaction of all Subordinated Net Debt Service shall be deposited in the Senior Debt Service Fund. The Enabling Act currently prohibits the issuance of additional bonds under the Trust Agreement, other than to refund obligations issued by the Authority prior to July 1, 2009. The Trust Agreement prohibits the issuance of Additional Subordinated Bonds, other than Refunding Bonds. See *Payments from the Commonwealth* and *Security for the Bonds - Additional Indebtedness*.

The Transportation Reform Act establishes a Massachusetts Transportation Trust Fund (the “Trust Fund”) within MassDOT, into which all bridge, tunnel and highway tolls, together with certain other funds of the Commonwealth, are deposited. Upon agreement of MassDOT and the Massachusetts Bay Transportation Authority (“MBTA”), transit fares may be deposited into the Trust Fund. Pursuant to the Transportation Reform Act, amounts remaining in the Trust Fund at the end of each fiscal year do not revert to the Commonwealth’s General Fund but remain in the Trust Fund subject to the control of MassDOT and are not subject to appropriation by the Massachusetts legislature. The Trust Fund is to be used for operations, maintenance and capital costs related to the transportation assets under MassDOT’s jurisdiction, including assets of the Authority transferred pursuant to the Transportation Reform Act, as well as debt service on Authority debt assumed by MassDOT, including bonds issued under the Trust Agreement. Amounts in the Trust Fund that constitute Pledged Revenues under the Trust Agreement remain subject to the lien of the Trust Agreement and are required to be used in accordance with the Trust Agreement. See *Security for the Bonds - Pledge Under the Trust Agreement and -Flow of Funds*.

The Trust Agreement requires MassDOT to maintain the Capital Reinvestment Fund and that Revenues in each fiscal year shall be at least equal to the 1.00 times Combined Net Debt Service plus the Capital Reinvestment Requirement, which is to be established by MassDOT in its Annual Budget. See *Security for the Bonds - Toll Covenant*. Amounts deposited to the Capital Reinvestment Fund are available for capital improvements to the Accepted Metropolitan Highway System (as hereinafter defined). In addition, the Transportation Reform Act contemplates that the Commonwealth will fund future transportation improvements, including with respect to the Metropolitan Highway System through appropriations to the Trust Fund and through the issuance by the State Treasurer of Commonwealth debt. See *Capital Investments*.

The Bonds constitute special obligations of MassDOT, secured as to the payment of principal and redemption price or purchase price, if any, and interest thereon by a pledge of certain revenues and other moneys derived from the operation of the Accepted Metropolitan Highway System and certain funds and accounts established under the Trust Agreement, including the Subordinated Debt Service Fund into which the payments from the Commonwealth under the Contract and, after all Senior Bonds are no longer outstanding, but no later than January 1, 2037, the 1999 Contract are made, subject to the application thereof for the purposes and on the terms and conditions provided therein. See *Payments from the Commonwealth*, *Security for the Bonds* and *Appendix C - Summary of Certain Provisions of the Trust Agreement*.

The Bonds are authorized to be issued by MassDOT, as successor to the Authority pursuant to the Enabling Act, and are to be issued under the Metropolitan Highway System Trust Agreement dated as of September 1, 1997, as amended (the “Metropolitan Highway System Trust Agreement”) and as further amended and supplemented by a Seventh Supplemental Metropolitan Highway System Trust Agreement dated as of March 1, 2010 (the “Seventh Supplemental Trust Agreement”) and collectively with the Metropolitan Highway System Trust Agreement the “Trust Agreement”), by and between MassDOT and The Bank of New York Mellon, as Trustee (the “Trustee”).

The Bonds are being issued to refund all Subordinated Bonds currently outstanding under the Trust Agreement (the “Refunded Subordinated Bonds”). See *Appendix I - Table of Refunded Subordinated Bonds*. The 2010 Series A Bonds are, in part, being issued in connection with the exercise in 2008 of four swaptions entered into by the Authority in 2001. See *Plan of Finance*.

The 2010 Series A Bonds are issued as multi-modal bonds, initially bearing interest at a Weekly Interest Rate. This Official Statement only includes information about the 2010 Series A Bonds while bearing interest at the Weekly Interest Rate. In the event of any conversion of the 2010 Series A Bonds to bear interest other than at a Weekly Interest Rate, a new disclosure document would be prepared.

Each subseries of 2010 Series A Bonds is enhanced by a standby bond purchase agreement (“Liquidity Facility”) or a letter of credit (“Credit Facility”) issued by the banks (the “Banks”) listed on page (i) and under The Standby Bond Purchase Agreements, the Letters of Credit and the Banks. The Letters of Credit will entitle the Trustee to draw upon to pay (a) the principal of the applicable subseries of 2010 Series A Bonds when due, whether upon maturity, redemption or acceleration, (b) up to 198 days of interest on such 2010 Series A Bonds when due, at the maximum rate of 12% per annum, and (c) the Purchase Price of such Bonds tendered for purchase pursuant to the mandatory or optional tender provisions of the Trust Agreement. The Standby Bond Purchase Agreements will entitle the Trustee to draw upon to pay the Purchase Price, including up to 186 days of interest at the maximum rate of 12% per annum, of such Bonds tendered for purchase pursuant to the mandatory or optional tender provisions of the Trust Agreement. The initial expiration date of each facility is set forth on page (i). The term of each facility may be extended for additional periods solely in the applicable Bank’s discretion, upon request of MassDOT, as set forth in the applicable Standby Bond Purchase Agreement or Reimbursement Agreement. The Trust Agreement provides that a substitute Credit Facility or Liquidity Facility may be delivered to the Trustee under certain conditions. See *The Standby Bond Purchase Agreements, the Letters of Credit and the Banks* and *Appendix F - Information Concerning the Banks*.

The Authority was originally created in 1952 to construct and operate the Massachusetts Turnpike, which extended approximately 135 miles from the New York border in the Town of West Stockbridge, Massachusetts to downtown Boston. The Massachusetts Turnpike initially opened to traffic in May 1957 and terminated west of Boston at Route 128 (the “Western Turnpike”). The extension of the Massachusetts Turnpike from Route 128 to downtown Boston (the “Boston Extension”) initially opened to traffic in September 1964.

In 1958, the Authority was authorized to construct the Callahan Tunnel in Boston, to acquire and repair the then existing Sumner Tunnel in Boston and to operate and maintain both tunnels. Until 1995, these two tunnels served as the primary link between downtown Boston and Logan International Airport (“Logan Airport”) in East Boston. The twin tunnels began joint operation in 1962.

In March 1997 legislation repealed two special acts that previously had governed the Authority and established two separate systems to be owned and operated by the Authority, the Metropolitan Highway System (also referred to herein as the “MHS”) and the Western Turnpike. The Metropolitan Highway System, as defined in the Enabling Act, comprises the Boston Extension, the Callahan Tunnel, the Central Artery (which is that part of Interstate 93 running through downtown Boston, a portion of which is underground), the Central Artery North Area (“CANA”) (which comprises a portion of state highway Route 1 beginning at, but not including, the southern boundary of the Tobin Memorial Bridge (the “Tobin Bridge”) and continuing to the interchange of Interstate 93), the Sumner Tunnel, the Ted Williams Tunnel (acquired by the Authority in 1997), the Tobin Bridge (transferred to MassDOT in January 2010, as described below) and any additional highway, tunnel and bridge components as the Massachusetts legislature may from time to time determine. For purposes of the Trust Agreement and this Official Statement, the term “Accepted Metropolitan Highway System” refers collectively to the Callahan Tunnel, the Sumner Tunnel and the Ted Williams Tunnel (collectively, the “Tunnels”), the Boston Extension, CANA, the Central Artery and any other property transferred to MassDOT upon satisfaction of certain other conditions specified in the Trust Agreement (and excludes the Tobin Bridge).

In 2009, the Transportation Reform Act established MassDOT, dissolved the Authority and provided for the transfer of the Authority’s assets, liabilities, obligations and debt to MassDOT. The Transportation Reform Act also transferred the Tobin Bridge, which had been owned and operated by the Massachusetts Port Authority, to MassDOT to be part of the Metropolitan Highway System effective January 1, 2010. As described above, the Tobin Bridge is not part of the Accepted Metropolitan Highway System, so revenues generated by MassDOT from the Tobin Bridge are not currently pledged to bonds or other obligations issued under the Trust Agreement nor are any expenses associated with the Tobin Bridge payable from Revenues under the Trust Agreement. See *Metropolitan Highway System- Description of Facilities*.

There follows in this Official Statement a description of the Bonds, MassDOT, the Contract, the 1999 Contract, the Banks and the Metropolitan Highway System, together with summaries of the terms of the Bonds and certain provisions of the Enabling Act and the Trust Agreement. All references herein to the Enabling Act and the Trust Agreement are qualified in their entirety by reference to such law and documents, copies of which are

available from MassDOT or the Trustee, and all references to the Bonds are qualified in their entirety by reference to the definitive forms thereof and the information with respect thereto contained in the Trust Agreement.

This Official Statement includes the following Appendices attached hereto:

- Appendix A - Commonwealth Information Statement Supplement dated March 2, 2010, as further supplemented March 18, 2010.
- Appendix B - Summary of the Contract and Related Provisions of the Trust Agreement.
- Appendix C - Summary of Certain Provisions of the Trust Agreement.
- Appendix D - Proposed form of Opinion of Bond Counsel.
- Appendix E - Summary of Continuing Disclosure Undertakings.
- Appendix F - Information Concerning the Banks.
- Appendix G - Definitions and Summary of Certain Provisions of the Bonds Relating to Variable Rate Demand Features, the Standby Bond Purchase Agreements, the Reimbursement Agreement and the Letters of Credit.
- Appendix H - Book-Entry Only System.
- Appendix I - Table of Refunded Subordinated Bonds.

This Official Statement does not contain the audited financial statements of MassDOT or the Authority or general financial and operating information about MassDOT, the Authority or the Metropolitan Highway System because the Dedicated Payments to be derived from the Contract and the 1999 Contract (defined herein) are anticipated to exceed the total amount of obligations, including Subordinated Debt Service, payable from the Subordinated Debt Service Fund in each year that the Bonds are Outstanding. Accordingly, no Revenues derived from the operation of the MHS by MassDOT are anticipated to be necessary to repay the Bonds, although all such Revenues remain pledged to the Bonds in accordance with the Trust Agreement. See *Payments from the Commonwealth, Subordinated Net Debt Service Requirements and Security for the Bonds*. For a brief description of MassDOT and the MHS, see *Massachusetts Department of Transportation and The Metropolitan Highway System*. For further information about MassDOT and the MHS, reference is made to the most recent annual report filed pursuant to the Authority's continuing disclosure undertaking for outstanding bonds issued by the Authority under the Trust Agreement, including the Refunded Subordinated Bonds, which report includes audited financial statements, among other information. Such annual report has been filed with the Municipal Securities Rulemaking Board and is available on the home page of MassDOT <http://www.massdot.state.ma.us/main/main.aspx> by clicking on "Accountability and Transparency: Facts and Figures" and then "Turnpike Financial Information." Also included by clicking "Traffic and Revenue Study, MassDOT, Massachusetts Turnpike: Metropolitan Highway System" is a copy of MassDOT's most recent Traffic and Revenue Study with respect to the MHS.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION

MassDOT was created in 2009 by the Transportation Reform Act and is a body politic and corporate and a public instrumentality of the Commonwealth. The Transportation Reform Act provided for the dissolution of the Authority and the transfer of its assets, liabilities, obligations and debt, including debt outstanding under the Trust Agreement, to MassDOT. MassDOT assumed the rights, powers and duties of the Authority effective November 1, 2009 in accordance with the Transportation Reform Act.

The Transportation Reform Act followed legislation enacted in 2004 creating the Transportation Finance Commission, which was tasked with developing a comprehensive, multi-modal, long-range transportation finance plan for the Commonwealth. The Transportation Finance Commission was charged with analyzing the Commonwealth's long-term capital and operating needs for the state-wide transportation system and the funds expected to be available for such needs, as well as recommending how to close any perceived funding gap through potential cost savings, efficiencies and additional revenues. In March 2007, the Transportation Finance Commission issued a report containing its analysis of the Commonwealth's ability to fund needed surface transportation improvements throughout the Commonwealth over the next 20 years, including for state-controlled roads and bridges and state environmental transit commitments related to the CA/T Project, as well as for the Massachusetts Turnpike system, local roads and bridges, MBTA operations and capital needs, and the Tobin Bridge (which was then owned and operated by the Massachusetts Port Authority). In September 2007, the Transportation Finance Commission issued its second report, containing recommendations for closing the funding gap identified in its first report, which included recommended reform initiatives and proposals for transportation revitalization. The

Transportation Reform Act responded, in part, to certain of these recommendations in creating MassDOT. The Metropolitan Highway System is a part of the assets now owned by MassDOT, and is housed within its Highways Division. Only certain revenues from the Accepted Metropolitan Highway System, and not other assets of MassDOT, are pledged under the Trust Agreement as security for the Bonds, as described herein.

While it has an appointed board and is independent of the Commonwealth as a separate body politic, MassDOT is governed by certain state laws, rules and policies applicable to other executive departments of the Commonwealth, including the use of the Commonwealth's central accounting system (MMARS), payroll system and adherence to state finance law. MassDOT has a central office, the Office of Planning and Programming, that houses the central administrative functions of the organization.

MassDOT comprises the following four divisions:

- The Highways Division includes the roadways, bridges, and tunnels of the former Massachusetts Highway Department (MHD) and the Authority, the Tobin Bridge and certain assets of the Massachusetts Department of Conservation and Recreation (DCR). The Highways Division is responsible for the design, construction and maintenance of the Commonwealth's state highways and bridges. This Division also is responsible for overseeing traffic safety, engineering activities and snow and ice removal to ensure safe road and travel conditions. This Division has six regional districts; the Metropolitan Highway System is now part of District 6.
- The Rail & Transit Division is responsible for all transit, freight and intercity rail initiatives and oversees the MBTA and all Regional Transit Authorities of the Commonwealth. The MBTA Board of Directors serves as the governing body of the MBTA, which itself remains a separate authority within MassDOT. Currently, the five members of the MassDOT Board of Directors also serve as the MBTA Board of Directors.
- The Aeronautics Division has jurisdiction over the Commonwealth's public use airports, private use landing areas, and seaplane bases. It is responsible for airport development and improvements, aviation safety, aircraft accident investigation, navigational aids, and statewide aviation planning. This Division certifies airports and heliports, licenses airport managers, conducts annual airport inspections, and enforces safety and security regulations.
- The Registry of Motor Vehicles Division (the "RMV") is responsible for vehicle operator licensing and vehicle and aircraft registration available both online and at branch offices across the Commonwealth. The RMV oversees commercial and non-commercial vehicle inspection stations.

MassDOT is governed by a five-member board (the "Board of Directors" or the "Board") appointed by the Governor. Members of the Board serve four-year terms, initially staggered, and are eligible for reappointment. Of the appointees of the Governor, two shall be experts in the field of public or private transportation finance, two shall have practical experience in transportation planning and policy and one shall be a registered civil engineer with at least 10 years experience. One of the directors shall be appointed by the Governor to serve as chair of the Board; provided, however, that said designee shall not be an employee of MassDOT or any division thereof. No more than three of the five directors shall be members of the same political party. The Enabling Act does not provide for MassDOT to be a debtor under the federal bankruptcy code. MassDOT's power to issue debt for its corporate purposes related to the MHS is limited to refunding obligations issued by the Authority prior to July 1, 2009.

The members of MassDOT are:

JOHN R. JENKINS, *Board Chair, Natick, Massachusetts, term expires October 31, 2014.*

Chair of the MassDOT Board and was a former Massachusetts Turnpike Authority Board member; President of West Insurance Agency, Inc.

FERDINAND ALVARO, JR., *Director, Marblehead, Massachusetts, term expires October 31, 2010.*

Practicing attorney, Adorno and Yoss; former Vice President, Commercial and General Counsel of BOC Process Systems; former Chief Executive Officer of the Cantarell Nitrogen Company; formerly served on the boards of directors of U.S., Chilean, Columbian, Mexican, and Venezuelan companies.

ELIZABETH LEVIN, *Director, Boston, Massachusetts, term expires October 31, 2013.*

President of Liz Levin & Company, a management consulting company that serves the transportation, design and environment community.

JANICE LOUX, *Director, Boston, Massachusetts, term expires October 31, 2012.*

President of Greater Boston Hotel Employees Local 26 Union; Treasurer of the Local 26 Trust Funds; former Vice-President and Benefits Officer of Local 26.

ANDREW WHITTLE, *Director, Boxborough, Massachusetts, term expires October 31, 2011.*

A geotechnical engineer who currently serves as Department Head of the Massachusetts Institute for Technology's Department of Civil and Environmental Engineering.

Pursuant to the Enabling Act, the Governor has appointed a Secretary of MassDOT, who serves as its chief executive officer:

JEFFREY B. MULLAN, *Secretary and Chief Executive Officer.*

Held leadership positions at Massachusetts transportation agencies and authorities since 2007; key architect of the transportation reform; involved in Massachusetts transportation for more than 20 years; served as the Executive Director of the former Massachusetts Turnpike Authority during 2009; served as the Undersecretary and General Counsel at the Executive Office of Transportation (EOT) since March 2007, and assumed the duties of Chief Operating Officer in October of 2008; previously a partner and co-chair of the administrative law practice at Foley Hoag LLP; former Right of Way Manager on the Central Artery/Tunnel Project at the Massachusetts Department of Public Works; and a graduate of the University of Massachusetts and Suffolk University School of Law.

THE 2010 SERIES A BONDS

General

The 2010 Series A Bonds will be dated the date of delivery thereof and initially will bear interest from their date of delivery at the Weekly Interest Rate payable on each Interest Payment Date until maturity, earlier redemption or purchase or conversion to a different interest rate, all as described below under Additional Information Related to Variable Rate Demand Bonds. Interest on the 2010 Series A Bonds bearing interest at the Weekly Interest Rate will be calculated on the basis of a 365- or 366-day year, as applicable, for the actual number of days elapsed and will be payable on each Interest Payment Date to the registered owner as of the record date, which generally is the fifteenth day (whether or not a business day) of the calendar month next preceding the interest payment date.

Book-Entry-Only System. The Bonds will be issued by means of a book-entry-only system, with bond certificates immobilized at The Depository Trust Company, New York, New York ("DTC"). See *Appendix H - Book-Entry Only System*. 2010 Series A Bond certificates will not be available for distribution to the public and will evidence ownership of the 2010 Series A Bonds in principal amounts of \$100,000 and integral multiples of \$5,000 in excess of \$100,000 while bearing interest at the Weekly Interest Rate. Transfers of ownership will be effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. Interest and principal due on the Bonds will be paid to DTC or its nominee as registered owner of the Bonds. As long as the book-entry-only system remains in effect, DTC or its nominee will be recognized as the owner of the Bonds for all purposes, including notices and voting. The Issuer will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

Additional Information Related to Variable Rate Demand Bonds

The 2010 Series A Bonds will bear interest at the Daily Interest Rate, the Weekly Interest Rate, the Bond Interest Term Rate or the Long Term Interest Rate. Depending on which interest rate is then in effect for the 2010 Series A Bonds, the Interest Payment Dates, the dates interest rates are effective, the dates on which notices of tender are required to be given, the dates on which 2010 Series A Bonds are to be tendered, the dates for notices of conversion to another interest rate and provisions for mandatory tender for purchase applicable to the 2010 Series A Bonds will vary. See the description below and *Appendix G* for further details. This Official Statement generally only provides detailed descriptions of these provisions of the 2010 Series A Bonds while bearing interest at the Weekly Interest Rate.

The information regarding provisions for the tender and purchase of 2010 Series A Bonds should be used in conjunction with the information set forth in Appendix H - Book-Entry-Only System. As initially issued, the 2010

Series A Bonds will be issued in book-entry-only form through the facilities of DTC, and the procedures and practices of DTC will govern the tender and purchase procedures applicable to owners of beneficial interests in the 2010 Series A Bonds.

Interest. The 2010 Series A Bonds shall bear interest at Daily Interest Rates, Weekly Interest Rates, Bond Interest Term Rates or Long Term Interest Rates. Initially all 2010 Series A Bonds will bear interest at the Weekly Interest Rate. At the option of the Issuer, 2010 Series A Bonds may be changed to any other interest rate, including a change from one Bond Interest Term Rate to another Bond Interest Term Rate of a different duration, as described below and in Appendix G.

So long as the 2010 Series A Bonds bear interest at Weekly Interest Rates, interest will be payable each January 1 and July 1 (each, an "Interest Payment Date"), commencing July 1, 2010. Interest on 2010 Series A Bonds bearing interest at Weekly Interest Rates will be computed on the basis of a 365- or 366-day year, as applicable, for the actual number of days elapsed and is payable to the registered owners who are such registered owners on the fifteenth day of the month immediately preceding an Interest Payment Date. As long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See *Appendix H - Book-Entry-Only System*. For a description of interest payments on 2010 Series A Bonds bearing interest at the Daily Interest Rate, the Bond Interest Term Rate and the Long Term Interest Rate, see *Appendix G*.

Interest Rate Determination. While the 2010 Series A Bonds bear interest at the Weekly Interest Rate, the applicable Remarketing Agent shall determine such rate by 5:00 p.m. on the Tuesday of each week during the Weekly Interest Rate Period, or if such day is not a Business Day, then on the next succeeding Business Day. The first Weekly Interest Rate for each Weekly Interest Rate Period shall be determined on or prior to the first day of such Weekly Interest Rate Period and shall apply to the period commencing on the first day of such Weekly Interest Rate Period and ending on and including the next succeeding Tuesday. Thereafter, each Weekly Interest Rate shall apply to the period commencing on and including Wednesday and ending on and including the next succeeding Tuesday, unless such Weekly Interest Rate Period ends on a day other than Tuesday, in which event the last Weekly Interest Rate for such Weekly Interest Rate Period shall apply to the period commencing on and including the Wednesday preceding the last day of such Weekly Interest Rate Period and ending on and including the last day of such Weekly Interest Rate Period. The Weekly Interest Rate will be determined by the Remarketing Agent for each respective subseries as the minimum interest rate which would cause such 2010 Series A Bonds to have a market value equal to 100% of the principal amount thereof (exclusive of accrued interest), taking into account then prevailing market conditions. Notice of Weekly Rates will be given by the applicable Remarketing Agent to the Issuer and the Trustee by the close of business on the Business Day next succeeding the date of determination of such Weekly Rate by telephone or telecopy, promptly confirmed in writing, or by readily accessible electronic means. If such Remarketing Agent fails to determine a Weekly Interest Rate then the Weekly Interest Rate shall be the Weekly Interest Rate last determined by such Remarketing Agent. After the second consecutive week that the Remarketing Agent fails to establish a Weekly Interest Rate with respect to the 2010 Series A Bonds bearing interest at such rate, then the Weekly Interest Rate shall equal the lesser of the Maximum Bond Interest Rate and the Bank Bond Rate until the Remarketing Agent determines a Weekly Interest Rate or a successor Remarketing Agent has been appointed and the successor Remarketing Agent determines a Weekly Interest Rate. If any Weekly Interest Rate determined by such Remarketing Agent is held to be invalid or unenforceable by a court of law, then the Weekly Interest Rate for such week, shall be equal to 110% of the SIFMA Index, or if such index is no longer available, 85% of the interest rate on 30 day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in The Wall Street Journal on the day such Weekly Interest Rate would otherwise be determined as provided in the Seventh Supplemental Trust Agreement for such Weekly Interest Rate Period. For a description of the procedures for determining Daily Interest Rates, Bond Interest Term Rates and Long Term Interest Rates, see *Appendix G*.

Conversion from Weekly Interest Rate. The Issuer may direct that the interest rate on any series of the 2010 Series A Bonds be converted to a Daily Interest Rate, a Long-Term Interest Rate or Bond Interest Term Rates. For a description of the conditions required to be satisfied for such conversion, see *Appendix G*.

If the Interest Rate Period is to be converted from the Weekly Interest Rate, then the 2010 Series A Bonds will be subject to mandatory tender for purchase on the effective date of the conversion to another Interest Rate Period, at a purchase price equal to the principal amount thereof, without premium, plus accrued interest (if any) to the effective date of the conversion. The Trustee is required to give notice of any conversion to another Interest Rate Period to the Owners of the 2010 Series A Bonds not less than 10 days prior to the proposed effective date of such conversion.

The Issuer may rescind its election to convert the Interest Rate Period from a Weekly Interest Rate Period by delivering a rescission notice to the Trustee, the Remarketing Agent, the Tender Agent, the Credit Provider and the Liquidity Provider on or prior to 10:00 a.m. on the Business Day preceding the proposed effective date of the conversion. However, if a notice of the proposed conversion has been given to the Owners of the 2010 Series A Bonds, then the 2010 Series A Bonds nevertheless will still be subject to mandatory tender for purchase on the date which would have been the effective date of the conversion, regardless of the rescission.

Optional Tender for Purchase. During any Weekly Interest Rate Period, any 2010 Series A Bond (other than a Bank Bond or Borrower Bond) bearing interest at a Weekly Interest Rate will be purchased in whole (or in part if both the amount to be purchased and the amount remaining unpurchased will consist of Authorized Denominations) from the Bondowner at the option of the Bondowner on any Business Day in accordance with an irrevocable written notice which states the series and principal amount of such 2010 Series A Bond, the principal amount thereof to be purchased and the date on which the same shall be purchased, which date must be a Business Day at least seven days after the date of the delivery of such notice to the Tender Agent and the Trustee and the Remarketing Agent. A Bondowner must deliver the notice to the Tender Agent and the Trustee, with a copy to the Remarketing Agent. Any notice delivered to the Tender Agent after 4:00 p.m., New York City time, will be deemed to have been received on the next succeeding Business Day. A 2010 Series A Bond so tendered will be purchased at a Tender Price equal to the principal amount thereof tendered for purchase, without premium, plus accrued interest to the Tender Date, payable in immediately available funds.

Mandatory Tender for Purchase on Day Next Succeeding Last Day of Each Bond Interest Term. On the first day following the last day of each Bond Interest Term unless such day is the first day of a new Interest Rate Period (in which case a 2010 Series A Bond shall be subject to mandatory purchase as described below under “Mandatory Tender for Purchase on First Day of Each Interest Rate Period”), a 2010 Series A Bond shall be subject to mandatory tender for purchase at the Tender Price, payable by wire transfer in immediately available funds, if such 2010 Series A Bond is delivered to the Tender Agent on or prior to 12:00 noon on the Tender Date, or if delivered after 12:00 noon, on the next succeeding Business Day. Interest shall cease to accrue on such 2010 Series A Bond on the last day of each Bond Interest Term. The Tender Price shall be payable only upon surrender of such 2010 Series A Bond to the Tender Agent.

Mandatory Tender for Purchase on First Day of Each Interest Rate Period. The 2010 Series A Bonds shall be subject to mandatory tender for purchase on the first day of each Interest Rate Period at the Tender Price, payable in immediately available funds. For payment of the Tender Price on the Tender Date, a 2010 Series A Bond must be delivered at or prior to 10:00 a.m. on the Tender Date. If delivered after that time, the Tender Price shall be paid on the next succeeding Business Day. The Tender Price shall be payable only upon surrender of such 2010 Series A Bond to the Tender Agent.

Mandatory Tender for Purchase upon Termination, Replacement or Expiration of Liquidity Facility or Credit Facility; Mandatory Standby Tender. If at any time the Trustee gives notice pursuant to the Trust Agreement that 2010 Series A Bonds tendered for purchase will on the date specified in such notice cease to be subject to purchase pursuant to the Liquidity Facility or the Credit Facility then in effect as a result of (i) the termination, replacement or expiration of the term, as extended, of such Liquidity Facility or Credit Facility, including but not limited to termination at the option of the Issuer in accordance with the terms of such Liquidity Facility or Credit Facility, or (ii) the occurrence of a Mandatory Standby Tender, then the 2010 Series A Bonds will be purchased or deemed purchased at a Tender Price equal to the principal amount thereof tendered for purchase, without premium, plus accrued interest to the Tender Date (if the Tender Date is not an Interest Accrual Date), payable in immediately available funds.

The mandatory purchase of the 2010 Series A Bonds under the circumstances described in the preceding paragraph will occur: (1) on the fifth Business Day preceding any such expiration or termination of such Liquidity Facility or Credit Facility without replacement by an Alternate Liquidity Facility or Alternate Credit Facility or no later than one Business Day prior to any termination thereof as a result of a Mandatory Standby Tender, and (2) on the proposed date of the replacement of a Liquidity Facility or a Credit Facility, in any case where an Alternate Liquidity Facility or an Alternate Credit Facility is to be delivered to the Tender Agent pursuant to the Trust Agreement. No mandatory tender under the circumstances described in the preceding paragraph will be effected upon the replacement of a Liquidity Facility or a Credit Facility in the event such Liquidity Provider or Credit Provider, as applicable, has failed to honor a properly presented and conforming drawing or demand for purchase under the related facility.

In the event that funds from the remarketing of 2010 Series A Bonds of a subseries are not sufficient to pay the purchase price of all such 2010 Series A Bonds subject to mandatory tender upon replacement of an existing Liquidity Facility or Credit Facility, funds for such purchase will be drawn under the then-existing Liquidity Facility or Credit Facility, as applicable, not the Alternate Liquidity Facility or Alternate Credit Facility.

If sufficient funds are not available for the purchase of all 2010 Series A Bonds tendered or deemed tendered and required to be purchased on any Tender Date, the failure to pay the Tender Price of all tendered 2010 Series A Bonds when due and payable shall not constitute an Event of Default (except to the extent the Provider of the Liquidity Facility or Credit Facility fails to provide money to pay the Tender Price and the Tender Price of the 2010 Series A Bonds is not paid within 365 days after the Tender Date) and all tendered 2010 Series A Bonds shall be returned to their respective Owners and all such 2010 Series A Bonds shall bear interest at the Maximum Bond Interest Rate from the date of such failed purchase until all such tendered 2010 Series A Bonds are purchased as required in accordance with the Seventh Supplemental Trust Agreement. Thereafter, the Trustee shall continue to take all such action available to it to obtain remarketing proceeds from the Remarketing Agent and sufficient other funds from the Liquidity Provider, the Credit Provider or the Department.

The Trustee is required to give notice by first class mail to the owners of the 2010 Series A Bonds secured by a Liquidity Facility or Credit Facility (i) on or before the 10th day preceding the expiration or termination of such Liquidity Facility or Credit Facility in accordance with its terms (except in the case of an event resulting in the immediate termination or suspension of the obligation of the Liquidity Provider or Credit Provider to purchase such 2010 Series A Bonds under the terms of such Liquidity Facility or Credit Facility) or the proposed replacement of such Liquidity Facility or Credit Facility, or (ii) in the case of any Mandatory Standby Tender under such Liquidity Facility or Credit Facility, as soon as reasonably possible, but no later than the Business Day following the receipt by the Trustee of notice of the Mandatory Standby Tender. The notice must state, among other things, (A) the date of the expiration, termination or proposed replacement of such Liquidity Facility or Credit Facility, (B) that such 2010 Series A Bonds are subject to mandatory tender for purchase as a result of such expiration, termination or proposed replacement, including any termination as a result of a Mandatory Standby Tender, and (C) the date on which such purchase will occur and the Tender Price and the place of delivery for the purchase of such 2010 Series A Bonds.

Mandatory Tender for Purchase at the Direction of the Issuer or the Credit Provider. During the Weekly Interest Rate Period, the 2010 Series A Bonds are subject to mandatory tender for purchase on any Business Day designated by the Issuer, with the written consent of the Remarketing Agent and the Liquidity Provider or the Credit Provider at the Tender Price, payable in immediately available funds. Such purchase date shall be a Business Day not earlier than the 10th day following the second Business Day after receipt by the Trustee of such designation.

The Trustee is required to give notice by first-class mail to the Owners of a mandatory tender for purchase not less than 10 days prior to a Tender Date occurring at the direction of the Issuer.

Any series of 2010 Series A Bonds for which a Credit Facility is in effect is subject to mandatory tender for purchase at the Tender Price, payable in immediately available funds, on the fourth Business Day after receipt by the Trustee of a written notice from the Credit Provider of a non-reinstatement of the Credit Facility or that an "Event of Default" under the Credit Provider Agreement has occurred and is continuing, and a written request from the Credit Provider that all of such 2010 Series A Bonds be required to be tendered for purchase.

The Trustee is required to give notice by first-class mail to the Owners of a mandatory tender for purchase not less than three days prior to a Tender Date occurring at the direction of the Credit Provider.

Redemption Provisions

Optional Redemption. Provided there is no continuing Event of Default under the Trust Agreement, while bearing interest at the Weekly Interest Rate, the 2010 Series A Bonds shall be subject to redemption at the written direction of the Issuer (and with the written consent of the related Credit Provider, if a Credit Facility is in effect with respect to such 2010 Series A Bonds and a Credit Facility Failure shall not have occurred and be continuing), in whole or in part on any Business Day, at a redemption price of 100% of the principal amount thereof plus accrued interest to, but not including, the redemption date.

Mandatory Sinking Fund Redemption. The 2010 Series A Bonds are subject to mandatory sinking fund redemption and shall be redeemed prior to their stated maturity, from Sinking Fund Installments, on January 1 in the years set forth below by payment of 100% of the principal amount of such 2010 Series A Bonds called for

redemption, plus interest accrued to but not including the date fixed for redemption according to the schedule set forth below:

\$43,625,000 2010 Series A-1 Due January 1, 2029

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2024	\$6,375,000	2027	\$7,430,000
2025	6,710,000	2028	7,820,000
2026	7,060,000	2029	8,230,000

\$83,100,000 2010 Series A-2 Due January 1, 2037

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2030	\$8,665,000	2034	\$10,580,000
2031	9,105,000	2035	11,125,000
2032	9,575,000	2036	11,695,000
2033	10,065,000	2037	12,290,000

\$92,845,000 2010 Series A-3 Due January 1, 2039

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2030	\$3,720,000	2035	\$2,375,000
2031	1,875,000	2036	10,625,000
2032	1,875,000	2037	11,875,000
2033	2,625,000	2038	26,250,000
2034	2,875,000	2039	28,750,000

\$92,845,000 2010 Series A-4 Due January 1, 2039

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2030	\$3,720,000	2035	\$2,375,000
2031	1,875,000	2036	10,625,000
2032	1,875,000	2037	11,875,000
2033	2,625,000	2038	26,250,000
2034	2,875,000	2039	28,750,000

\$92,845,000 2010 Series A-5 Due January 1, 2039

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2030	\$3,720,000	2035	\$2,375,000
2031	1,875,000	2036	10,625,000
2032	1,875,000	2037	11,875,000
2033	2,625,000	2038	26,250,000
2034	2,875,000	2039	28,750,000

\$92,845,000 2010 Series A-6 Due January 1, 2039

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2030	\$3,720,000	2035	\$2,375,000
2031	1,875,000	2036	10,625,000
2032	1,875,000	2037	11,875,000
2033	2,625,000	2038	26,250,000
2034	2,875,000	2039	28,750,000

\$94,230,000 2010 Series A-7 Due January 1, 2029

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2025	\$16,010,000	2028	\$20,670,000
2026	14,545,000	2029	20,040,000
2027	22,965,000		

Partial Redemption. Any partial optional redemption of 2010 Series A Bonds shall be credited by the Trustee at 100% of the principal amount thereof against future mandatory sinking fund redemption requirements as

shall be specified in an Issuer certificate; provided, however, that until the Issuer delivers such certificate, the Trustee shall allocate the principal amount of 2010 Series A Bonds so redeemed against future mandatory sinking fund redemption requirements in chronological order.

Notice of Redemption. In the event any of the 2010 Series A Bonds are called for redemption, the Trustee shall give notice, in the name of the Issuer, of the redemption of such 2010 Series A Bonds, which notice shall (i) specify the 2010 Series A Bonds to be redeemed, the redemption date, the redemption price, and the place or places where amounts due upon such redemption will be payable (which shall be the principal corporate trust office of the Trustee) and, if less than all of the 2010 Series A Bonds are to be redeemed, the numbers of the 2010 Series A Bonds, and the portions of the 2010 Series A Bonds, so to be redeemed, (ii) state any condition to such redemption, and (iii) state that on the redemption date, and upon the satisfaction of any such condition, the 2010 Series A Bonds to be redeemed shall cease to bear interest. CUSIP number identification shall accompany all redemption notices. Such notice may set forth any additional information relating to such redemption. If, at the time of mailing of the notice of optional redemption, moneys have not been deposited with the Trustee in an amount sufficient to redeem all of the 2010 Series A Bonds called for redemption, such notice may state that it is conditional, i.e., subject to the deposit of sufficient moneys not later than the opening of business on the redemption date, and any such notice shall be of no effect unless such moneys are deposited.

Such notice shall be given by mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption to each owner of 2010 Series A Bonds to be redeemed at its address shown on the registration books kept by the Trustee; provided, however, that failure to give such notice to any Bondowner or any defect in such notice shall not affect the validity of the proceedings for the redemption of any of the other 2010 Series A Bonds. The Trustee shall send a second notice of redemption by certified mail return receipt requested to any registered owner who has not submitted 2010 Series A Bonds called for redemption 30 days after the redemption date, provided, however, that the failure to give any second notice by mailing, or any defect in such notice, shall not affect the validity of any proceedings for the redemption of any of the 2010 Series A Bonds and the Trustee shall not be liable for any failure by the Trustee to send any second notice.

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

Effect of Redemption. Any 2010 Series A Bonds and portions of 2010 Series A Bonds which have been duly selected for redemption and which are paid in accordance with the Trust Agreement shall cease to bear interest on the specified redemption date.

Mandatory Redemption of Bank Bonds. Notwithstanding anything to the contrary in the Seventh Supplemental Trust Agreement, Bank Bonds, if any, are required to be redeemed as set forth in the related Liquidity Facility or the Credit Provider Agreement then in effect. Each of the initial Standby Bond Purchase Agreements and Reimbursement Agreements relating to the Series 2010 A Bonds require that any amounts applied to the redemption of Series 2010 A Bonds (whether optional, pursuant to sinking fund requirements or otherwise) shall be used first to redeem Bank Bonds.

Disclosure Regarding Sales of 2010 Series A Bonds by Remarketing Agent

Each Remarketing Agent is Paid by the Issuer. Each Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing of the applicable subseries of 2010 Series A Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the applicable Remarketing Agreement), all as further described in this Official Statement. Each Remarketing Agent is appointed by the Issuer and is paid by the Issuer for its services. As a result, the interests of each Remarketing Agent may differ from those of existing holders and potential purchasers of 2010 Series A Bonds.

Each Remarketing Agent Routinely Purchases 2010 Series A Bonds for its Own Account. Each Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. Each Remarketing Agent is permitted, but not obligated, to purchase tendered 2010 Series A Bonds for its own account and, in its sole discretion, may routinely

acquire such tendered 2010 Series A Bonds in order to achieve a successful remarketing of the 2010 Series A Bonds (i.e., because there otherwise are not enough buyers to purchase the 2010 Series A Bonds) or for other reasons. However, each Remarketing Agent is not obligated to purchase 2010 Series A Bonds of the applicable subseries of 2010 Series A Bonds, and may cease doing so at any time without notice. Each Remarketing Agent may also make a market in the applicable subseries of 2010 Series A Bonds by routinely purchasing and selling such 2010 Series A Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, each Remarketing Agent is not required to make a market in the applicable subseries of 2010 Series A Bonds. Each Remarketing Agent may also sell any 2010 Series A Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the 2010 Series A Bonds. The purchase of 2010 Series A Bonds by the applicable Remarketing Agent may create the appearance that there is greater third party demand for the 2010 Series A Bonds in the market than is actually the case. The practices described above also may result in fewer 2010 Series A Bonds being tendered in a remarketing.

2010 Series A Bonds May be Offered at Different Prices on Any Date Including an Interest Rate Determination Date. Pursuant to each Remarketing Agreement, the applicable Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the applicable subseries of 2010 Series A Bonds bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable Rate Determination Date. The interest rate will reflect, among other factors, the level of market demand for the 2010 Series A Bonds (including whether such Remarketing Agent is willing to purchase the applicable subseries of 2010 Series A Bonds for its own account). There may or may not be 2010 Series A Bonds tendered and remarketed on a Rate Determination Date, the applicable Remarketing Agent may or may not be able to remarket any 2010 Series A Bonds of the applicable subseries tendered for purchase on such date at par and such Remarketing Agent may sell 2010 Series A Bonds at varying prices to different investors on such date or any other date. Each Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the applicable subseries of 2010 Series A Bonds at the remarketing price. In the event any Remarketing Agent owns any 2010 Series A Bonds of the applicable subseries for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such 2010 Series A Bonds on any date, including the Rate Determination Date, at a discount to par to some investors.

The Ability to Sell the 2010 Series A Bonds other than through Tender Process May Be Limited. Each Remarketing Agent may buy and sell 2010 Series A Bonds of the applicable subseries other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require holders that wish to tender their 2010 Series A Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the 2010 Series A Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their 2010 Series A Bonds other than by tendering the 2010 Series A Bonds in accordance with the tender process.

Under Certain Circumstances, a Remarketing Agent May Resign Without a Successor Being Named. Under certain circumstances a Remarketing Agent may resign upon 30 days' prior written notice without a successor having been named, subject to the terms of the Trust Agreement.

THE 2010 SERIES B BONDS

The 2010 Series B Bonds will be issued in the aggregate principal amount of \$261,220,000. The 2010 Series B Bonds will be dated the date of delivery, will mature (unless redeemed prior to maturity) on January 1 of each of the years and in the principal amounts and bear interest from their date at the per annum rate, all as set forth on page (ii) hereof. Interest on the 2010 Series B Bonds will accrue on the basis of a 360-day year based on twelve 30-day months and will be payable on each January 1 and July 1, commencing July 1, 2010 to the registered owner as of the record date. The record date generally is the fifteenth day (whether or not a business day) of the calendar month next preceding the interest payment date.

The 2010 Series B 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 2010 Series B Bonds. Purchases of beneficial interests in the 2010 Series B 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 2010 Series B Bonds purchased. So long as DTC or its nominee, Cede & Co., is Holder, payments of the principal of and interest on the 2010 Series B

Bonds will be made directly to such Holder. 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 *Appendix H - Book-Entry Only System*.

Optional Redemption. Provided there is no continuing Event of Default under the Trust Agreement, the 2010 Series B Bonds maturing after January 1, 2020 are subject to redemption at the written direction of the Issuer, in whole or in part on any date on or after January 1, 2020 from the maturities selected by the Issuer, in integral multiples of \$5,000, at par, plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption. The 2010 Series B Bonds maturing on January 1, 2035 are subject to mandatory sinking fund redemption and shall be redeemed prior to their stated maturity, from Sinking Fund Installments, payable on January 1 of each of the years and in the amounts set forth below, at a price of 100% of the principal amount of such 2010 Series B Bonds called for redemption, plus interest accrued up to but not including the date of redemption as follows:

\$113,345,000 Term Bonds Due January 1, 2035

<u>Year</u>	<u>Amount</u>
2031	\$21,705,000
2032	22,945,000
2033	21,265,000
2034	22,510,000
2035	24,920,000

Partial Redemption. Any partial optional redemption of 2010 Series B Bonds shall be credited by the Trustee at 100% of the principal amount thereof against future mandatory sinking fund redemption requirements as shall be specified in an Issuer certificate; provided, however, that until the Issuer delivers such certificate, the Trustee shall allocate the principal amount of 2010 Series B Bonds so redeemed against future mandatory sinking fund redemption requirements in chronological order.

Notice of Redemption. In the event any of the 2010 Series B Bonds are called for redemption, the Trustee shall give notice, in the name of the Issuer, of the redemption of such 2010 Series B Bonds, which notice shall (i) specify the 2010 Series B Bonds to be redeemed, the redemption date, the redemption price, and the place or places where amounts due upon such redemption will be payable (which shall be the principal corporate trust office of the Trustee) and, if less than all of the 2010 Series B Bonds are to be redeemed, the numbers of the 2010 Series B Bonds, and the portions of the 2010 Series B Bonds, so to be redeemed, (ii) state any condition to such redemption, and (iii) state that on the redemption date, and upon the satisfaction of any such condition, the 2010 Series B Bonds to be redeemed shall cease to bear interest. CUSIP number identification shall accompany all redemption notices. Such notice may set forth any additional information relating to such redemption. If, at the time of mailing of the notice of optional redemption, moneys have not been deposited with the Trustee in an amount sufficient to redeem all of the 2010 Series B Bonds called for redemption, such notice may state that it is conditional, i.e., subject to the deposit of sufficient moneys not later than the opening of business on the redemption date, and any such notice shall be of no effect unless such moneys are deposited.

Such notice shall be given by mail, postage prepaid, at least 30 days but not more than 60 days prior to the date fixed for redemption to each owner of 2010 Series B Bonds to be redeemed at its address shown on the registration books kept by the Trustee; provided, however, that failure to give such notice to any Bondowner or any defect in such notice shall not affect the validity of the proceedings for the redemption of any of the other 2010 Series B Bonds. The Trustee shall send a second notice of redemption by certified mail return receipt requested to any registered owner who has not submitted 2010 Series B Bonds called for redemption 30 days after the redemption date, provided, however, that the failure to give any second notice by mailing, or any defect in such notice, shall not affect the validity of any proceedings for the redemption of any of the 2010 Series B Bonds and the Trustee shall not be liable for any failure by the Trustee to send any second notice.

So long as DTC or its nominee is the Bondowner, the Issuer and Trustee will recognize DTC or its nominee as the Bondowner for all purposes, including notices and voting. Conveyance of notices and other communications

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

Effect of Redemption. Any 2010 Series B Bonds and portions of 2010 Series B Bonds which have been duly selected for redemption and which are paid in accordance with the Trust Agreement shall cease to bear interest on the specified redemption date.

PAYMENTS FROM THE COMMONWEALTH

The Contract provides for the payment by the Commonwealth to MassDOT of \$100,000,000 per fiscal year until June 30, 2039. The Contract provides that such amount shall be paid in twelve monthly installments. The final installment in each fiscal year shall not be later than two weeks before the end of the then-current fiscal year. MassDOT and the Commonwealth recently amended the Contract to clarify that it expires on June 30, 2039.

The Contract and payments thereunder shall constitute irrevocable general obligations of the Commonwealth for which the full faith and credit of the Commonwealth are pledged for the benefit of MassDOT and the Owners of MHS Bonds to which such amounts are pledged. The obligation of the Commonwealth to make payments under the Contract are absolute and unconditional. The Commonwealth shall have no power to set off its payments under the Contract against any obligation due to the Commonwealth from MassDOT and shall have no power to impose conditions on such payments except as set forth in the Contract. See *Appendix B - Summary of the Contract and Related Provisions of the Trust Agreement*. In the opinion of Bond Counsel, the obligation of the Commonwealth to make payments under the Contract to MassDOT constitutes a general obligation of the Commonwealth for which the full faith and credit of the Commonwealth are pledged.

Under the Trust Agreement, payments under the Contract constitute Dedicated Payments and shall be deposited monthly upon receipt from the Commonwealth directly in the Subordinated Debt Service Fund and used first to pay debt service on the Bonds, other parity subordinated MHS Bonds outstanding thereunder, if any, and other parity subordinated obligations. In particular, such amounts shall be deposited upon receipt in the Subordinated Debt Service Fund until the amount so deposited on each date causes Subordinated Net Debt Service (calculated as of such date of deposit) to be or projected to be equal to zero. Thereafter, the balance remaining, if any, shall be deposited in the Senior Debt Service Fund. Dedicated Payments, including amounts received under the 1999 Contract described below, are anticipated to exceed the total amount of such obligations payable from the Subordinated Debt Service Fund. See *Subordinated Net Debt Service*. The Trust Agreement and the Enabling Act prohibit the issuance of Additional Subordinated Bonds or other MHS Bonds, other than Refunding Bonds.

In addition, in connection with the issuance by the Authority of its Metropolitan Highway System Revenue Bonds, 1999 Series A (Subordinated), the Commonwealth entered into a contract with the Authority (the "1999 Contract") providing for payments by the Commonwealth to the Authority of the amount of the cost of the operation and maintenance of the Central Artery and CANA, as certified annually by the Authority and in an amount not to exceed \$25 million annually. The contract constitutes a general obligation of the Commonwealth for which the full faith and credit of the Commonwealth is pledged for the benefit of the Authority and the holders of the 1999 Bonds. Amounts payable under the 1999 Contract constitute Dedicated Payments and are allocated to the Senior Debt Service Fund. Pursuant to the Trust Agreement, MassDOT has allocated Dedicated Payments derived from the 1999 Contract in fiscal years 2038 and 2039 to the Subordinated Debt Service Fund.

For further information about the Commonwealth, see *Appendix A - Commonwealth Information Statement Supplement dated March 2, 2010, as further supplemented March 18, 2010* (the "Supplement"), which supplements the Commonwealth Information Statement dated March 26, 2009 (the "March 2009 Information Statement"). The March 2009 Information Statement appears as Appendix A in the Commonwealth's Official Statement dated May 20, 2009 with respect to its General Obligation Bonds, Consolidated Loan of 2009, Series B, its General Obligation Bonds, Consolidated Loan of 2009, Series C and its General Obligation Bonds, Consolidated Loan of 2009, Series D (the "Commonwealth Official Statement"). A copy of the Commonwealth Official Statement has been filed with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") system. The March 2009 Information Statement and the Supplement are referred to herein collectively as the "Information Statement." Subsequent filings by the Commonwealth to the EMMA system, prior to the sale of the

Bonds, of continuing disclosure documents identified as "other financial/operating data" are hereby deemed to be incorporated by reference into the Information Statement. The Information Statement contains certain fiscal, budgetary, financial and other general information concerning the Commonwealth. Exhibit A to the Information Statement contains certain economic information concerning the Commonwealth. Exhibits B and C to the Information Statement contain the financial statements of the Commonwealth for the fiscal year ended June 30, 2009, prepared on a statutory basis and on a GAAP basis, respectively. Specific reference is made to said Exhibits A, B and C, copies of which have been filed with EMMA. The financial statements are also available at the home page of the Comptroller of the Commonwealth located at <http://www.mass.gov/osc> by clicking on "Financial Reports."

PLAN OF FINANCE

MassDOT is issuing the Bonds to current refund the outstanding Subordinated Bonds issued by the Authority in 1997 and 1999. See *Appendix I - Table of Refunded Subordinated Bonds*. The proceeds from the sale of the Bonds and other available funds are expected to be applied as follows:

Sources and Uses of Funds

Sources of Funds:

Aggregate Principal Amount of the Bonds	\$853,555,000
Net Original Issue Premium	18,169,470
Transfer from Subordinated Debt Service Reserve Fund	84,418,201
Transfer from Subordinated Debt Service Fund	<u>18,907,285</u>

Total Sources of Funds:	\$975,049,956
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Uses of Funds:

Deposit to Refunding Trust Fund	\$935,116,048
Deposit to 2010 Series A Account of the Subordinated Debt Service Reserve Fund	36,013,968
Cost of Issuance (including Underwriter's discount and premium payable to Bank for Letter of Credit)	<u>3,919,940</u>

Total Uses of Funds:	\$975,049,956
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2010 Series A Bonds. MassDOT is issuing the 2010 Series A Bonds as variable rate bonds, initially bearing interest at the Weekly Interest Rate, in order to offset payments under certain Swap Agreements (as defined below). In particular, in May 2001, the Authority entered into five swaptions with UBS AG, as counterparty ("UBS"), which, when exercised, resulted in the Authority, and now MassDOT, paying a fixed rate to UBS and receiving a variable rate. Such swaptions have been exercised and the related swaps have taken effect. The five interest rate swap agreements (the "Swap Agreements") have an initial aggregate notional amount of \$800 million, which is approximately equal to the amount needed to currently refund the following bonds (which Bonds constitute a portion of the Refunded Subordinated Bonds) (i) a portion of the outstanding Senior MHS Bonds, 1997 Series A maturing January 1, 2037 ("Swap #1"), (ii) the outstanding Subordinated MHS Bonds, 1997 Series B maturing January 1, 2037 ("Swap #2"), (iii) the outstanding Subordinated MHS Bonds, 1997 Series B maturing January 1, 2029 ("Swap #3"), (iv) a portion of the outstanding Subordinated MHS Bonds, 1999 Bonds maturing January 1, 2039 ("Swap #4"), and (v) a portion of the outstanding Subordinated MHS Bonds, 1999 Bonds maturing January 1, 2029 ("Swap #5"). Under the Swap Agreements, MassDOT is obligated to make payments to UBS calculated on the basis of a fixed rate of 4.75%, 4.875%, 5.00%, 4.75% and 5.00% per annum for each of the five Swap Agreements, respectively, and UBS is obligated to make reciprocal floating rate payments equal to 68% of one-month LIBOR. These payments are made on a semi-annual basis through the term of the swap, which is the date of the respective final maturities of the respective Refunded Subordinated Bonds. Each of the Swap Agreements constitutes a Qualified Hedge Agreement under the Trust Agreement. Accordingly, payments (other than MassDOT termination payments or any payment made to UBS while UBS is in default) received and paid under such agreements are directly deposited to and paid from the Senior Debt Service Fund with respect to Swap #1 or the Subordinated Debt Service Fund with respect to Swaps #2, #3, #4 and #5. The 2010 Series A Bonds are being issued in connection with Swaps #2, #3, #4 and #5.

2010 Series B Bonds. MassDOT is issuing the 2010 Series B Bonds as fixed rate bonds to current refund for present value savings all of the fixed rate Subordinated MHS Bonds issued by the Authority in 1997 and 1999, other than the outstanding Subordinated Bonds being refunded by the 2010 Series A Bonds. See Appendix I - Table of Refunded Subordinated Bonds. The determination of the particular fixed rate Subordinated MHS Bonds to be refunded is subject to market conditions at the time of sale of the 2010 Series B Bonds.

Refunding of Refunded Subordinated Bonds. The proceeds of the Bonds and other available funds of MassDOT will be deposited in a refunding trust fund held by the Trustee, as refunding trustee, and applied to the redemption of the Refunded Subordinated Bonds on May 14, 2010. The Refunded Subordinated Bonds will be current refunded and redeemed at a price of 100 % of their principal amount plus accrued interest to the redemption date. Prior to the redemption date, the Trustee will invest such funds in direct obligations of the United States of America. According to the report described in Verification of Mathematical Computations, such investments will mature at such times and earn interest in such amounts to produce, together with any initial cash deposits, sufficient moneys to provide for the payment of principal of and redemption premium, and interest on the Refunded Subordinated Bonds on the redemption date. The refunding is contingent upon the delivery of the Bonds.

Debt Service Reserve Fund. The Trust Agreement permits the establishment of an account within the Subordinated Debt Service Reserve Fund with respect to any series of Subordinated Bonds, which is permitted to be applied solely to the payment of such series of Subordinated Bonds. Accordingly, the Seventh Supplemental Trust Agreement establishes a separate account in the Subordinated Debt Service Reserve Fund, the 2010 Series A Account, monies in which will be applied solely to the payment of debt service and parity obligations due with respect to the 2010 Series A Bonds. The 2010 Series A Debt Service Reserve Requirement is equal to \$36,013,968 on the date of issuance of the Bonds and, thereafter, an amount equal to 6.08% of the aggregate notional amount outstanding from time to time of Swaps #2, #3, #4 and #5. Earnings on moneys in the 2010 Series A Account within the Subordinated Debt Service Reserve Fund shall be credited to such account only to the extent needed to cause the balance in the 2010 Series A Account to be equal to the 2010 Series A Debt Service Reserve Requirement.

The amounts on deposit in the 2010 Series A Account within the Subordinated Debt Service Reserve Fund may be applied to debt service on the 2010 Series A Bonds at any time at the direction of the Department, as evidenced by a certificate of an Authorized Officer delivered to the Trustee, if such Authorized Officer has determined that the payments reasonably expected to be made to the Department by the Provider of any Qualified Hedge Agreement with respect to any 2010 Series A Bonds is less than the actual, accrued interest payments due on such 2010 Series A Bonds. The amounts on deposit in the 2010 Series A Account within the Subordinated Debt Service Reserve Fund may otherwise be applied in accordance with the other provisions of the Trust Agreement relating to the use of the Subordinated Debt Service Reserve Fund without the delivery of the certificate of an Authorized Officer referenced above.

In addition, the Seventh Supplemental Trust Agreement establishes the 2010 Series B Account as a separate account in the Subordinated Debt Service Reserve Fund. The amount required to be on deposit in the 2010 Series B Account in the Subordinated Debt Service Reserve Fund is zero. The 2010 Series B Bonds are not secured by the Subordinated Debt Service Reserve Fund or the 2010 Series A Account described above.

Since all outstanding Subordinated Bonds will be defeased upon the issuance of the Bonds, the only amounts on deposit in the Subordinated Debt Service Reserve Fund following the issuance of the Bonds will be the amounts in the 2010 Series A Account.

Potential Additional MHS Refunding Bonds. In addition to issuance of the Bonds, MassDOT anticipates issuing Senior Bonds during calendar year 2010 (the "2010 MHS Senior Refunding Bonds") for the purposes of currently refunding the portion of the Senior Bonds that relate to Swap #1 described above and for the purpose of currently refunding for present value savings additional Senior Bonds outstanding. The timing and size of the 2010 MHS Senior Refunding Bonds has not been determined and is subject to market conditions, among other factors. The closing of the Bonds is not conditioned upon issuance of the 2010 MHS Senior Refunding Bonds.

SUBORDINATED DEBT SERVICE REQUIREMENTS

The following table sets forth Subordinated Debt Service and Subordinated Net Debt Service on the Subordinated Bonds to be outstanding following issuance of the Bonds for each fiscal year in which such Bonds will be outstanding. Following the issuance of the Bonds, the only other Outstanding Bonds under the Trust Agreement will be the Senior Bonds issued in 1997 by the Authority. The table does not include Western Turnpike Bonds, which are not secured by the Trust Agreement, or Senior MHS Bonds. Totals may not add due to rounding.

Subordinated Debt Service Requirements⁽¹⁾

Fiscal Year Ending June 30	2010 Series A Bonds ⁽²⁾	2010 Series B Bonds	Total Subordinated Debt Service	Dedicated Payments from the Commonwealth of Massachusetts	Excess of Dedicated Payments over Subordinated Debt Service	Coverage of Total Debt Service by Dedicated Payments	Additional Offsets to Subordinated Debt Service ⁽⁴⁾	Transfers to Senior Debt Service Fund ⁽⁵⁾
2011	\$34,112,424	\$9,284,437	\$43,396,861	\$81,092,715 ⁽³⁾	\$37,695,854	1.87x	\$189,344	\$37,885,198
2012	34,270,010	13,005,438	47,275,448	100,000,000	52,724,552	2.12x	207,949	52,932,502
2013	34,256,094	13,005,438	47,261,532	100,000,000	52,738,468	2.12x	207,949	52,946,418
2014	34,256,094	13,005,438	47,261,532	100,000,000	52,738,468	2.12x	207,949	52,946,418
2015	34,256,094	13,005,438	47,261,532	100,000,000	52,738,468	2.12x	207,949	52,946,418
2016	34,270,010	13,005,438	47,275,448	100,000,000	52,724,552	2.12x	207,949	52,932,502
2017	34,256,094	13,005,438	47,261,532	100,000,000	52,738,468	2.12x	207,949	52,946,418
2018	34,256,094	13,005,438	47,261,532	100,000,000	52,738,468	2.12x	207,949	52,946,418
2019	34,256,094	13,860,438	48,116,532	100,000,000	51,883,468	2.08x	216,499	52,099,968
2020	34,270,010	35,132,650	69,402,660	100,000,000	30,597,340	1.44x	429,360	31,026,700
2021	34,256,094	37,129,900	71,385,994	100,000,000	28,614,006	1.40x	454,872	29,068,878
2022	34,256,094	35,026,900	69,282,994	100,000,000	30,717,006	1.44x	440,157	31,157,163
2023	34,256,091	29,575,900	63,831,991	100,000,000	36,168,009	1.57x	391,752	36,559,761
2024	40,609,459	30,926,400	71,535,859	100,000,000	28,464,141	1.40x	474,054	28,938,195
2025	56,528,642	12,848,900	69,377,542	100,000,000	30,622,458	1.44x	460,773	31,083,231
2026	54,068,803	15,363,900	69,432,703	100,000,000	30,567,297	1.44x	470,493	31,037,790
2027	61,555,352	8,549,150	70,104,502	100,000,000	29,895,498	1.43x	486,943	30,382,440
2028	57,860,526	8,529,150	66,389,676	100,000,000	33,610,324	1.51x	460,494	34,070,818
2029	55,938,285	8,386,750	64,325,035	100,000,000	35,674,965	1.55x	450,160	36,125,125
2030	49,559,123	18,676,750	68,235,873	100,000,000	31,764,127	1.47x	499,242	32,263,369
2031	41,992,982	27,372,250	69,365,232	100,000,000	30,634,768	1.44x	517,783	31,152,550
2032	41,864,710	27,527,000	69,391,710	100,000,000	30,608,290	1.44x	527,237	31,135,527
2033	44,699,101	24,699,750	69,398,851	100,000,000	30,601,149	1.44x	537,267	31,138,416
2034	45,517,489	24,881,500	70,398,989	100,000,000	29,601,011	1.42x	557,097	30,158,108
2035	43,336,790	26,166,000	69,502,790	100,000,000	30,497,210	1.44x	558,441	31,055,651
2036	76,048,339		76,048,339	100,000,000	23,951,661	1.31x	635,999	24,587,660
2037	78,971,474		78,971,474	100,000,000	21,028,526	1.27x	681,346	21,709,873
2038	120,438,673		120,438,673	125,000,000	4,561,327	1.04x	1,118,506	5,679,833
2039	122,431,685		122,431,685	125,000,000	2,568,315	1.02x	1,183,725	3,752,040

(1) Reflects refunding of all Subordinated Bonds outstanding prior to the issuance of the Bonds.

(2) Interest is inclusive of fees, which are subject to change, and based upon fixed rate paid under swap agreements. See *Plan of Finance*. The actual interest payable on the 2010 Series A Bonds will vary.

(3) Reflects use of a portion of the payment under the Contract otherwise allocable to fiscal year 2011 debt service on the Bonds for payment of debt service on the Refunded Subordinated Bonds.

(4) Consists of earnings on the Subordinated Debt Service Fund. See *Security for the Bonds*.

(5) Totals may not add due to rounding.

SECURITY FOR THE BONDS

The principal and premium, if any, and interest on obligations issued under the Trust Agreement are payable from and secured by a pledge of the Revenues of the Issuer derived from the Accepted Metropolitan Highway System, including all tolls, rates, fees, rentals, and other charges and certain investment income and other revenues, all as more fully described in Appendix C - Summary of Certain Provisions of the Trust Agreement - The Pledge Effected by the Trust Agreement. All such obligations are also secured by a lien and charge on all funds and accounts created under the Trust Agreement (other than the Rebate Fund), except that the Subordinated Bonds, including the Bonds, are not secured by the Senior Debt Service Fund and Senior Debt Service Reserve Fund and the Senior Bonds are not secured by the Subordinated Debt Service Fund and Subordinated Debt Service Reserve Fund. As described herein, the Bonds are not secured by any amounts in the Subordinated Debt Service Reserve Fund, if any, other than the 2010 Series A Account thereof.

The Bonds will be the third series of Subordinated Bonds to be issued under the Trust Agreement. The first series of Subordinated Bonds was the 1997 Series B Bonds. The second series of Subordinated Bonds was the 1999 Series A Bonds. The 1997 Series B Bonds and the 1999 Series A Bonds are expected to be refunded in full through the issuance of the Bonds. See *Plan of Finance*. As described herein, the Trust Agreement has been amended to expressly prohibit the issuance of Additional Subordinated Bonds, other than Refunding Bonds. The 1997 Series A Bonds and the 1997 Series C Bonds are the only series of Senior Bonds outstanding, a portion of which is anticipated to be refunded by MassDOT during calendar year 2010. See *Plan of Finance*.

Under the Enabling Act, all revenues from the Metropolitan Highway System are deposited to the Trust Fund established under the Transportation Reform Act. Amounts which constitute Revenues under the Trust Agreement shall be deposited to the Revenue Fund as described under Pledge Under the Trust Agreement below. All other revenues in the Trust Fund are not pledged to the Bonds or other bonds outstanding under the Trust Agreement.

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

Payments from the Commonwealth

The Commonwealth and the Authority entered into the Contract providing for the payment by the Commonwealth to MassDOT of \$100,000,000 per fiscal year until June 30, 2039. In the opinion of Bond Counsel, the obligation of the Commonwealth to make such payments to MassDOT constitutes a general obligation of the Commonwealth for which the full faith and credit of the Commonwealth are pledged. Accordingly and as described under Pledge Under the Trust Agreement and Flow of Funds, under the Trust Agreement such payments constitute Dedicated Payments and shall be deposited directly to the Subordinated Debt Service Fund and used first to pay debt service on the Bonds, other parity subordinated MHS Bonds outstanding thereunder and other parity obligations. Under the Enabling Act and the Trust Agreement, MassDOT may not issue Additional Subordinated Bonds, other than to refund MHS Bonds.

In addition, in connection with the issuance of the 1999 Series A Bonds, the Commonwealth entered into the 1999 Contract providing for payments by the Commonwealth to the Authority of the amount of the cost of the operation and maintenance of the Central Artery and CANA, as certified annually by the Authority and in an amount not to exceed \$25 million annually. The 1999 Contract constitutes a general obligation of the Commonwealth for which the full faith and credit of the Commonwealth is pledged for the benefit of the Authority and the holders of the 1999 Bonds and, after all Senior Bonds are no longer outstanding, but no later than January 1, 2037, the holders of the Bonds. Amounts payable under the 1999 Contract constitute Dedicated Payments and are allocated to the Senior Debt Service Fund. Pursuant to the Trust Agreement, MassDOT has allocated such Dedicated Payments derived from the 1999 Contract in fiscal years 2038 and 2039 to the Subordinated Debt Service Fund.

The amount of such Dedicated Payments from the Contract and the 1999 Contract is anticipated to exceed the total Subordinated Debt Service in each year that the Bonds are Outstanding. See *Subordinated Net Debt Service Requirements*.

Credit Facilities and Liquidity Facilities

Each subseries of 2010 Series A Bonds is enhanced by a standby bond purchase agreement or a letter of credit issued by the Banks listed on page (i) and under The Standby Bond Purchase Agreements, the Letters of

Credit and the Banks. The Letters of Credit will entitle the Trustee to draw upon to pay (a) the principal of the applicable subseries of 2010 Series A Bonds when due, whether upon maturity or redemption, (b) up to 198 days of interest on such 2010 Series A Bonds when due, at the maximum rate of 12% per annum, and (c) the Purchase Price of such Bonds tendered for purchase pursuant to the mandatory or optional tender provisions of the Trust Agreement. The Standby Bond Purchase Agreements will entitle the Trustee to draw upon to pay the Purchase Price of such Bonds tendered for purchase, including up to 186 days of interest at the maximum rate of 12%, pursuant to the mandatory or optional tender provisions of the Trust Agreement. The initial expiration date of each facility is set forth on page (i). The term of each facility may be extended for additional periods solely in the applicable Bank's discretion, upon request of MassDOT, as set forth in the applicable Standby Bond Purchase Agreement or Reimbursement Agreement.

Each of the Letters of Credit and the Standby Bond Purchase Agreements constitutes a Credit Facility and a Liquidity Facility, respectively, for all purposes of the Trust Agreement.

Under the Trust Agreement, the reimbursement obligation of MassDOT to the Banks with respect to the Letters of Credit and the Standby Bond Purchase Agreements, respectively, with respect to the payment of the principal of and interest on, or Tender Price of, as applicable, the 2010 Series A Bonds, while such 2010 Series A Bonds are considered Bank Bonds will be included as Debt Service payable from the Subordinated Debt Service Fund. Any other amounts payable to the Banks will be payable from the General Fund. See *Flow of Funds*. To the extent any amount of principal or interest or Tender Price owed with respect to any 2010 Series A Bond is paid with amounts drawn under the applicable Letter of Credit or Standby Bond Purchase Agreement, then if and to the extent the affected Bank is not reimbursed for such amount by MassDOT, the affected Bank will succeed to and be subrogated to the rights of the holder of such 2010 Series A Bond to the extent of such payment.

Unless a Credit Facility Failure shall have occurred and be continuing, the LOC Bank (hereinafter defined) shall be deemed to be the holder of the applicable 2010 Series A Bonds for the purpose of exercising any voting right or privilege, giving any consent or direction or taking any other action that the holders of the applicable 2010 Series A Bonds are entitled to take pursuant to the Trust Agreement. Unless a Liquidity Facility Failure shall have occurred and be continuing, the Bank providing a Standby Bond Purchase Agreement shall be deemed to be the holder of the applicable 2010 Series A Bonds for the purpose of exercising any voting right or privilege, giving any consent or direction or taking any other action that the holders of the applicable 2010 Series A Bonds are entitled to take pursuant to the Trust Agreement while any 2010 Series A Bonds are Bank Bonds. See *Appendix G - Definitions and Summary of Certain Provisions of the Bonds Relating to Variable Rate Demand Features, the Standby Bond Purchase Agreements, the Reimbursement Agreement and the Letters of Credit*.

The Trust Agreement provides that at certain times prior to the expiration of each Letter of Credit or Standby Bond Purchase Agreement, the Issuer may provide for delivery to the Trustee of an Alternate Credit Facility or Alternate Liquidity Facility subject to certain limitations set forth in the Trust Agreement. The Trust Agreement contains provisions with respect to the acceptability of the Alternate Credit Facility or Alternate Liquidity Facility. See *Appendix G - Definitions and Summary of Certain Provisions of the Bonds Relating to Variable Rate Demand Features, the Standby Bond Purchase Agreements, the Reimbursement Agreement and the Letters of Credit*. Under the Trust Agreement, the Trustee shall provide not less than 10 days' written notice to the owners of the Bonds of the termination or replacement of the Credit Facility or Liquidity Facility. Upon any such substitution the Bonds shall be subject to mandatory tender. See *The Bonds - Additional Information Related to Variable Rate Demand Bonds*.

Pledge Under the Trust Agreement

The Bonds are special obligations of the Issuer payable solely from the items pledged therefor pursuant to the terms of the Trust Agreement. The payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for Senior Bonds is secured by a pledge of the following: (i) the proceeds of the sale of Senior Bonds, (ii) the Revenues, (iii) Dedicated Payments allocated to Senior Bonds and interest earnings thereon, if any, (iv) the rental income from certain leases between the Issuer and certain third parties specifically listed in a schedule to the Metropolitan Highway System Trust Agreement or added by any Supplemental Trust Agreement and (v) all Funds and Accounts established under the Trust Agreement (other than the Rebate Fund, the Subordinated Debt Service Fund and the Subordinated Debt Service Reserve Fund), including the investment income thereon, if any. Subject only to the prior pledge created for the payment of Senior Bonds described above and the terms and conditions set forth in the Trust Agreement with respect to such prior pledge, the property described in clauses (ii), (iv) and (v) above (except moneys or Investment Obligations in the Senior Debt Service Fund or the Senior Debt Service Reserve Fund) are further pledged, and the proceeds of the sale of Subordinated Bonds, Dedicated Payments

allocated to Subordinated Bonds and interest earnings thereon, the Subordinated Debt Service Fund and the Subordinated Debt Service Reserve Fund are further pledged, to the payment of the Subordinated Bonds.

Under the Trust Agreement, “Revenues” means all (i) all rates, fees, tolls, rentals or other charges and other earned income (including, without limitation, any income earned from the investment of such amounts) and receipts as derived in cash by or for the account of the Issuer from the Accepted Metropolitan Highway System or any Extension, (ii) Investment Income, (iii) any Supplemental Revenues, (iv) the proceeds of use and occupancy insurance on any portion of the Accepted Metropolitan Highway System or any Extension and of any other insurance which insures against loss of revenues therefrom payable to or for the account of the Issuer, and (v) all amounts received by the Trustee for the account of the Issuer under a Hedge Agreement. Notwithstanding the preceding sentence, however, Revenues shall not include (i) Dedicated Payments, (ii) amounts received under a Qualified Hedge Agreement which are deposited in a Debt Service Fund and have been relied upon in calculating Debt Service in accordance with the Trust Agreement, (iii) receipts from extraordinary, non-recurring events or sources attributable to the Accepted Metropolitan Highway System or any Extension, such as sale of property or air rights, (iv) rental income from leases of or licenses to use property or air rights attributable to the Accepted Metropolitan Highway System or any Extension unless pledged by the Issuer pursuant to the Trust Agreement or, in the Issuer’s discretion, as Supplemental Revenues pursuant to a Supplemental Trust Agreement, (v) operating assistance, subsidy or other similar funding received from a governmental or other entity which is attributable to the Accepted Metropolitan Highway System or any Extension, unless pledged by the Issuer, in its discretion, as Supplemental Revenues pursuant to a Supplemental Trust Agreement, or (vi)(a) all rates, fees, tolls, rentals or other charges and other earned income (including, without limitation, any income earned from the investment of such amounts) and receipts as derived in cash by or for the account of the Issuer, (b) operating assistance, subsidy or other similar funding received from a governmental or other entity, and (c) the proceeds of use and occupancy insurance and of any other insurance which insures against loss of revenues therefrom payable to or for the account of the Issuer, in each case with respect to portions of the Metropolitan Highway System other than the Accepted Metropolitan Highway System, if any, and unless pledged by the Issuer, in its discretion, as Supplemental Revenues pursuant to a Supplemental Trust Agreement. For a description of the Accepted Metropolitan Highway System, see *Metropolitan Highway System*. Currently, there is no Extension.

Under the Trust Agreement, “Operating Expenses” means the Issuer’s expenses (including deposits to the Operating and Maintenance Reserve Account for such expenses) incurred in the normal course of business for administration, operation, maintenance, repair, ordinary replacements and ordinary reconstruction of the Accepted Metropolitan Highway System or any part of it or any Extension or part of it and shall include, without limiting the generality of the foregoing: allocable overhead and administrative expenses as determined by the Issuer in its discretion, including the payment of a private operator or management company, insurance premiums, legal and engineering expenses, pension, retirement, health and hospitalization payments, expenditures relating to advertisements or promotions by or for the Issuer to promote or increase use of the Accepted Metropolitan Highway System or any Extension and any other expenses required to be paid by the Issuer, all to the extent properly and directly attributable to the operation of the Accepted Metropolitan Highway System and any Extension and payable by the Issuer, and the expenses, liabilities and compensation of the Fiduciaries required to be paid under the Trust Agreement. Operating Expenses shall not include (i) any extraordinary costs or expenses for reconstruction, rehabilitation, improvement or new construction, (ii) any provision for depreciation, amortization or similar charges, (iii) General Fund Expenses, or (iv) any costs or expenses in connection with any project which is not part of the Accepted Metropolitan Highway System or any Extension.

Under the Trust Agreement, “Net Revenues” means, as of any date of calculation and for any period, the actual Revenues for any such past period or the projected Revenues for any such future period and any other amounts deposited or to be deposited in the Revenue Fund, less the actual Operating Expenses for any such past period or the projected Operating Expenses for any such future period; provided that in both cases the following shall be excluded from Revenues for this purpose: (i) Investment Income from the Senior Debt Service Reserve Fund and the Senior Debt Service Fund to the extent deposited or to be deposited or retained or to be retained, respectively, in the Senior Debt Service Fund and (ii) Investment Income from the Subordinated Debt Service Reserve Fund and the Subordinated Debt Service Fund deposited or to be deposited or retained or to be retained, respectively, in the Subordinated Debt Service Fund.

Under the Trust Agreement, “Dedicated Payments” means any revenues of the Issuer which are not Revenues as defined in the Trust Agreement as initially adopted, which the Issuer subsequently pledges as additional security for its payment obligations on MHS Bonds pursuant to a Supplemental Trust Agreement, in each case which are specifically designated as Dedicated Payments by the Issuer in accordance with the limitations of the

Trust Agreement and, accordingly, are to be deposited in the Senior Debt Service Fund or the Subordinated Debt Service Fund upon receipt.

If Dedicated Payments are to be received from the United States of America, (a) they must automatically recur without appropriation, approval or other similar action by the United States of America or any agency or instrumentality thereof for so long as the Issuer is relying thereon for the purpose of issuing MHS Bonds or demonstrating compliance with covenants under the Trust Agreement 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 Issuer pursuant to a statutory or contractual arrangement with the Commonwealth which, in the opinion of Bond Counsel, constitutes a general obligation of the Commonwealth; provided that at the time of entering into such arrangement (a) such arrangement, by its terms, will not terminate so long as the Issuer is relying thereon for the purpose of issuing MHS Bonds or demonstrating compliance with covenants under the Trust Agreement and (b) the manner of determining the amounts to be derived from such arrangement is not subject to change or revision during such period. Notwithstanding the source of funding, if the Issuer has received a written confirmation from each Rating Agency that its rating of Outstanding MHS Bonds will not be adversely affected, the Issuer may, in its sole discretion, designate any revenues which are not Revenues, as defined in the Trust Agreement as initially adopted, as Dedicated Payments. See *Appendix C - Summary of Certain Provisions of the Trust Agreement - Dedicated Payments*. Amounts received from the Commonwealth under the Contract and the 1999 Contract constitute Dedicated Payments under the Trust Agreement. See *Payments from the Commonwealth*.

Under the Trust Agreement, "Senior Net Debt Service" means Debt Service payable on Senior Bonds less (i) the sum of:

- (a) interest accrued or to accrue on such Bonds which is to be paid from deposits in the Senior Debt Service Fund from the proceeds of Bonds (including amounts, if any, transferred to the Senior Debt Service Fund from the Bond Proceeds Fund) in accordance with a certificate of an Authorized Officer to the Trustee;
- (b) amounts transferred to the Senior Debt Service Fund from the General Fund at the Issuer's direction;
- (c) Investment Income from the Senior Debt Service Reserve Fund and the Senior Debt Service Fund transferred to or retained in the Senior Debt Service Fund; and
- (d) Dedicated Payments deposited in the Senior Debt Service Fund pursuant to the Trust Agreement;

plus (ii) Debt Service payable on Bond Anticipation Notes issued in anticipation of Senior Bonds net of any amounts deposited from the proceeds of such notes available in the Senior Debt Service Fund or in another account established in connection with the issuance of such notes for the payment of such Debt Service.

Under the Trust Agreement, "Subordinated Net Debt Service" means Debt Service payable on Subordinated Bonds less (i) the sum of:

- (a) interest accrued or to accrue on such Bonds which is to be paid from deposits in the Subordinated Debt Service Fund made from the proceeds of such Bonds (including amounts, if any, transferred to the Subordinated Debt Service Fund from the Bond Proceeds Fund) in accordance with a certificate of an Authorized Officer to the Trustee;
- (b) amounts transferred to the Subordinated Debt Service Fund from the General Fund at the Issuer's direction;
- (c) Investment Income from the Subordinated Debt Service Reserve Fund and the Subordinated Debt Service Fund transferred to or retained in the Subordinated Debt Service Fund; and
- (d) Dedicated Payments deposited in the Subordinated Debt Service Fund pursuant to the Trust Agreement;

plus (ii) Debt Service payable on Bond Anticipation Notes issued in anticipation of Subordinated Bonds net of any amounts deposited from the proceeds of such notes available in the Subordinated Debt Service Fund or in another account established in connection with the issuance of such notes for the payment of such Debt Service.

The Bonds are not a debt of the Commonwealth or any political subdivision thereof and neither the Commonwealth nor any political subdivision thereof shall be liable thereon. The Issuer has no taxing power.

Flow of Funds

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

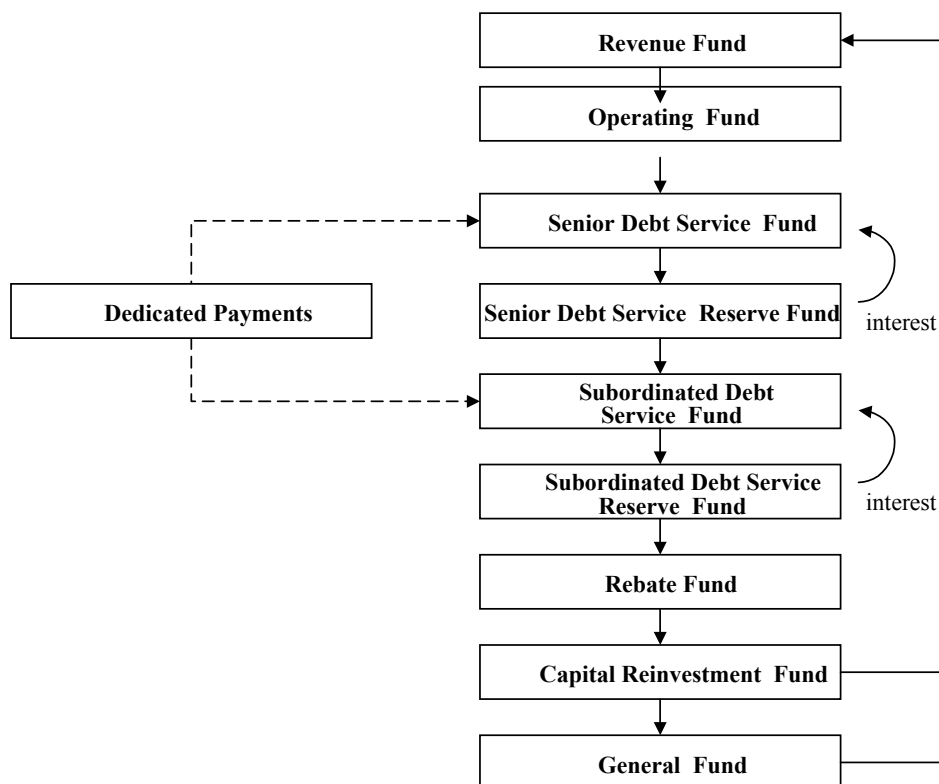
- (1) the Revenue Fund;
- (2) the Senior Debt Service Fund;
- (3) the Senior Debt Service Reserve Fund;
- (4) the Subordinated Debt Service Fund; and
- (5) the Subordinated Debt Service Reserve Fund.

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

- (1) the Bond Proceeds Fund, which shall include a Metropolitan Highway System Capital Account, a Commonwealth Payment Account, an Extension Account and such other Accounts as the Issuer may create by Supplemental Trust Agreement;
- (2) the Operating Fund, which shall include an Operations and Maintenance Account and an Operating and Maintenance Reserve Account;
- (3) the Rebate Fund;
- (4) the Capital Reinvestment Fund; and
- (5) the General Fund.

The Seventh Supplemental Trust Agreement establishes the following Funds and Accounts, to be held and administered by the Tender Agent: a Bond Purchase Fund for each subseries of the 2010 Series A Bonds, which shall include for each such subseries a Liquidity Facility Purchase Account or a Credit Facility Purchase Account, as applicable, a Remarketing Account and a Department Purchase Account.

Set forth below is an illustration of the flow of funds under the Trust Agreement which is more fully described in Appendix C - Summary of Certain Provisions of the Trust Agreement - Establishment of Funds and Accounts through Application of General Fund.



Toll Covenant

Under the Trust Agreement, the Issuer is required at all times to establish, levy, maintain and collect such tolls, rentals and other charges in connection with the Accepted Metropolitan Highway System, any Extension and other Projects as shall always be sufficient in the aggregate to provide Revenues in each Fiscal Year to satisfy the requirements described in paragraphs (1) and (2) below:

- (1) Revenues for each Fiscal Year shall be at least sufficient for the payment of the sum of:
 - (a) Operating Expenses for such Fiscal Year;
 - (b) An amount equal to the Aggregate Debt Service for such Fiscal Year less the amount of Debt Service, if any, payable from Dedicated Payments and any other amounts applied to the reduction of Debt Service, as set forth in the definition of Senior Net Debt Service and Subordinated Net Debt Service, as applicable, and not otherwise included in the definition of Revenues;
 - (c) The amount, if any, to be paid during such Fiscal Year into the Senior Debt Service Reserve Fund (other than amounts required to be paid into such Fund out of the proceeds of Senior Bonds);
 - (d) The amount, if any, to be paid during such Fiscal Year into the Subordinated Debt Service Reserve Fund (other than amounts required to be paid into such Fund out of the proceeds of Subordinated Bonds);
 - (e) The Capital Reinvestment Requirement for such Fiscal Year; and
 - (f) To the extent not otherwise provided for, the amount which, together with any other lawfully available funds received by the Issuer, shall be sufficient to provide for the payment of all other obligations of the Issuer allocable to the Accepted Metropolitan Highway System, or any Extension; and
- (2) Net Revenues for such Fiscal Year shall be at least equal to the greater of:
 - (i) 1.20 times the Senior Net Debt Service for such Fiscal Year;
 - (ii) 1.15 times the Combined Net Debt Service (which means Senior Net Debt Service plus Subordinated Net Debt Service) for such Fiscal Year; and
 - (iii) 1.00 times the Combined Net Debt Service plus the Capital Reinvestment Requirement for the Fiscal Year, which is established by the Issuer in its Annual Budget.

The Issuer is permitted under the Trust Agreement, to the extent permitted by law, with respect to the Accepted Metropolitan Highway System, any Extension or any portion of the Metropolitan Highway System which is not part of the Accepted Metropolitan Highway System, at any time to convert to methods of toll collection other than those presently utilized, provided that it shall comply with the foregoing covenants and other provisions of the Trust Agreement. See *Appendix C - Summary of Certain Provisions of the Trust Agreement - Tolls and Charges*.

The Trust Agreement provides that, on or before the 180th and 360th day of each Fiscal Year the Issuer shall determine whether the calculations required under this heading (on an annualized basis) indicate that Revenues are reasonably expected to be at or above the required levels at such time. In the event that Revenues are not at or are not reasonably expected to reach the level necessary to maintain the foregoing covenants, the Issuer will obtain a review by an Independent Consultant for the purpose of estimating whether the Revenues in each of the two subsequent Fiscal Years will be sufficient, together with other available moneys, to meet the foregoing covenants. If such estimates indicate insufficient Revenues to enable the Issuer to maintain the foregoing covenants, the Issuer will adjust its tolls, rentals and other charges and take such other action as shall be necessary and sufficient to comply as nearly as practicable with the foregoing covenants. Failure to comply with the foregoing covenants will not constitute a default under the Trust Agreement if the Independent Consultant is of the opinion that a schedule of tolls, rentals and other charges which will comply with such covenants is impracticable at that time and the Issuer establishes a schedule of tolls, rentals and other charges which is recommended by the Independent Consultant to comply as nearly as practicable with such covenants. See *Appendix C - Summary of Certain Provisions of the Trust Agreement - Tolls and Charges*.

In the event the Issuer permits a reduction of more than ten percent (10%) per annum to occur in Western Turnpike revenues resulting from a discretionary, permanent reduction or removal of tolls which goes into effect prior to December 31, 2016, the Issuer shall not, prior to 2017, reallocate expenses in excess of \$100,000 per Fiscal Year from the Western Turnpike to the Accepted Metropolitan Highway System as Operating Expenses unless the Issuer shall have delivered to the Trustee:

(1) a Certificate of an Authorized Officer estimating that for the prior Fiscal Year (assuming that such reduction in Western Turnpike revenues and the maximum annual reallocation of expenses proposed to occur in any Fiscal Year prior to 2017 had occurred in such Fiscal Year) Net Revenues would have been at least equal to 1.40 times the amount of Senior Net Debt Service and 1.35 times the amount of Combined Net Debt Service; or

(2) a Certificate of an Independent Consultant estimating that for each full Fiscal Year prior to 2017 following such reduction in Western Turnpike revenues and proposed reallocation of expenses either (x) Net Revenues will be at least equal to 1.40 times the amount of Senior Net Debt Service and 1.35 times the amount of Combined Net Debt Service or (y) if regardless of such reallocation Net Revenues would have been less than the amounts described in clause (x), the ratios of Net Revenues to Senior Net Debt Service and Net Revenues to Combined Net Debt Service for each such Fiscal Year, respectively, will not decline from the ratios that would have been achieved in each such Fiscal Year had such reduction and reallocation not occurred as a result of additional Revenues made available or Operating Expense reductions implemented by the Issuer in order to provide for such reduction and reallocation.

Senior Debt Service Reserve Fund

To the extent that amounts in the Senior Debt Service Fund are insufficient to pay Senior Net Debt Service, when due, on the Senior Bonds, deficiencies shall be made up from amounts in the Senior Debt Service Reserve Fund after any transfer from the General Fund. The Trust Agreement requires the Issuer to maintain cash and investment obligations or surety bonds, insurance policies, letters of credit or similar instruments in the Senior Debt Service Reserve Fund equal to the Senior Debt Service Reserve Fund Requirement. The Senior Debt Service Reserve Fund Requirement is equal to the sum of the following amounts calculated for each separate Series of Senior Bonds: the least of (i) 10% of the original net proceeds from the sale of such Series, (ii) 125% of average annual Debt Service for such Series, and (iii) the maximum amount of Debt Service due on such Series in any future Fiscal Year, or, in any event, such lesser amount as may be required to comply with the Code (the "Senior Debt Service Reserve Fund Requirement"). See *Appendix C - Summary of Certain Provisions of the Trust Agreement - Definitions and Senior Debt Service Reserve Fund*. To the extent that the amount on deposit in the Senior Debt Service Reserve Fund is less than the Senior Debt Service Reserve Fund Requirement, the Issuer is required to restore the amount on deposit in such Senior Debt Service Reserve Fund in twelve equal monthly installments in the case of restoration after a withdrawal (commencing within 90 days of such withdrawal) and in six equal monthly installments in the case of restoration as a result of valuation (commencing 30 days after such valuation).

Subordinated Debt Service Reserve Fund

The Bonds are excluded from the calculation of the Subordinated Debt Service Reserve Requirement under the Trust Agreement. In fact, upon the issuance of the Bonds, the Subordinated Debt Service Reserve Fund Requirement will be \$0, as there will be no Subordinated Bonds outstanding, other than the Bonds.

In connection with the issuance of the Bonds, the Issuer shall establish the 2010 Series A Account and the 2010 Series B Account of the Subordinated Debt Service Reserve Fund, which shall be funded as described under Plan of Finance - Debt Service Reserve Fund.

The Bonds have no claim or lien on and are not payable from monies in the Subordinated Debt Service Reserve Fund, if any, other than monies in the 2010 Series A Account, which is only available to pay amounts due with respect to the 2010 Series A Bonds. The Bonds will not be secured by any funds held in the Subordinated Debt Service Reserve Fund.

Additional Indebtedness

The Enabling Act currently prohibits the issuance of bonds related to the MHS, other than to refund Authority obligations issued prior to July 1, 2009.

The Trust Agreement provides for authentication and delivery of one or more Series of Additional Bonds as described in *Appendix C - Summary of Certain Provisions of the Trust Agreement - Additional Senior Bonds and*

Additional Subordinated Bonds. The Trust Agreement was amended in 2009 to limit the issuance of Additional Subordinated Bonds. In particular, no Additional Subordinated Bonds may be issued under the Trust Agreement except:

(i) Refunding Bonds issued solely for the purpose of refunding any Subordinated Bonds, to make a deposit to the Subordinated Debt Service Fund or the Subordinated Debt Service Reserve Fund relating to such Refunding Bonds, including any Accounts therein, and to pay or provide for the payment of the costs incurred in connection with the issuance of such Refunding Bonds; and

(ii) MHS Bonds in lieu of or in substitution for MHS Bonds previously issued.

Additional Subordinated Bonds, including the Bonds, shall be authenticated only upon receipt by the Trustee of one of the following (in addition to the other documents required under the Trust Agreement for the issuance of Subordinated Bonds):

(i) a certificate of an Independent Consultant estimating that in each of the Fiscal Years following the issuance of the Additional Subordinated Bonds, Net Revenues will be at least equal to 1.15 times Combined Net Debt Service; or

(ii) a certificate of an Authorized Officer estimating that for at least 12 consecutive months during the last 18 months, assuming that such Additional Subordinated Bonds had been issued, Net Revenues would have been at least equal to 1.15 times the maximum amount of Combined Net Debt Service in the then current or any future Fiscal Year; or

(iii) a certificate of an Independent Consultant that (a) in each of the Fiscal Years following the issuance of the Additional Subordinated Bonds preceding a particular future Fiscal Year designated for the purpose by the Issuer, Net Revenues will be at least equal to 1.15 times the amount of Combined Net Debt Service in each such Fiscal Year and (b) in such designated future Fiscal Year, Net Revenues will be at least equal to 1.15 times the maximum amount of Combined Net Debt Service in the then current or any subsequent Fiscal Year.

Refunding Bonds of a Series shall be authenticated only upon receipt by the Trustee (in addition to the other documents required under the Trust Agreement for the issuance of Refunding Bonds) of:

(i) if the bonds to be refunded are to be redeemed, instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the bonds so to be refunded on a redemption date specified in such instructions, subject to the provisions of the Trust Agreement;

(ii) if the bonds to be refunded are to be deemed paid within the meaning of the defeasance provisions of the Trust Agreement, instructions to the Trustee, satisfactory to it, to give due notice in the manner specified in such defeasance provisions with respect to the payment of said bonds pursuant to such provisions;

(iii) if the bonds to be refunded are to be deemed paid within the meaning of the defeasance provisions of the Trust Agreement, (A) moneys and/or (B) Investment Obligations as shall be necessary to comply with such provisions, which Investment Obligations and moneys shall be held in trust and used only as provided in such provisions;

(iv) if the proceeds of such Series of Refunding Bonds are to be utilized by the Issuer to purchase bonds to be delivered to the Trustee in satisfaction of a Sinking Fund Installment or to defease a portion of the Bonds which are the subject of a Sinking Fund Installment in accordance with the provisions of the Trust Agreement, a certificate of an Authorized Officer of the Issuer specifying (A) the principal amount, Series, maturity, interest rate and number of the bonds to be so delivered, (B) the date and Series of the Sinking Fund Installment in satisfaction of which such bonds are to be so delivered, (C) the aggregate principal amount of the bonds to be so delivered, and (D) the unsatisfied balance of each such Sinking Fund Installment after giving effect to the delivery of the bonds to be so delivered; and

(v) either (A) a certificate of an Authorized Officer of the Issuer stating that (1) the final maturity of the Refunding Bonds is no later than the final maturity of the bonds to be refunded and (2) as a result of the issuance of the Refunding Bonds there shall be no increase in the amount of Senior Net Debt Service in any Fiscal Year and there shall be no increase in the amount of Combined Net Debt Service in any Fiscal Year; or (B) the certificates required under the Trust Agreement with respect to such Series of Refunding Bonds, considering for all purposes of such certificate that (1) such Series of Refunding Bonds is a Series of Senior Bonds issued as Additional Senior Bonds under the Trust Agreement or Subordinated Bonds issued as Additional Subordinated Bonds under the Trust Agreement, as applicable, and (2) that the bonds to be refunded are no longer Outstanding. In connection with the issuance of the Bonds, the Issuer anticipates delivering the certificates referred to in (B).

For purposes of any calculation of Combined Debt Service and Senior Net Debt Service, the interest rate on bonds (including the Bonds) that are subject to a Qualified Hedge Agreement shall be determined as if such bonds

had interest payments equal to the interest payable on those bonds less any payments reasonably expected to be made to the Issuer by the Provider of the Qualified Hedge Agreement and plus any payments reasonably expected to be made by the Issuer to such Provider in accordance with the terms of the Qualified Hedge Agreement (other than fees or terminations payments payable to such Provider for providing the Qualified Hedge Agreement). The Swap Agreements described under Plan of Finance constitute Qualified Hedge Agreements under the Trust Agreement.

For purposes of any calculation of Combined Debt Service and Senior Net Debt Service for variable rate bonds that are not the subject of a Qualified Hedge Agreement, see *Appendix C - Summary of Certain Provisions of the Trust Agreement*.

The Additional Senior Bonds of such Series issued as Refunding Bonds shall be authenticated only upon receipt by the Trustee of one of the following (in addition to the other documents required under the Trust Agreement for the issuance of Senior Bonds and in lieu of the requirements for Refunding Bonds described in (v) in the next succeeding paragraph):

- (i) a certificate of an Independent Consultant estimating that in each of the Fiscal Years following the issuance of the Additional Senior Bonds, during which Senior Bonds will be Outstanding, Net Revenues will be at least equal to 1.20 times Senior Net Debt Service and 1.15 times Combined Net Debt Service; or
- (ii) a certificate of an Authorized Officer estimating that for at least 12 consecutive months during the last 18 months, assuming that such Additional Senior Bonds had been issued, Net Revenues would have been at least equal to 1.20 times the maximum amount of Senior Net Debt Service and 1.15 times the maximum amount of Combined Net Debt Service in the then current or any future Fiscal Year; or
- (iii) a certificate of an Independent Consultant that (a) in each of the Fiscal Years following the issuance of the Additional Senior Bonds preceding a particular future Fiscal Year designated for the purpose by the Issuer, Net Revenues will be at least equal to 1.20 times the amount of Senior Net Debt Service and 1.15 times the amount of Combined Net Debt Service in each such Fiscal Year and (b) in such designated future Fiscal Year, Net Revenues will be at least equal to 1.20 times the maximum amount of Senior Net Debt Service and 1.15 times the maximum amount of Combined Net Debt Service in the then current or any subsequent Fiscal Year. The Issuer has begun the procurement process for retaining the independent consultant described here.

To the extent permitted under the Enabling Act, the Issuer reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness pursuant to other and separate resolutions or agreements of the Issuer, so long as such bonds, notes or other obligations are not, or such other indebtedness is not, except as provided in the Trust Agreement, entitled to a charge or lien or right with respect to the Revenues or the Funds and Accounts created by or pursuant to the Trust Agreement and is permitted by the Enabling Act.

The Trust Agreement also provides for the issuance by the Issuer of General Fund Indebtedness, which means any debt issued by the Issuer which is secured by or payable from the Revenues and other amounts on deposit from time to time in the General Fund, provided that any such pledge shall not be prior or equal to the pledge thereof made by the Trust Agreement for the benefit of Senior Bonds or Subordinated Bonds. See *Appendix C - Summary of Certain Provisions of the Trust Agreement - Additional Senior Bonds and Additional Subordinated Bonds*.

THE STANDBY BOND PURCHASE AGREEMENTS, THE LETTERS OF CREDIT AND THE BANKS

MassDOT will enter into a Liquidity Facility or a Credit Facility with each of the following banks with respect to each subseries of the 2010 Series A Bonds. The Liquidity Facility or Credit Facility requires the applicable Bank to purchase the respective subseries of 2010 Series A Bonds bearing interest at the Weekly Rate tendered or deemed tendered to the extent not remarketed, subject to certain funding conditions described herein and therein. In the case of the Credit Facilities only, the applicable Bank also is providing credit support for payment of regularly scheduled principal and interest on the related 2010 Series A Bonds.

Liquidity Facilities and Credit Facilities

<u>Subseries</u>	<u>Facility</u>	<u>Bank</u>	<u>Scheduled Expiration</u>
2010 Series A-1	Liquidity Facility (Standby Bond Purchase Agreement)	TD Bank, N.A.	April 12, 2013
2010 Series A-2	Liquidity Facility (Standby Bond Purchase Agreement)	JPMorgan Chase Bank, N.A.	April 12, 2013
2010 Series A-3	Credit Facility (Letter of Credit)	Bank of America, N.A.	April 13, 2012
2010 Series A-4	Liquidity Facility (Standby Bond Purchase Agreement)	Barclays Bank PLC	April 12, 2013
2010 Series A-5	Liquidity Facility (Standby Bond Purchase Agreement)	Barclays Bank PLC	April 12, 2013
2010 Series A-6	Credit Facility (Letter of Credit)	Bank of America, N.A.	April 13, 2012
2010 Series A-7	Liquidity Facility (Standby Bond Purchase Agreement)	JPMorgan Chase Bank, N.A.	April 13, 2012

Standby Bond Purchase Agreements

Each of the Standby Bond Purchase Agreement provides that the respective Bank agrees to purchase any unremarketed tendered or deemed tendered 2010 Series A-1 Bonds, 2010 Series A-2 Bonds, 2010 Series A-4 Bonds, 2010 Series A-5 Bonds, and 2010 Series A-7 Bonds, respectively, bearing interest at the Weekly Rate from time to time in an amount not to exceed the principal amount thereof plus 186 days of accrued interest thereon at an interest rate not exceeding 12% per annum, subject to the terms and provisions set forth in the applicable Standby Bond Purchase Agreement. See *Appendix G – Definitions and Summary of Certain Provisions of the Bonds Relating to Variable Rate Demand Features, the Standby Bond Purchase Agreements, the Reimbursement Agreement and the Letters of Credit* for a summary of certain provisions of the Standby Bond Purchase Agreements.

Each of the Standby Bond Purchase Agreements may be terminated prior to its Expiration Date immediately upon the occurrence of certain Events of Termination specified therein for which no termination notice is required. In the event of such termination, the applicable subseries of 2010 Series A Bonds is not subject to mandatory tender for purchase solely as a result of such termination. See *Appendix G – Definitions and Summary of Certain Provisions of the Bonds Relating to Variable Rate Demand Features, the Standby Bond Purchase Agreements, the Reimbursement Agreement and the Letters of Credit*.

The initial expiration date of each Standby Bond Purchase Agreement is set forth in the above table. The term of each Standby Bond Purchase Agreement may be extended for additional periods solely in the applicable Bank's discretion, upon request of the Issuer, as set forth in the respective Standby Bond Purchase Agreements.

The Letters of Credit

Each Letter of Credit is an irrevocable obligation of Bank of America, N.A. (the "LOC Bank") to pay to the Trustee, upon drawings thereon in accordance with the terms thereof, up to (a) an amount equal to the aggregate principal amount of the 2010 Series A-3 Bonds and 2010 Series A-6 Bonds, as applicable, outstanding (i) to pay the principal of such 2010 Series A Bonds when due at maturity or upon redemption, or (ii) to pay the portion of the Tender Price of the applicable 2010 Series A Bonds tendered for purchase pursuant to the Trust Agreement corresponding to the principal of the applicable 2010 Series A Bonds to the extent remarketing proceeds are not available for such purpose, plus (b) an amount equal to 198 days of interest (at a maximum rate of 12% per annum based on a year of 365 days) on such 2010 Series A Bonds (i) to pay interest on the applicable 2010 Series A Bonds when due, or (ii) to pay the portion of the Tender Price of the applicable 2010 Series A Bonds tendered for purchase pursuant to the Trust Agreement corresponding to the accrued interest, if any, on the applicable 2010 Series A Bonds, to the extent remarketing proceeds are not available for such purpose.

In each case that 2010 Series A Bonds of a subseries are redeemed or deemed to have been paid pursuant to the Trust Agreement, the amount available under the applicable Letter of Credit shall be reduced to an amount equal to the principal amount of such 2010 Series A Bonds outstanding, plus 198 days' interest on such principal amount computed at a maximum rate of 12% per annum.

Drawings on any Letter of Credit will reduce the amount available to be drawn under it, which amount may be reinstated as set forth in such Letter of Credit.

The initial expiration date of each Letter of Credit is set forth in the above table. The term of each Letter of Credit may be extended for additional periods solely in the LOC Bank's discretion, upon request of the Issuer, as set forth in the Reimbursement Agreement.

The Reimbursement Agreement

Each Letter of Credit is being issued pursuant to a related Reimbursement Agreement, under which the Issuer will be obligated, among other things, to reimburse the LOC Bank, with interest, for each drawing under the Letters of Credit.

The Reimbursement Agreement establishes various representations, warranties and covenants of the Issuer and establishes various events of default thereunder, including, without limitation, the failure to pay to the applicable Bank any sum due under the Reimbursement Agreement, or to comply with any other covenant thereunder, or any occurrence of an "event of default" under the "Related Documents," as defined in the Reimbursement Agreement, and certain events of bankruptcy or insolvency involving the Issuer. See *Appendix G – Definitions and Summary of Certain Provisions of the Bonds Relating to Variable Rate Demand Features, the Standby Bond Purchase Agreements, the Reimbursement Agreement and the Letters of Credit*.

Upon the occurrence and continuation of an event of default under the Reimbursement Agreement, the LOC Bank may declare all obligations of the Issuer due under the Reimbursement Agreement to be immediately due and payable, exercise any and all other remedies it may have under the Reimbursement Agreement and any other security or credit document delivered to the LOC Bank or otherwise at law or in equity.

The terms of the Reimbursement Agreement and certain related documents may be modified, amended or supplemented by the LOC Bank and the Issuer from time to time without giving notice to or obtaining the consent of the Bondowners. Any amendment, modification or supplement to the Reimbursement Agreement may contain amendments or modifications to the covenants of the Issuer or additional covenants of the Issuer and these amended or modified covenants may be more or less restrictive than those in effect at the date of issuance of the Bonds.

The Banks

See *Appendix F – Information Concerning the Banks* for a summary description and certain financial information concerning the Banks. All information concerning the Banks has been provided by the respective Banks, and none of MassDOT or the Underwriters is responsible for its accuracy or completeness.

THE METROPOLITAN HIGHWAY SYSTEM

History and General Description

Pursuant to the Enabling Act, the Metropolitan Highway System is an integrated system of tunnels and highways owned and operated by MassDOT, as successor to the Authority. The Metropolitan Highway System comprises the Tunnels, the Boston Extension, CANA, the Central Artery facilities and the Tobin Bridge, all of which are operated by MassDOT. Ownership of the portions of such facilities that were part of the Commonwealth's Central Artery/Tunnel Project have been transferred to MassDOT. Transfer of the Ted Williams Tunnel and CANA occurred before 2000. Transfers of the Central Artery facilities were largely completed in 2007. Previously, the Tunnels, CANA and the Boston Extension became part of the Accepted Metropolitan Highway System. The Tobin Bridge, which was transferred to MassDOT effective January 2010, is part of the Metropolitan Highway System, but not part of the Accepted Metropolitan Highway System for purposes of the Trust Agreement. Description of Facilities – Tobin Bridge below.

MassDOT derives toll revenues with respect to the Metropolitan Highway System only from operation of the Boston Extension and the Tunnels. The Central Artery and CANA are operated as toll-free facilities. The operating expenses of the Metropolitan Highway System have increased significantly since transfer to and operation by the Authority and its successor, MassDOT, of the Ted Williams Tunnel, the Central Artery and CANA.

Description of Facilities

The Boston Extension. The Boston Extension, which was completed in 1965, extends approximately 12 miles from the end of the Western Turnpike at Route 128 in the Town of Weston to the interchange of interstate highways I-90 and I-93 in Boston. It was designed as an expressway for interstate and local traffic from the west to downtown Boston. The Boston Extension contains ninety-one bridge structures and includes a tunnel in Boston created in connection with the development of certain structures, including the Hynes Auditorium Convention

Center, the Prudential Center complex, Copley Place and the Copley Marriott Hotel, the so-called John Hancock Garage, and two air rights developments in Newton.

Continuing east from Interchange 15 at Route 128, the Boston Extension varies in width, number of lanes and in shoulder treatment. From the barrier toll plaza in Weston to Interchange 17 and from Interchange 22 to the end of the Boston Extension, each roadway has sections of three 11-foot lanes and two-foot paved inner and outer shoulders. From Interchange 17 to Interchange 22, each roadway has four 11-foot lanes and one-foot paved inner and outer shoulders. The Boston Extension portion of the Metropolitan Highway System, excluding the Ted Williams Tunnel, runs for 15 miles between Route 128/I-95 and Logan Airport/Route 1A, through the Ted Williams Tunnel and the I-90 Seaport Access Highway.

Sumner/Callahan Tunnels. The Sumner/Callahan Tunnels extend under Boston Harbor from Cross Street, Boston, to Porter Street in East Boston. The Sumner Tunnel has been in operation since 1934 and the Callahan Tunnel has been in operation since 1961. Together the Sumner/Callahan Tunnels provide a four-lane facility joining the Central Artery and the street system of Boston with the McClellan Highway, the street system of East Boston, and Logan Airport.

Central Artery North Area. CANA includes all roadways and tunnels for vehicular use consisting of a portion of state highway Route 1 beginning at but not including the southern boundary of the Tobin Bridge and continuing to the interchange of Interstate I-93 and state highway Route 1.

Ted Williams Tunnel. The Ted Williams Tunnel was opened in December 1995 as the first major segment of the CA/T Project to be opened for vehicular traffic. It is four lanes wide (2 lanes in each direction) and doubles the current cross-harbor traffic capacity previously provided by the Sumner/Callahan Tunnels. The Ted Williams Tunnel allows Logan Airport-bound drivers from the west and south of Boston (which are estimated to comprise approximately 70% of airport traffic) and north shore-bound drivers to bypass downtown Boston and the Sumner/Callahan Tunnels. The Ted Williams Tunnel includes the interstate highway I-90 extension and its connecting roadways and tunnels, including (i) the harbor tunnel crossing beneath Boston Harbor, beginning at and including the interchanges of state highway Route 1A and the Logan Airport access and egress roadways with interstate highway I-90 and continuing beneath Boston Harbor to and including the interchange of interstate highway I-90 and South Boston Bypass Road; (ii) the seaport access highway, beginning at the interchange of interstate highways I-90 and I-93 and continuing to the interchange of interstate highway I-90 and South Boston Bypass Road; and (iii) South Boston Bypass Road, a portion of which is also known as South Boston Haul Road, beginning at the interchange of interstate highway I-93 and South Boston Bypass Road and continuing to the interchange of the seaport access highway in South Boston.

Central Artery. The Central Artery includes all roadways and tunnels for vehicular traffic that constitute that portion of interstate highway I-93 beginning at a point immediately south of the Southampton Street interchange continuing to and including the interchange of interstate highway I-93 and Massachusetts Avenue in the South End section of the City of Boston, and continuing to and including the interchange of interstate highways I-90 and I-93 in the South Bay section of the City of Boston to and including the interchange of state highway Route 1 and interstate highway I-93 in the Charlestown section of the City of Boston, including the Charles River Crossing portion of interstate highway I-93.

Charles River Crossings. The Charles River Crossings consist of a cable-stayed ten-lane bridge and a steel box-girder four-lane bridge over the Charles River. The ten-lane bridge, named the Leonard P. Zakim Bunker Hill Bridge, has five lanes of interstate highway I-93 in the northbound direction and five lanes of interstate highway I-93 in the southbound direction. A four-lane bridge connects the east end of Storrow Drive and Leverett Circle in Boston to interstate highway I-93 in the Charlestown section of Boston. The four-lane bridge is the widest steel box-girder bridge in North America.

Rose Kennedy Greenway. In 1996, the Massachusetts legislature directed that the open space above a portion of the Central Artery, between Causeway Street and Kneeland Street in downtown Boston, be designated the Rose Kennedy Greenway (the "Greenway"). Approximately 21 acres in total area, the Greenway has been designed as a series of parks and other open space areas. While MassDOT is responsible for the operation and maintenance of the Greenway, MassDOT, as successor to the Authority, is leasing the Greenway to a nonprofit organization that has assumed responsibility for its operations and maintenance.

Tobin Bridge. Effective January 1, 2010, the Tobin Bridge became owned and operated by MassDOT, although the Tobin Bridge is not part of the Accepted Metropolitan Highway System for purposes of the Trust Agreement and the revenues from the Tobin Bridge are not pledged to the Bonds or other bonds issued under the

Trust Agreement. The Tobin Bridge provides a high-level crossing of the Mystic River and connects Chelsea and points on the North Shore with Charlestown and downtown Boston via the Central Artery. The Tobin Bridge is an alternative harbor crossing to the Tunnels.

CAPITAL INVESTMENTS

The Enabling Act currently prohibits MassDOT from issuing any additional MHS Bonds other than to refund Authority obligations issued prior to July 1, 2009. The Trust Agreement prohibits MassDOT from issuing additional Subordinated MHS Bonds to fund capital or maintenance costs of MassDOT. The Trust Agreement requires MassDOT to maintain the Capital Reinvestment Fund and that Revenues in each fiscal year shall be at least equal to the 1.00 times Combined Net Debt Service plus the Capital Reinvestment Requirement, which is established by MassDOT in its Annual Budget. See *Security for the Bonds - Toll Covenant*. In addition, the Transportation Reform Act contemplates that the Commonwealth will fund future transportation improvements, including with respect to the Metropolitan Highway System, through appropriations to the Trust Fund and through the issuance by the State Treasurer of Commonwealth debt.

LEGISLATIVE AND OTHER MATTERS

From time to time various bills are filed in the legislature which relate to MassDOT and would affect, among other matters, tolls and fees, holiday toll suspensions, air rights developments and the composition of the Board. In the opinion of Bond Counsel, any such legislation would be subject to the provisions of the United States Constitution and Massachusetts Constitution restricting any law impairing obligations under contracts and therefore could not unconstitutionally impair the obligations of MassDOT under the Bonds and the Trust Agreement. MassDOT does not believe that any legislation having such an effect is likely to be enacted.

LITIGATION

There is no threatened or pending litigation seeking to restrain or enjoin the issuance or delivery of the Bonds or the proceedings and authority under which they are to be issued, or the pledge or application of any moneys or the security provided for the payment of such Bonds or the existence or powers of MassDOT. There is no threatened or pending litigation which questions or affects the ability of MassDOT to own or operate the Metropolitan Highway System, or which seeks to restrain or enjoin the execution, delivery or performance of, the Trust Agreement, the Contract, the 1999 Contract or any other agreements, contracts or legal documents to be executed in connection with the issuance of the Bonds.

MassDOT, as successor to the Authority or otherwise, from time to time is engaged in various matters of routine litigation. These matters include personal injury and property damage claims for which liability is covered in whole or in part by insurance. Others include disputes with contractors, subcontractors and others arising from the construction or maintenance of the Metropolitan Highway System and the Western Turnpike. MassDOT is engaged in a number of claims regarding contracts for the CA/T Project that may result in future litigation. MassDOT does not expect that these matters will require any amounts to be paid which, in the aggregate, would materially adversely affect MassDOT's ability to fulfill its obligations under the Trust Agreement.

In *Sandra Murphy, et al. v. Massachusetts Turnpike Authority*, Middlesex Superior Court, Civil Action No. 09-01794-B, the plaintiffs filed suit against the Authority on behalf of a purported "class" consisting of all toll payers within the Metropolitan Highway System. Under the Enabling Act, MassDOT has succeeded to the liabilities of the Authority. The plaintiffs claim that the use of toll money collected on some parts of the Metropolitan Highway System to fund operations, maintenance and tax debt service for other parts of the Metropolitan Highway System (specifically, the Central Artery) is an unconstitutional tax and seek an injunction and damages. The plaintiffs filed a motion seeking a preliminary injunction prohibiting the Authority from spending any Metropolitan Highway System tolls on the "non-tolled segments" of the Metropolitan Highway System for the duration of the case. The Superior Court denied that motion. The Authority filed a Motion to Dismiss, seeking to dismiss all counts of the Third Amended Complaint. A hearing on such motion was held on October 15, 2009. The Court took the Motion under advisement, and has not yet rendered its decision.

In *Carol Surprenant, et al. v. Massachusetts Turnpike Authority and Massachusetts Port Authority*, United States District Court for the District of Massachusetts, No. 09-10428-RGS, the plaintiffs filed suit against the Authority and the Massachusetts Port Authority on behalf of a purported "class" consisting of all tollpayers at the

Tobin Bridge and the Sumner and Ted Williams Tunnels using E-Z Pass or Fast Lane transponders, who do not qualify for the Resident Discount Program. The plaintiffs claim that the Resident Discount Program is unconstitutional and constitutes discriminatory pricing policies.

The plaintiffs' complaint contains six claims for relief. Claim I alleges that the Resident Discount Program violates the Dormant Commerce Clause of the United States Constitution by discriminating against out-of-state economic interests to the benefit of in-state economic interests. Claim II alleges that the disparate treatment accorded resident and non-resident travelers utilizing the Tunnels violates the Equal Protection Clause of the Fourteenth Amendment of the United States Constitution. Claim III alleges that the Resident Discount Program violates the Privileges and Immunities Clause of the United States Constitution by discriminating against out-of-state residents. Claim IV alleges that the disparate treatment accorded resident and non-resident travelers utilizing the Tunnels violates the Equal Protection Clause of the Massachusetts Constitution. Claim V seeks the imposition of a constructive trust and restitution of the alleged unjust enrichment. Claim VI seeks restitution for money had and received.

The Authority filed a motion to dismiss. A hearing on the Authority's motion was heard in July 2009. In March 2010 the District Court allowed the motion to dismiss as to the Privileges and Immunities Clause (Claim III) and denied as to the Dormant Commerce Clause (Claim I). The District Court authorized a 90-day period for discovery, followed by supplemental briefing.

Yerger et al. v. Massachusetts Turnpike Authority, United States District Court for the District of New Jersey, No. 2:08-cv-05261. In October 2008, eight individual plaintiffs on behalf of all others similarly situated brought a putative class action lawsuit against the Authority in the United States District Court for the District of New Jersey. The plaintiffs allege that the Fast Lane discount program violates the Dormant Commerce Clause, the Equal Protection Clause, and Privileges and Immunities Clause of the United States Constitution.

In July 2009, the District Court heard the Authority's motion to dismiss for failure to state a claim. In September 2009, the District Court issued a decision dismissing all claims asserted by the plaintiffs and issued an order dismissing the Complaint in its entirety, with prejudice. In October 2009, the plaintiff's filed a Notice of Appeal with the United States Court of Appeals for the Third Circuit. The briefing and scheduling order requires the brief for the Appellant to be filed and served in April 2010. The Appellee's brief is to be filed and served within 30 days of the service of the Appellant's brief, and any reply briefs are to be filed and served within 14 days of service of the Appellee's brief.

Perini Corp., Kiewit Constr. Corp., Jay Cashman, Inc., d/b/a Perini – Kiewit – Cashman Joint Venture v. Commonwealth. In several related cases and potential litigation, plaintiffs make claims for alleged increased costs arising from differing site conditions and other causes of delay on the Central Artery/Ted Williams Tunnel project. Plaintiffs have asserted claims in excess of \$130 million. These claims are at various stages of resolution, including the Superior Court and the Central Artery Tunnel Project Dispute Review Board ("DRB") panel. The DRB has recently issue decisions on some of the claims, awarding plaintiffs \$55 million on claims of \$73.8 million. Those decisions are now the subject of further court proceedings. Plaintiffs also still have in excess of \$60 million in claims pending.

TAX EXEMPTION

In the opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel to the Issuer ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income.

Other than as expressly stated herein, Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. Failure to comply with these requirements may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of

original issuance of the Bonds. The Issuer has covenanted to comply with such requirements to ensure that interest on the Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these covenants.

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds and any profit on the sale of the Bonds are exempt from Massachusetts personal income taxes and that the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel expresses no opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds. Prospective Bondholders should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel has not opined as to the taxability of the Bonds or the income therefrom under the laws of any state other than Massachusetts. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix D hereto.

To the extent the issue price of any maturity of the 2010 Series B Bonds is less than the amount to be paid at maturity of such 2010 Series B Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2010 Series B Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the 2010 Series B Bonds which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. For this purpose, the issue price of a particular maturity of the 2010 Series B Bonds is the first price at which a substantial amount of such maturity of the 2010 Series B Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2010 Series B Bonds accrues daily over the term to maturity of such 2010 Series B Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2010 Series B Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2010 Series B Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of 2010 Series B Bonds with original issue discount, including the treatment of purchasers who do not purchase such 2010 Series B Bonds in the original offering to the public at the first price at which a substantial amount of such 2010 Series B Bonds is sold to the public.

2010 Series B Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such 2010 Series B Bonds, or, in some cases, at the earlier redemption date of such 2010 Series B Bonds (“Premium Bonds”), will be treated as having amortizable bond premium for federal income tax purposes and Massachusetts personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a Bondholder’s basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Bondholder. Holders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Prospective Bondholders should be aware that certain requirements and procedures contained or referred to in the Trust Agreement and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Further, no assurance can be given that pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the value of, or the tax status of interest on, the Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Bondholder’s federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder’s other items of income or deduction. Bond Counsel expresses no opinion regarding

any such other tax consequences, and Bondholders should consult with their own tax advisors with respect to such consequences.

RATINGS

Fitch Ratings (“Fitch”), Moody’s Investors Service (“Moody’s”) and Standard & Poor’s Ratings Services (“Standard & Poor’s”) have assigned long-term ratings and short-term ratings set forth on pages (i) and (ii) hereof.

Such ratings reflect only the respective views of such organizations and an explanation of the significance of such ratings may be obtained from Fitch, Moody’s and Standard & Poor’s, respectively. MassDOT furnished to each of the rating agencies certain information and materials concerning the Bonds and MassDOT. Generally, rating agencies base their ratings on such information and material and, in addition, on investigations, studies and assumptions made by the rating agencies themselves. There is no assurance that any rating mentioned herein will continue for any period of time or that it will not be revised, either upward or downward, or withdrawn entirely by a rating agency, if in its judgment circumstances so warrant. Any such downward change in or withdrawal of the ratings may have an adverse effect upon the market price of the Bonds.

UNDERWRITING

Each of the Underwriters has agreed, subject to certain conditions, to purchase all of the Bonds for which it is serving as Underwriter (see the inside cover pages hereof) from the Issuer at a discount from the initial offering price of such Bonds approximately equal to \$2,717,195.09.

The Underwriters may offer and sell the Bonds to certain dealers and others (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices (or yields higher than the offering yields) stated on the inside cover pages hereof.

Citigroup Inc., parent company of Citigroup Global Markets Inc., the underwriter of the 2010 Series A-1 Bonds and the 2010 Series A-7 Bonds and the representative of the Underwriters of the 2010 Series B Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. 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, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2010 Series A-1 Bonds, the 2010 Series A-7 Bonds and the 2010 Series B Bonds.

RELATIONSHIP OF CERTAIN PARTIES

JPMorgan Chase Bank, N.A. is a party to the Standby Bond Purchase Agreement for the 2010 Series A-2 Bonds and the 2010 Series A-7 Bonds. J.P. Morgan Securities Inc. is the underwriter and the Remarketing Agent for the 2010 Series A-2 Bonds and one of the underwriters of the 2010 Series B Bonds. JPMorgan Chase Bank, N.A. and J.P. Morgan Securities are affiliated and are subsidiaries of JP Morgan Chase & Co. Bank of America, N.A. is the LOC Bank for the 2010 Series A-3 Bonds and the 2010 Series A-6 Bonds. Merrill Lynch, Pierce, Fenner & Smith Incorporated is the underwriter and Remarketing Agent for the 2010 Series A-3 Bonds and the 2010 Series A-6 Bonds and one of the underwriters of the 2010 Series B Bonds. Bank of America, N.A. and Merrill Lynch, Pierce, Fenner & Smith Incorporated are affiliated and are subsidiaries of Bank of America Corporation. Barclays Bank PLC is a party to the Standby Bond Purchase Agreement for the 2010 Series A-4 Bonds and the 2010 Series A-5 Bonds. Barclays Capital Inc. is the underwriter and Remarketing Agent for the 2010 Series A-4 Bonds and the 2010 Series A-5 Bonds and one of the underwriters of the 2010 Series B Bonds. Barclays Bank PLC and Barclays Capital Inc. are affiliated and are subsidiaries of Barclays PLC.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Demgen & Moore, Inc. (the “Verification Agent”), a firm of independent certified public accountants, will deliver to the Issuer and the Underwriters on or before the delivery date of the Bonds, its verification report indicating that it has verified, in accordance with standards established by the American Institute of Certified Public Accountants, the information and assertions provided by the Issuer and its representatives. Included in the scope of the report will be a verification of the mathematical accuracy of (a) the mathematical

computations of the adequacy of the cash and the maturing principal of and interest on, obligations of the United States of America to pay, when due, the maturing principal of, interest on and related call premium requirements of the Refunded MHS Bonds and (b) the mathematical computations supporting the conclusion of Bond Counsel that the Bonds are not “arbitrage bonds” under the Code and the regulations promulgated thereunder.

LEGALITY FOR INVESTMENT

Under the Enabling Act, the Bonds are securities in which any public officer, fiduciary, insurance company, financial institution or investment company may properly invest funds and are securities which may be deposited with any public custodian for any purpose for which the deposit of bonds is authorized by law.

COMMONWEALTH NOT LIABLE ON BONDS

Under the Enabling Act, the Bonds are not general obligations of the Commonwealth or any political subdivision thereof and shall not be constitute a debt or pledge of the faith and credit of the Commonwealth or any such political subdivision.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approval of Edwards Angell Palmer & Dodge LLP, Bond Counsel. The approving opinion of Bond Counsel in substantially the form attached hereto as Appendix D will be delivered with the Bonds. Certain legal matters will be passed upon for MassDOT by Greenberg Traurig, LLP, Boston, Massachusetts, Disclosure Counsel to MassDOT and for the Commonwealth and for the Underwriters by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., as Commonwealth Disclosure Counsel and as counsel to the Underwriters.

FINANCIAL ADVISOR

Public Financial Management, Inc. (“PFM”) is serving as financial advisor to MassDOT for the issuance of the Bonds. PFM is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for, the accuracy, completeness, or fairness of the information contained in this Official Statement. PFM is an independent financial advisory firm and is not engaged in the business of underwriting, trading, or distributing securities.

CONTINUING DISCLOSURE

Each of MassDOT and the Commonwealth will enter into a Continuing Disclosure Agreement for the benefit of owners of the Bonds setting forth the undertakings of MassDOT and the Commonwealth, respectively, regarding continuing disclosure with respect to the Bonds. A description of the Continuing Disclosure Undertakings is set forth in Appendix E.

Neither MassDOT nor the Authority has failed to fulfill any continuing disclosure undertakings with respect to bonds issued pursuant to the Trust Agreement, except that the Authority filed its Fiscal Year 2008 annual reports for the then outstanding Senior Bonds and Subordinated Bonds after the filing dates specified in the Authority’s existing continuing disclosure undertakings.

MISCELLANEOUS

The foregoing summaries of the provisions of the Enabling Act, the Bonds and the Trust Agreement do not purport to be complete and are made subject to the detailed provisions thereof to which reference is hereby made. Copies of the Enabling Act, the forms of the Bonds and the Trust Agreement are available for inspection at the offices of MassDOT and the Trustee.

Information relating to DTC and the book-entry system described in Appendix H - Book-Entry Only System has been furnished by DTC. Neither MassDOT nor the Underwriters make any representations or warranties whatsoever with respect to such information.

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

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION

By: /s/ John R. Jenkins
John R. Jenkins
Chairman

By: /s/ Jeffrey B. Mullan
Jeffrey B. Mullan
Secretary of Transportation and Chief Executive Officer

April 1, 2010

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**Commonwealth Information Statement Supplement dated March 2, 2010,
as further supplemented March 18, 2010**

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**SUPPLEMENT DATED MARCH 18, 2010 TO THE
COMMONWEALTH'S INFORMATION STATEMENT SUPPLEMENT
DATED MARCH 2, 2010**

The Commonwealth's Information Statement Supplement dated March 2, 2010 is hereby supplemented by the addition of the following information:

Through the beginning of March, 2010, the Executive Office for Administration and Finance was tracking up to \$426 million (gross) in additional funding that might be necessary to support state programs and services, mainly in areas affected by increased caseloads and utilization over the course of the economic downturn as well as other unanticipated costs, such as special elections and increased funding for snow and ice removal. The Executive Office for Administration and Finance has been taking the potential need for this additional funding into account on its balance sheet, as well as available resources to address these needs. The Governor has filed supplemental appropriations to address most of these funding needs, and the Governor expects to seek additional supplemental appropriations later in the fiscal year for the balance of the projected funding needs to the extent necessary.

The Executive Office for Administration and Finance is currently undertaking a standard review in connection with its active budget management to update non-tax revenue projections and spending estimates for the balance of fiscal 2010. Based on updated information received in recent days in connection with this review, the Executive Office for Administration and Finance estimates that there is \$195 million to \$295 million (gross) of additional non-tax revenue and cost exposures in fiscal 2010 that were not previously anticipated. The Executive Office will be completing its review over the next few weeks and working with agencies to take any action possible to mitigate these additional exposures. Upon completion of its review, the Executive Office will determine the amount of any such revenue and cost exposures that cannot be mitigated or addressed from available resources and will take any necessary action to ensure that the budget is in balance.

The following additional information should also be noted:

1. In February, 2010, the Commonwealth was informed by the United States Department of Health and Human Services (USDHHS) that states' payment obligations to USDHHS for the Medicare Part D program (referred to as "clawback payments") for the period between October, 2008 through December, 2010 are less than previously anticipated due to USDHHS' determination that these costs are also subject to enhanced federal reimbursements under the American Recovery and Reinvestment Act of 2009. The Commonwealth's total savings for fiscal 2010 and fiscal 2011 combined are estimated to be \$130 million, and it is currently estimated that \$80 million of these savings will be realized in fiscal 2010. Under existing statutory authority, the Secretary of Administration and Finance directed the Comptroller to reduce the fiscal 2010 transfer from the Commonwealth's Stabilization Fund to the General Fund by \$80 million as a result of this savings in clawback payments.

2. Legislation approved by the Governor on July 23, 2008 requires the Department of Revenue to submit to the Legislature semi-monthly reports of preliminary tax revenues, one on or before the third business day following the fifteenth day of each month and one on or before the third business day of the following month. On March 18, 2010, the Department of Revenue released its March, 2010 mid-month tax revenue report. The March monthly benchmark corresponding to the fiscal 2010 tax revenue estimate of \$18.460 billion projects March tax revenues of \$1.666 billion, an increase of \$63 million from March, 2009 tax collections. The projected increase reflects continuing projected declines in withholding taxes, offset by increases in sales taxes due to the sales tax rate increase and elimination of the sales tax exemption for alcoholic beverages, with all of the projected increase expected to occur on or after March 22, 2010, when monthly sales tax payments are due. Corporate and business tax collections are also projected to decline by \$13 million compared to March, 2009. The mid-month

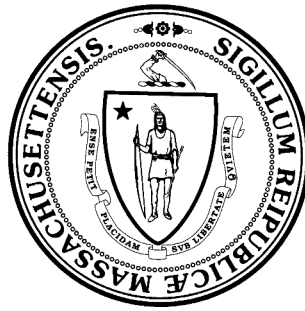
report indicates that through March 15, 2010, March month-to-date tax collections totaled \$758 million, down \$125 million from the same period in March, 2009, with virtually the entire decrease resulting from corporate and business taxes, particularly the financial institutions excise tax. Of the main revenue sources, month-to-date income tax withholding totaled \$421 million, up \$9 million from the same period last year, month-to-date sales and use tax totaled \$52 million, up \$9 million from the same period last year, and income tax refunds totaled \$180 million, up \$12 million from the same period last March. Month-to-date corporate and business taxes totaled \$398 million, down \$123 million from the same period last year, with \$85 million of that decline the result of a drop in financial institutions excise tax payments. Some of the month-to-date corporate/business tax is due to a reduction in the corporate and financial institutions excise tax rates which were effective January 1, 2010, and additional declines – particularly in the financial institutions and insurance taxes – may have been due to increased use of transferable film and historic rehabilitation tax credits. The mid-month report cautions that growth in revenues received through March 15 is not necessarily indicative of what the growth for the full month will be, since most of the important activity in March occurs during the second half of the month, primarily because sales, meals, motor fuels and rooms tax returns are due on the 20th of each month. There may be other differences in the due dates for certain tax payments from one fiscal year to the next (for example, in the timing of refund cycles) which complicate month-to-date comparisons to the prior year.

3. Exhibit A to the Commonwealth's Information Statement is the Statement of Economic Information as of March 12, 2010 which has been filed with the Municipal Securities Rulemaking Board via its Electronic Municipal Market Access (EMMA) service on March 18, 2010 under the heading "other financial /operating data." Exhibit A sets forth certain economic, demographic and statistical information concerning the Commonwealth.

4. The information included in the table "Overview of Fiscal 2010 Non-Segregated Operating Cash Flow" on page A-10 of the Information Statement Supplement dated March 2, 2010 is replaced by the information contained in the "Cash Flow Letter as of March 4, 2010" filed with the EMMA service on March 15, 2010 under the heading "other financial /operating data."

THE COMMONWEALTH OF MASSACHUSETTS

**THE
COMMONWEALTH
OF
MASSACHUSETTS**



INFORMATION STATEMENT SUPPLEMENT

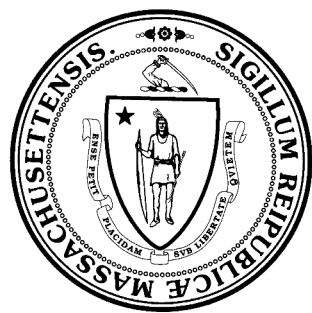
Dated March 2, 2010

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THE COMMONWEALTH OF MASSACHUSETTS



CONSTITUTIONAL OFFICERS

Deval L. Patrick.....Governor
Timothy P. MurrayLieutenant Governor
William F. Galvin.....Secretary of the Commonwealth
Martha Coakley.....Attorney General
Timothy P. Cahill.....Treasurer and Receiver-General
A. Joseph DeNucci.....Auditor

LEGISLATIVE OFFICERS

Therese Murray.....President of the Senate
Robert A. DeLeo.....Speaker of the House

THE COMMONWEALTH OF MASSACHUSETTS

INFORMATION STATEMENT SUPPLEMENT

March 2, 2010

This supplement (“Supplement”) to the Information Statement of The Commonwealth of Massachusetts (the “Commonwealth”) dated March 26, 2009 (the “March Information Statement”) is dated March 2, 2010 and contains information which updates the information contained in the March Information Statement. The March Information Statement has been filed with the Municipal Securities Rulemaking Board. This Supplement and the March Information Statement must be read collectively and in their entirety in order to obtain the appropriate fiscal, financial and economic information concerning the Commonwealth through March 2, 2010. All capitalized terms not otherwise defined in this Supplement shall have the meanings ascribed to them in the March Information Statement.

The March Information Statement, as supplemented hereby, includes three exhibits. Exhibit A is the Statement of Economic Information as of October 16, 2009, which sets forth certain economic, demographic and statistical information concerning the Commonwealth. Exhibits B and C are, respectively, the Commonwealth’s Statutory Basis Financial Report for the year ended June 30, 2009 and the Commonwealth’s Comprehensive Annual Financial Report, reported in accordance with generally accepted accounting principles (GAAP), for the year ended June 30, 2009. The Commonwealth’s independent auditor has not been engaged to perform, and has not performed, since the respective dates of its reports included herein, any procedures on the financial statements addressed in such reports, nor has said independent auditor performed any procedures relating to the official statement of which this Supplement is a part. Specific reference is made to said Exhibits A, B and C, copies of which have been filed with the Municipal Securities Rulemaking Board. The financial statements are also available at the web site of the Comptroller of the Commonwealth located at <http://www.mass.gov/osc> by clicking on “Publications and Reports” and then “Financial Reports.”

RECENT DEVELOPMENTS

Fiscal 2009

On April 15, 2009, based on year-to-date fiscal 2009 tax collections through March that were \$117 million below the revised fiscal 2009 tax revenue estimate for the corresponding period, the Secretary of Administration and Finance further revised the tax revenue forecast for fiscal 2009 from \$19.450 billion to \$19.333 billion. The tax revenue shortfall, combined with approximately \$39 million in spending and non-tax revenue-related exposures, resulted in a \$156 million budget gap. The Governor’s plan at that time to close the budget shortfall included the use of \$128 million in federal funds to be received under the American Recovery and Reinvestment Act of 2009, consisting of \$90 million from the State Fiscal Stabilization Fund, \$16 million from additional budget cuts and spending controls and \$12 million in savings from furloughs and workforce reductions.

On May 4, 2009, after analysis of April, 2009 tax revenue collections that fell by \$953 million, or 34.9%, from collections in April, 2008, and which were \$456 million below the monthly benchmark based on the fiscal 2009 revised revenue forecast of \$19.333 billion, pursuant to Section 5B of Chapter 29 of the General Laws, the Secretary of Administration and Finance informed the Governor, the House and Senate Committees on Ways and Means, and the Joint Committee on Revenue that the fiscal 2009 revenue estimate was being further revised to \$18.436 billion, a reduction of \$897 million from the April 15, 2009 tax revenue forecast of \$19.333 billion. Also on May 4, 2009, pursuant to Section 9C of Chapter 29 of the General Laws, the Secretary of Administration and Finance advised the Governor of a probable deficiency of revenue of approximately \$953 million with respect to the appropriations approved to date for fiscal 2009 and certain non-discretionary spending obligations that had not been budgeted. See the March Information Statement under the heading “COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS - Overview of Operating Budget Process.” The \$953 million projected shortfall to cover expenses resulted from the \$897 million reduction in projected state tax revenues from the revised tax revenue forecast and \$56 million in projected costs not accounted for in the fiscal 2009 budget.

On May 15, 2009 the Governor approved supplemental budget legislation that authorized a \$461 million withdrawal from the Stabilization Fund to help close the projected \$953 million shortfall. The legislation included supplemental appropriations totaling \$62 million, including \$32 million for the county sheriffs' reserves and \$30 million for state employee health benefits.

On June 29, 2009 the Governor approved supplemental budget legislation that contained the remaining solutions to the projected \$953 million shortfall, including (i) accessing approximately \$412 million in State Fiscal Stabilization Funds included in the American Recovery and Reinvestment Act, (ii) eliminating a planned \$100 million deposit to the Stabilization Fund that was authorized in fiscal 2008 but had yet to be executed, (iii) a \$65 million transfer from the State Convention Center Fund established for the benefit of the Massachusetts Convention Center Authority and (iv) reducing the General Fund contribution to the Health Safety Net Trust Fund by \$15 million in order to meet projected deficiencies in the MassHealth program. (Even with this \$15 million reduction, the Health Safety Net is projected to have a surplus in its fiscal 2009.) The legislation also included supplemental appropriations totaling \$59.8 million, including \$21.4 million for the MassHealth program to meet increasing service utilization costs and \$11.5 million for costs associated with providing legal representation to indigent persons in criminal and civil court cases.

On July 2, 2009, the Governor filed legislation requesting supplemental appropriations totaling \$64 million, including \$60 million to support costs related to increased claims and utilization in the MassHealth program and \$3 million to aid in the transition of transportation entities as a result of the recently enacted transportation reform bill. MassHealth paid these costs in advance of the enactment of this supplemental appropriation in order to maintain compliance with federal Medicaid prompt-pay requirements.

Total fiscal 2009 MassHealth program spending was \$8.552 billion, which is 5.5% above fiscal 2008 spending. The fiscal 2009 Federal Medical Assistance Percentages (FMAP) for Massachusetts were 58.8% for October through March and 60.2% for April through June as a result of enhancements to federal reimbursement under the American Recovery and Reinvestment Act. As a result of these changes, in fiscal 2009 the state was able to claim an additional \$869 million in federal reimbursement from spending at MassHealth, Commonwealth Care, the Health Safety Net and other health and human service programs.

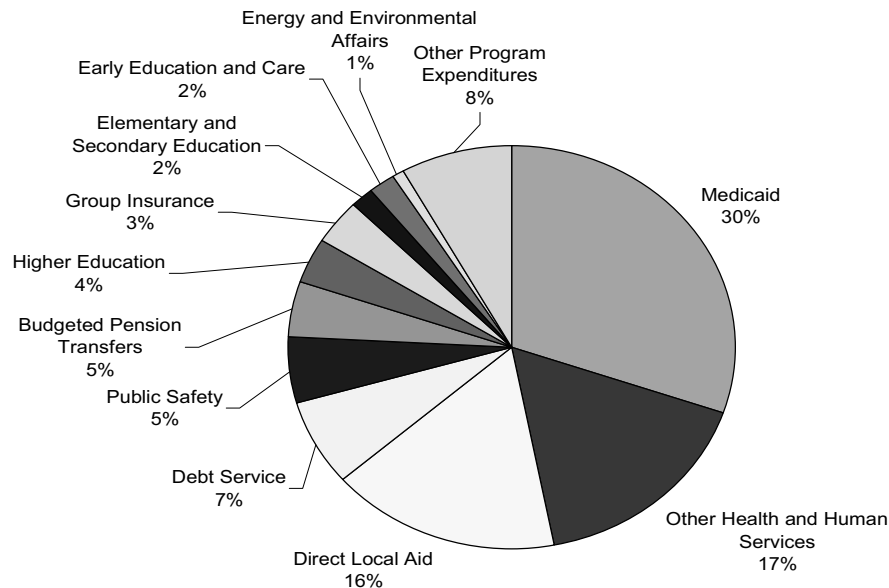
On October 20, 2009, the Legislature enacted fiscal 2009 supplemental appropriations totaling \$71.7 million. On October 29, 2009, the Governor approved \$66.3 million of such appropriations, including \$60 million to support costs related to increased claims and utilization in the MassHealth program and \$5.4 million for the special election to fill the Commonwealth's vacant U. S. Senate seat.

On November 3, 2009, the Commonwealth published the fiscal 2009 statutory basis financial report, which shows a consolidated net surplus of approximately \$74.7 million before a \$10 million transfer for life sciences funding required by a supplemental budget passed earlier in the year.

The statutory basis financial report for fiscal 2009 has been restructured due to a change in the general laws that afforded the Comptroller some flexibility in reporting. The report is independently reviewed but not audited and concentrates on the operating results of the budgeted funds, rather than the entirety of the Commonwealth's operations. The comprehensive annual financial report for fiscal 2009, published on December 23, 2009 is audited and presents an entire view of the Commonwealth's balances and results of operations in accordance with generally accepted accounting principles.

The following graph depicts the breakdown of major categories of estimated budgeted operating spending for fiscal 2009.

Fiscal 2009 Operating Spending



Tax revenue collections for fiscal 2009 totaled \$18.260 billion, a decrease of \$2.620 billion, or 12.5%, compared to fiscal 2008. The following table shows the monthly tax collections in fiscal 2009 and the change from tax collections in fiscal 2008, both in dollars and as a percentage. The table also notes the amount of tax collections in fiscal 2009 that were dedicated to the Massachusetts Bay Transportation Authority and the Massachusetts School Building Authority.

Fiscal 2009 Tax Collections (in millions) (1)

<u>Month</u>	<u>Tax Collections</u>	<u>Change from Prior Year</u>	<u>Percentage Change</u>	<u>MBTA Portion (2)</u>	<u>MSBA Portion</u>	<u>Tax Collections: Net of MBTA and MSBA</u>
July	\$ 1,381.6	\$ 85.6	6.6%	\$ 60.7	\$ 54.6	\$ 1,266.3
August	1,309.1	51.0	4.1	56.9	51.2	1,201.0
September	2,099.4	(108.6)	(4.9)	74.2	49.3	1,976.0
October	1,150.2	(57.3)	(4.7)	57.6	51.8	1,040.7
November	1,256.2	(59.6)	(4.5)	52.0	46.8	1,157.4
December	1,862.4	17.9	1.0	82.1	46.1	1,734.2
January	1,790.7	(409.8)	(18.6)	62.5	56.2	1,672.0
February	953.7	(189.6)	(16.6)	46.8	42.1	864.8
March	1,603.3	(312.2)	(16.3)	82.5	41.5	1,479.3
April	1,779.2	(954.6)	(34.9)	51.9	46.7	1,680.7
May	1,282.6	(209.8)	(14.1)	52.2	47.0	1,183.3
<u>June</u>	<u>1,791.1</u>	<u>(472.5)</u>	<u>(20.9)</u>	<u>87.7</u>	<u>169.0</u>	<u>1,534.4</u>
Total (2)	<u>\$18,259.5</u>	<u>\$(2,619.5)</u>	<u>(12.5)%</u>	<u>\$ 767.1</u>	<u>\$ 702.3</u>	<u>\$ 16,790.2</u>

SOURCE: Executive Office for Administration and Finance.

(1) Details may not add to Total due to rounding.

(2) Includes adjustments of \$19.4 million on account of the first quarter, \$31 million on account of the second quarter, \$36.4 on account of the third quarter and \$32.4 on account of the fourth quarter related to the inflation-adjusted floor applicable to tax receipts dedicated to the MBTA.

The fiscal 2009 tax revenue decrease of \$2.620 billion is attributable in large part to a decrease of approximately \$712.5 million, or 28.6%, in personal income tax estimated payments, a decrease of approximately \$147.6 million, or 1.6%, in withholding collections, a decrease of approximately \$825.2 million, or 36.4%, in income tax payments made with returns and extensions, an increase of approximately \$216.4 million, or 16.2%, in income tax refunds, a decrease of approximately \$218 million, or 5.3%, in sales tax collections, and a decrease of approximately \$449.6 million, or 17.6%, in corporate and business tax collections, which are partially offset by changes in other revenues (net of refunds). The fiscal year 2009 collections were \$176.5 million below the benchmark estimate for the corresponding period, based on the Secretary of Administration and Finance's revised fiscal 2009 revenue estimate of \$18.436 billion announced on May 4, 2009.

Fiscal 2010

On July 30, 2009, the Legislature enacted supplemental budget legislation that included \$40 million to help meet the health care needs of legal immigrants who will be dis-enrolled from their existing Commonwealth Care health insurance because they do not currently qualify for federal reimbursement (see "COMMONWEALTH EXPENDITURES - Health Care Reform" below) and \$60.5 million in other program spending. On August 7, 2009, the Governor vetoed \$32.2 million of this spending but approved \$40 million for the health care needs of legal immigrants and \$28.2 in other program spending.

On October 15, 2009, pursuant to Section 9C of Chapter 29 of the Massachusetts General Laws, the Secretary of Administration and Finance advised the Governor of a probable deficiency of state tax revenues of approximately \$600 million with respect to the appropriations approved to date for fiscal 2010. On the same day, the Secretary made a downward revision to the fiscal 2010 tax revenue estimate. See "COMMONWEALTH REVENUES – Tax Revenue Forecasting." State finance law provides the Governor 15 days after this notification to reduce allotments, to the extent lawfully permitted to do so, or submit proposals to the Legislature to raise additional revenues or to make appropriations from the Stabilization Fund to cover such deficiencies.

On October 29, 2009, the Governor filed legislation containing proposed solutions to the projected \$600 million tax revenue shortfall, including \$277 million in spending reductions across executive branch agencies. As part of the \$277 million in executive branch cuts, the Governor has directed agencies to reduce personnel positions to achieve an additional \$35 million in savings and is requiring managers within the executive branch to take up to nine furlough days through the remainder of fiscal 2010 in order to achieve additional savings. In addition, the Governor sought expanded 9C authority to make \$75 million in spending reductions in non-executive branch agencies, including the Legislature, other constitutional officers, the judiciary, sheriffs and district attorneys. The Governor's plan also includes \$126 million in anticipated departmental and other revenues, including, as a result of the reduced sales tax revenue forecast, \$27 million of sales tax revenue that will not be transferred to the Massachusetts School Building Authority and \$20 million from a tax amnesty program. The Governor's plan also assumed the use of a projected fiscal 2009 surplus of \$60 million, as well as \$62 million in available federal funds under the American Recovery and Reinvestment Act. The Governor's plan does not rely on the use of any of the current balance in the Commonwealth's Stabilization Fund. The legislation also includes several proposals that are designed to improve the efficiency of state government and give agencies the ability to better manage their budgets, including elimination of two paid holidays granted only to state employees working in Suffolk County, providing for shared administrative services within Secretariats and allowing limited transferability of funds between accounts.

The Legislature enacted the legislation on November 19, 2009, and the Governor approved it, with certain vetoes, on November 24, 2009. The Legislature did not take action on approximately \$125 million of the \$600 million in budget solutions proposed by the Governor, most significantly the Governor's proposal for expanded 9C authority to make \$75 million in spending reductions in agencies not under the Governor's direct control. The Legislature also authorized the use of only \$35.8 million from the fiscal 2009 surplus rather than \$60 million.

On December 18, 2009 the Governor approved supplemental budget legislation that included \$41.9 million in additional funding for the emergency family shelters program at the Department of Housing and Community Development. Supplemental funding was necessary due to the substantial growth in demand for shelter services.

As of January 1, 2010, tax revenue collections were running approximately \$230 million over benchmark versus the revised consensus revenue estimate of \$18.279 billion established on October 15, 2009. In addition, there was \$76 million in departmental revenue generated by the State Treasurer's Office from the sale of abandoned property. After taking into account all of the over-benchmark tax revenue and additional departmental revenue through January, all of the budget solutions implemented to date and all of the actions taken by the Legislature, including overrides totaling approximately \$24 million, the Executive Office for Administration and Finance projected sufficient funding to be available to restore some of the 9C cuts that were implemented in October and to cover the cost of certain provisions of the Governor's October budget solutions that were not acted upon by the Legislature. The largest 9C reductions to be restored were \$18 million for regional school transportation and the full restoration of cuts proposed at the Department of Transitional Assistance totaling approximately \$16 million.

Including the deficiencies filed to date, the Executive Office for Administration and Finance continues to manage up to \$426 million (gross) in potential fiscal 2010 spending pressures. These items have been accounted for in the fiscal 2010 balance sheet and sufficient resources have been identified to fund these items. The Executive Office for Administration and Finance has not yet recommended supplemental funding for certain items for which additional experience will provide a more accurate funding recommendation. The Executive Office for Administration and Finance will continue to work with state agencies to mitigate the amount required through supplemental funding.

On January 7, 2010, the Secretary of Administration and Finance further revised the fiscal 2010 revenue estimate upward by \$181 million, from \$18.279 to \$18.460 billion based on the slightly improved year-to-date above benchmark performance relative to the \$18.279 billion benchmark estimate.

On January 27, 2010, the Governor filed legislation requesting supplemental appropriations totaling \$229 million, including \$200 million for increased claims and utilization in the MassHealth program, \$8 million for a deficiency within the Department of Correction, \$7.2 million to fund cost associated with the January special election and \$2.1 million for the Veterans' Benefits account to support fourth quarter reimbursements to cities and towns that have experienced increases in caseload for Veterans' benefits. The Executive Office for Administration and Finance anticipates requesting an additional \$107 million to fully meet projected MassHealth funding needs. In addition to these amounts, funding is recommended to support union agreements with NAGE, SEIU and AFSCME that account for fiscal 2010 salary adjustments as well as reimbursements to union employees and managers who have experienced cost increases as a result of changes in health benefits. Since the collective bargaining agreements signed contribute to the overall budget balance by taking furloughs and deferring wage increases, the reimbursement will hold these employees harmless from certain health benefit increases in fiscal 2010.

In addition, the legislation provides for other requests such as line item transfer authority for MassHealth and the Department of Early Education and Care to manage caseload and utilization changes; a proposal to mitigate the effects on municipalities of the Commonwealth's reduction in Quinn Bill funding by clarifying that municipalities are not liable for the state share of Quinn Bill payments, unless a collective bargaining agreement specifically so provides; a Housing Development Incentive Program to increase residential growth, expand diversity of housing stock, support economic development, and promote neighborhood stabilization in designated Housing Development Zones within gateway municipalities; and a proposal to fund the Boston teacher retirement system in a manner more closely resembling the provisions for other retired teachers. Also included are sections that correspond to proposals in the fiscal 2011 budget recommendation that require implementation to begin this fiscal year. See "*Fiscal 2011*" below.

Preliminary tax revenue collections for the first eight months of fiscal 2010, ending February 28, 2010, totaled \$11.561 billion, a decrease of \$242.3 million, or 2.1%, compared to the same period in fiscal 2009. The following table shows the tax collections for the first eight months of fiscal 2010 and the change from tax collections in the same period in the prior year, both in dollars and as a percentage. The table also notes the amount of tax collections in fiscal 2010 that are dedicated to the Massachusetts Bay Transportation Authority and the Massachusetts School Building Authority.

Fiscal 2010 Tax Collections (in millions) (1)

<u>Month</u>	<u>Tax Collections</u>	<u>Change from Prior Year</u>	<u>Percentage Change</u>	<u>MBTA Portion (3)</u>	<u>MSBA Portion</u>	<u>Tax Collections: Net of MBTA and MSBA</u>
July	\$ 1,250.6	\$ (131.1)	(9.5) %	\$ 57.6	\$ 54.7	\$ 1,138.4
August	1,296.5	(12.7)	(1.0)	54.4	51.7	1,190.4
September	1,765.9	(333.6)	(15.9)	79.8	47.2	1,638.9
October	1,224.9	74.8	6.5	53.8	51.1	1,120.0
November	1,288.7	32.4	2.6	50.5	48.0	1,190.2
December	1,885.9	23.4	1.3	87.4	48.2	1,750.2
January	1,845.1	54.5	3.0	61.9	58.8	1,724.4
<u>February (2)</u>	<u>1,003.6</u>	<u>49.9</u>	<u>5.2</u>	<u>46.0</u>	<u>43.7</u>	<u>913.8</u>
Total (2)	<u>\$ 11,561.1</u>	<u>\$ (242.3)</u>	<u>(2.1) %</u>	<u>\$491.5</u>	<u>\$ 403.3</u>	<u>\$ 10,666.3</u>

SOURCE: Executive Office for Administration and Finance.

(1) Details may not add to Total due to rounding.

(2) Figures are preliminary.

(3) Includes adjustment of \$30.2 million on the account of the first quarter and \$36.7 million on the account of the second quarter related to the inflation-adjusted floor applicable to tax receipts dedicated to the MBTA.

The year-to-date tax revenue decrease of \$242.3 million through February 28, 2010 is attributable in large part to a decrease of approximately \$332.8 million, or 25.6%, in income tax cash estimated payments, a decrease of approximately \$175.7 million, or 2.9%, in withholding collections, a decrease of approximately \$49.5 million, or 16.0%, in income tax payments with returns and extensions, and an increase of approximately \$71.3 million, or 11.0%, in income tax cash refunds, which are partially offset by an increase of approximately \$46.8 million, or 5.0%, in corporate and business tax collections, an increase of approximately \$382.4 million, or 14.5%, in sales tax collections, and changes in other revenues (net of refunds). The year-to-date fiscal 2010 collections through February were \$33.8 million above the February year-to-date benchmark, based on the January 7, 2010 revised revenue estimate of the Secretary of Administration and Finance of \$18.460 billion for fiscal 2010. See “*Fiscal 2010 Tax Revenue Forecasting*” below.

The Legislature enacted the fiscal 2010 budget totaling \$27.411 billion on June 19, 2009, and the Governor approved it on June 29, 2009, but vetoed appropriations totaling approximately \$147 million. In addition to these line item vetoes, an additional \$217 million was vetoed from county sheriff line items as part of a technical correction until legislation accomplishing the transfer of county sheriffs to the state was enacted. The transfer legislation was subsequently signed into law on August 6, 2009. The Governor also filed a supplemental fiscal 2010 appropriations bill on June 29, 2009 which would provide for \$269.4 million in spending that was not included in the enacted fiscal 2010 budget, \$217 million of which was for the sheriffs that transferred from the county to the state.

The budget as enacted by the Legislature was based on a revised fiscal 2010 tax revenue estimate of \$17.989 billion. The estimate had been revised downward on May 6, 2009 by the Secretary of Administration and Finance and the chairs of the House and Senate Committees on Ways and Means from the original estimate of \$19.530 billion. The House version of the budget, approved on May 1, 2009, was based on the original \$19.530 billion estimate. The Senate approved its version of the budget on May 21, 2009, and the differences between the two versions were reconciled by a legislative conference committee, which released its report on June 18, 2009. On June 4, 2009, while the conference committee was deliberating, the Governor filed a revised version of his fiscal 2010 budget recommendations to accommodate the lower tax revenue estimate.

The tax revenue estimates assumed in the fiscal 2010 budget provide for an allocation of \$619.4 million to the Massachusetts School Building Authority, \$767.1 million to the Massachusetts Bay Transportation Authority and approximately \$1.377 billion to the state pension fund. The budget also includes an increase in the sales and use tax rates from 5% to 6.25%, effective August 1, 2009, which is estimated to produce an additional \$759 million in fiscal 2010, of which \$275 million is dedicated to transportation. See “COMMONWEALTH CAPITAL INVESTMENT PLAN” below. The budget eliminates the sales tax exemption for sales of alcohol, which is estimated to produce \$78.8 million in fiscal 2010. The budget also includes a new tax on direct broadcast satellite service, which is estimated to produce \$25.9 million in fiscal 2010 and authorizes the Department of Revenue to hire additional tax

auditors in fiscal 2010, which is estimated to produce \$26 million in fiscal 2010. The estimate of total state taxes expected to be received in fiscal 2010 resulting from changes in tax law and the new auditors is \$889.7 million, including the \$275 million dedicated to transportation. This new tax revenue is in addition to the \$17.989 billion revised fiscal 2010 tax revenue estimate, increasing the fiscal 2010 tax revenue estimate upon which the fiscal 2010 budget was based to \$18.879 billion.

The fiscal 2010 budget also includes several provisions designed to increase municipal revenues. The budget repealed the property tax exemption for telecommunication poles and wires. Effective August 1, 2009, the permitted ceiling on hotel taxes imposed by cities and towns will be raised from 4% to 6% (from 4.5% to 6.5% in Boston). Cities and towns will also be authorized to impose a local option meals tax of 0.75%.

The fiscal 2010 budget provides for funding the state's pension fund during fiscal 2009, fiscal 2010 and fiscal 2011 in accordance with the funding schedule adopted in March, 2009. See the March Information Statement under the heading "COMMONWEALTH EXPENDITURES - Pension."

The fiscal 2010 budget also directs the Comptroller to transfer \$372 million from the General Fund to the State Retiree Benefits Trust Fund. See the March Information Statement under the heading "COMMONWEALTH EXPENDITURES - Other Post-Retirement Benefit Obligations (OPEB)." Supplemental budget legislation signed into law by the Governor on August 7, 2009 increased the health care contribution from 15% to 20% for state employees whose retirement is effective on or after February 1, 2010. It has not been determined to what extent this provision will impact the Commonwealth's current OPEB liability.

The fiscal 2010 budget increases employee contributions for all active employees enrolled with the Group Insurance Commission. Previously, employees hired before June 30, 2003 paid 15% of their premiums, while those hired after that date paid 20%. The fiscal 2010 budget increases premium contributions by 5% for all employees. Accordingly, employees hired before June 30, 2003 will pay 20% of their premiums, while those hired after that date will pay 25%. The change is expected to save the Commonwealth \$45 million in fiscal 2010.

The fiscal 2010 budget provides \$4.086 billion in state-funded local aid to municipalities. The budget includes state funding for chapter 70 education aid of \$3.870 billion and also includes \$167 million of federal State Fiscal Stabilization Funds, provided for through the American Recovery and Reinvestment Act, for Chapter 70 education aid. The \$4.037 billion in state and federal funds for Chapter 70 brings all school districts to the foundation level called for by 1993 education reform legislation, and is an increase of \$89 million over the fiscal 2009 amount of \$3.948 billion. The fiscal 2010 budget also includes \$936 million for unrestricted general government aid, which is a new category of local aid, replacing lottery aid and additional assistance. This amount is \$377 million lower than the total amount funded through lottery aid and additional assistance in fiscal 2009.

Fiscal 2010 Tax Revenue Forecasting. Based on an analysis of fiscal 2010 year-to-date revenue trends and taking into account revised economic forecasts and recommendations of the Governor's Council of Economic Advisors and the Department of Revenue, as well as outside economists from the Massachusetts Taxpayers Foundation and Suffolk University's Beacon Hill Institute who testified at a specially convened joint hearing held by the Secretary of Administration and Finance and the House and Senate Committees on Ways and Means on October 8, 2009, the Secretary of Administration and Finance on October 15, 2009 revised the fiscal 2010 revenue estimate downward by \$600 million, from \$18.879 to \$18.279 billion. The \$600 million downward revision was at the high end of the revenue shortfall estimates provided by the Department of Revenue, the Governor's Council of Economic Advisors, and forecasters who testified at the joint hearing. The basis for this revenue revision is described below. Subsequently, the \$18.279 billion benchmark estimate was revised upward to \$18.460 billion based on the slightly improved year-to-date above benchmark performance.

While economic growth forecasts from the forecasters Moody's Economy.com, Global Insight and the New England Economic Partnership (NEEP) for the remainder of fiscal 2010 have not changed significantly since the time of the consensus forecast in May, 2009, tax collections from income tax withholding, sales tax, and corporate and business excises have been below forecast due to several factors, as described below, which affect revenue estimates for the remainder of fiscal 2010:

- Wage and salary growth for the first half of calendar year 2009 was significantly below that assumed in economic forecasts, leading to reduced withholding collections in the first quarter of fiscal 2010, and a reduced withholding forecast for the remainder of fiscal 2010. For the full fiscal year 2010, the withholding

forecast has been reduced by \$107 million. The fiscal 2010 estimate for total income tax collections was reduced by \$202 million, with the remainder of the reduction due to lower forecasts for tax revenue from non-withheld income such as interest and dividends and capital gains.

- In the first quarter of fiscal 2010, sales tax revenues were lower than would be expected given the current economic estimates and forecasts, possibly due to changes in behavior by consumers as a result of the decline in the housing and stock markets. Consequently, the sales tax estimate for the remainder of fiscal 2010 has been reduced by \$189 million to account for this possible change in consumer behavior.
- Corporate and business excise taxes were below forecast in the first quarter of fiscal 2010, probably due to lower than projected corporate profits, but also due to greater use of transferable tax credits. As a result, the fiscal 2010 corporate/business excise forecast has been reduced by \$181 million, with approximately \$130 million the result of a lower baseline profits forecast and approximately \$50 million due to greater use of transferable tax credits.

Fiscal 2011

On January 27, 2010, the Governor filed his budget recommendations for fiscal 2011 with the Legislature. The Governor's recommendations are based on the consensus tax revenue estimate for fiscal 2011 of \$19.050 billion (see "Tax Revenue Forecasting" below). The Governor's recommendations call for total spending in fiscal 2011 to exceed total anticipated spending in fiscal 2010 by 3.0%, which is less than the anticipated increase in tax revenue growth of 3.2%. The projected fiscal 2011 budget shortfall is \$2.75 billion which the Administration recommends solving for through budget reductions, use of federal stimulus, use of state Stabilization Funds and other revenue proposals.

The Administration has proposed budget cuts and savings and efficiencies totaling \$797 million gross (\$670 million net) across all agencies, including \$265 million (gross) in savings at Masshealth (see Health section below). The proposal includes \$29 million of budget cuts that will be offset by contributions from the Commonwealth's independent and quasi-public agencies.

The fiscal 2011 recommendation proposes a \$175 million withdrawal from the State Stabilization Fund, an 87% decrease from fiscal 2009 level of \$1.39 billion and a 30% decrease from the fiscal 2010 amount authorized to date of \$249 million. At the end of fiscal 2011, the balance of the Stabilization Fund is expected to be approximately \$450 million, depending on investment earnings.

The fiscal 2011 budget recommendation includes a total of \$1.297 billion in enhanced Federal Medical Assistance Percentage (FMAP), generated throughout fiscal 2011. This total includes the amount currently projected for the first half of fiscal 2011 which provides the Commonwealth with a tier 3 level of FMAP reimbursement of 61.59% or \$690 million. In addition, it reflects the anticipated success in securing the expected enactment of a six-month extension of enhanced federal matching relief as part of pending federal legislation. This approach is consistent with projections included in fiscal 2010 budget recommendations while the federal recovery act was pending. The fiscal 2011 recommendation also includes \$96 million in remaining federal recovery act Education Stabilization funds, which are used to fully protect higher education from budget cuts.

Part of the Governor's plan to address fiscal 2011 budgetary shortfall includes a two-part debt refinancing strategy. The first part is to refinance \$200 million of fiscal 2011 amortizing principal to smooth the spike in fiscal 2011 debt service. Repayment of this refinancing would occur over the next seven years. Following this transaction, the resulting fiscal 2011 total debt service will be approximately equivalent to fiscal 2010 debt service. The second part is to refinance an additional \$100 million of fiscal 2011 principal to achieve budgetary relief, if necessary.

The fiscal year 2011 recommendation does not include any broad-based tax increases but does limit select tax exemptions that contribute \$136 million to the budget solve. This amount includes retaining existing film and life sciences tax credits, but temporarily capping the financial benefit provided. The limit to the film tax credit at \$50 million for fiscal 2011 and fiscal 2012 is expected to save \$75 million. Additionally, the temporary limit of life sciences tax credits is expected to save \$5 million. The recommendation also repeals sales tax exemptions for candy and soda worth \$51.7 million and ends the exemption of cigars and smokeless tobacco from the cigarette excise tax rate worth \$15 million enacted by the Legislature in 2008. These revenues are dedicated to health care and wellness

programs through the Commonwealth Care Trust Fund and the Commonwealth Health and Prevention Fund. Lastly, the recommendation repeals the aircraft sales tax exemption, valued at \$4.2 million.

The Governor's fiscal 2011 budget recommendation establishes a new mechanism for budgeting for capital gains revenues. As one element of the yearly consensus revenue process, the Governor and Legislature would agree on a maximum amount of capital gains tax revenues that would be included in the overall consensus revenue estimate. This amount would be based on projections for the fiscal year, as well as principles of prudent budgeting necessary to modulate the impact of this fluctuating revenue source, and subject to a \$1 billion annual maximum. Any capital gains tax revenues in excess of \$1 billion would be transferred to the Stabilization Fund, except for 5% of such excess which will be transferred to the State Retiree Benefits Trust fund to pay for unfunded retiree health insurance liability.

Cash Flow

The Commonwealth ended fiscal 2009 with a cash balance of \$805.3 million, compared to \$1.198 billion at the end of fiscal 2008. Several factors contributed to the overall decline in the cash balance for fiscal 2009 relative to fiscal 2008, including tax revenue declines (as discussed above), fiscal 2008 appropriations carried forward and authorized to be expended in fiscal 2009, and certain transfers made from the fiscal 2008 consolidated net surplus calculation. Cash balances are net of check float.

Current cash flow projections for fiscal 2010 show an overall decline in the non-segregated cash balance from \$805.3 million to \$785.7 million. On October 15, 2009, pursuant to Section 9C of Chapter 29 of the Massachusetts General Laws, the Secretary of Administration and Finance revised the fiscal 2010 revenue estimate downward by \$600 million, from \$18.879 to \$18.279 billion. On November 24, 2009, the Governor signed legislation that closed the majority, but not all, of the \$600 million projected tax revenue shortfall. This cash flow forecast reflects the budget solutions that were signed into law but does not include solutions that are still pending before the Legislature and does not reflect the January 7, 2010 revised revenue estimate of 18.460 billion.

The Administration has updated its five-year capital investment plan and has set the fiscal 2010 bond cap at \$1.650 billion. The actual size and timing of bond issuances in fiscal 2010 will be dictated by the capital budget, the pace of capital spending and market conditions. Bond sales are sized and timed to keep up with the projected pace of capital spending. The aggregate amount of fiscal 2010 borrowing projected for purposes of this cash flow forecast is \$1.732 billion, which is expected to fund a portion of the \$1.650 billion bond cap and \$360 million for fiscal 2009 and fiscal 2010 spending for the accelerated bridge program projected in this cash flow forecast. The balance of the projected capital spending is expected to be funded with the \$278 million of unexpended bond proceeds on hand at the beginning of fiscal 2010.

On August 4, 2009, the Commonwealth sold commercial paper (as revenue anticipation notes) in the aggregate principal amount of \$300 million to support the state's cash flow. On September 22, 2009, the Commonwealth issued revenue anticipation notes in the aggregate principal amount of \$1.2 billion as additional support for the state's cash flow in fiscal 2010. The commercial paper issued in August was repaid with the proceeds from the September RAN issuance. The revenue anticipation notes issued in September mature as follows: \$350 million on April 29, 2010, \$425 million on May 27, 2010, and \$425 million on June 24, 2010.

On December 8, 2009, the Commonwealth issued general obligation bonds (as Build America Bonds, a program authorized by the federal American Recovery and Reinvestment Act of 2009) in the aggregate principal amount of \$956,450,000 to fund various capital projects throughout the Commonwealth. Bond proceeds have been segregated from the General Fund until they are allocated to capital spending that has occurred and initially funded by the General Fund. Commercial paper in the aggregate principal amount of \$300 million (as bond anticipation notes) was issued on December 4, 2009 to facilitate the allocation and reimbursement process. The commercial paper was repaid by December 14, 2009. Commercial paper in the aggregate principal amount of \$130 million (as bond anticipation notes) was issued on December 29, 2009 and is expected to remain outstanding into late February, 2010.

The next cash flow statement is expected to be released on or about March 5, 2010. The Commonwealth expects to file the next cash flow statement with EMMA.

Overview of Fiscal 2010 Non-Segregated Operating Cash Flow (in millions) (1)
(as of December 9, 2009)

	Jul	Aug	Sep	Oct	Nov (2)	Dec (2)	Jan (2)	Feb (2)	Mar (2)	Apr (2)	May (2)	June (2)	Total FY 2010 (2)
Opening Non-Segregated Operating Cash Balance	\$ 805.3	\$ 581.8	\$ 837.7	\$ 1,033.0	\$ 703.4	\$ 548.1	\$ 630.7	\$ 862.3	\$ 400.4	\$ 412.0	\$ 1,198.6	\$ 1,232.7	\$ 805.3
Operating Activities:													
Budgetary Funds:													
<i>Transfer from/(to) Stabilization Fund</i>	0.0	199.0	0.0	0.0	0.0	35.8	0.0	0.0	0.0	0.0	0.0	0.0	234.8
Total Budgetary Revenue/Inflows	1,792.4	2,306.5	2,738.8	2,120.1	2,076.9	2,737.8	2,664.5	2,089.0	3,287.5	3,655.0	2,646.1	3,093.5	31,208.1
Total Budgetary Expenditures/Outflows	2,300.5	2,252.4	3,042.8	2,300.9	1,985.3	3,120.4	1,995.1	2,285.4	3,324.9	2,030.7	1,857.0	2,859.4	29,354.9
Net Budgetary Funds	(508.2)	54.0	(304.0)	(180.9)	91.6	(382.6)	669.4	(196.4)	(37.3)	1,624.3	789.2	234.1	1,853.2
Non Budgetary Funds (Non Budgetary, Higher Ed and Trust Funds):													
Total Non Budgetary Revenue/Inflows	867.0	726.1	886.6	786.0	775.0	909.3	505.0	525.0	651.0	520.0	480.0	597.0	8,228.3
Total Non Budgetary Expenditures/Outflows	813.8	779.0	1,142.4	719.8	801.6	832.6	933.6	801.6	802.6	801.6	801.6	840.6	10,071.2
Net Non Budgetary Funds	53.2	(52.9)	(255.7)	66.2	(26.6)	76.7	(428.6)	(276.6)	(151.6)	(281.6)	(321.6)	(243.6)	(1,842.9)
Net Undesignated Revenue/Inflows and Expenditures/Outflows	<u>0.5</u>	<u>3.1</u>	<u>0.7</u>	<u>2.2</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>14.4</u>
Net Operating Activities	\$ (454.4)	\$ 4.2	\$ (559.1)	\$ (112.5)	\$ 66.0	\$ (304.9)	\$ 241.8	\$ (472.0)	\$ (118.0)	\$ 1,343.7	\$ 468.5	\$ (8.5)	\$ 24.7
Federal Grants:													
Total Federal Grants Revenue/Inflows	611.2	174.1	161.3	159.8	260.7	202.1	453.4	210.5	211.4	212.6	198.8	262.1	3,118.1
Total Federal Grants Expenditures/Outflows	<u>195.2</u>	<u>214.6</u>	<u>160.0</u>	<u>169.1</u>	<u>271.1</u>	<u>199.4</u>	<u>463.5</u>	<u>200.4</u>	<u>211.8</u>	<u>212.7</u>	<u>198.2</u>	<u>264.7</u>	<u>2,760.8</u>
Net Federal Grants	\$ 416.0	\$ (40.5)	\$ 1.3	\$ (9.3)	\$ (10.4)	\$ 2.8	\$ (10.2)	\$ 10.1	\$ (0.4)	\$ (0.0)	\$ 0.6	\$ (2.6)	\$ 357.3
Capital Funds:													
Total Capital Revenue/Inflows	70.0	238.1	90.4	40.1	70.4	584.9	223.6	167.3	166.7	212.3	217.2	377.3	2,458.4
Total Capital Expenditures/Outflows:	<u>255.0</u>	<u>245.9</u>	<u>255.1</u>	<u>247.9</u>	<u>149.5</u>	<u>200.1</u>	<u>223.6</u>	<u>167.3</u>	<u>166.7</u>	<u>212.3</u>	<u>217.2</u>	<u>377.3</u>	<u>2,717.9</u>
Net Capital Funds	\$ (185.0)	\$ (7.8)	\$ (164.7)	\$ (207.7)	\$ (79.1)	\$ 384.8	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ (259.5)
Financing Activities:													
Cash Flow Financing Activities Inflows:													
<i>Commercial Paper</i>	0.0	300.0	0.0	0.0	0.0	300.0	0.0	0.0	200.0	0.0	0.0	0.0	800.0
<i>Revenue Anticipation Notes (RANS)</i>	0.0	0.0	1,217.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,217.9
Total Cash Flow Financing Activities Inflows	0.0	300.0	1,217.9	0.0	0.0	300.0	0.0	0.0	200.0	0.0	0.0	0.0	2,017.9
Cash Flow Financing Activities Outflows:													
<i>Commercial Paper – (Principal + Interest)</i>	0.0	0.0	300.2	0.0	0.0	300.0	0.0	0.0	0.0	200.0	0.0	0.0	800.2
<i>RANS – (Principal + Interest)</i>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	357.0	435.0	436.0	1,228.0
Total Cash Flow Financing Activities Outflows	<u>0.0</u>	<u>0.0</u>	<u>300.2</u>	<u>0.0</u>	<u>0.0</u>	<u>300.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>557.0</u>	<u>435.0</u>	<u>436.0</u>	<u>2,028.2</u>
Net Financing Activities	\$ 0.0	\$ 300.0	\$ 917.7	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 200.0	\$ (557.0)	\$ (435.0)	\$ (436.0)	\$ (10.3)
Ending Non-Segregated Operating Cash Balance	\$ 581.8	\$ 837.7	\$ 1,033.0	\$ 703.4	\$ 548.1	\$ 630.7	\$ 862.3	\$ 400.4	\$ 412.0	\$ 1,198.6	\$ 1,232.7	\$ 785.7	\$ 785.7

SOURCE: Office of the Treasurer and Receiver-General.

(1) Totals may not add due to rounding.

(2) Figures are estimated.

COMMONWEALTH REVENUES

Statutory Basis Distribution of Budgetary Revenues

The following table sets forth the Commonwealth's revenues in its budgeted operating funds for fiscal 2005 through fiscal 2009, and projected revenues for fiscal 2010.

Commonwealth Revenues - Budgeted Operating Funds (in millions)(1)

	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>	<u>Fiscal 2008</u>	<u>Fiscal 2009</u>	<u>Projected Fiscal 2010</u>
Article I. Tax Revenues:						
Alcoholic Beverages	\$68.6	\$68.9	\$71.0	\$71.2	\$71.9	\$71.4
Banks	198.9	349.9	340.9	547.8	242.6	216.8
Cigarettes	423.6	435.3	438.1	436.9	456.8	457.5
Corporations	1,062.7	1,390.7	1,587.6	1,512.2	1,548.6	1,503.5
Deeds	220.3	210.1	194.1	153.9	105.5	102.9
Income	9,690.3	10,483.4	11,399.6	12,483.8	10,583.7	10,269.7
Inheritance and Estate	255.1	196.3	249.6	254.0	259.7	207.2
Insurance(2)	423.4	448.5	418.6	417.7	356.7	331.2
Motor Fuel	685.5	671.8	676.1	672.2	654.0	657.8
Public Utilities	71.1	118.5	178.3	120.2	(1.7)	27.9
Room Occupancy	97.8	105.8	111.1	119.2	109.5	99.3
 Sales:						
Regular	2,746.6	2,864.7	2,927.7	2,952.2	2,799.7	3,226.4
Meals	555.6	584.1	608.7	632.9	629.6	742.3
Motor Vehicles	<u>584.2</u>	<u>555.5</u>	<u>531.1</u>	<u>501.6</u>	<u>439.3</u>	<u>532.0</u>
Sub-Total-Sales	3,886.4	4,004.3	4,067.5	4,086.7	3,868.6	4,500.7
 Miscellaneous(3)	<u>3.9</u>	<u>4.0</u>	<u>3.8</u>	<u>3.1</u>	<u>3.3</u>	<u>14.2</u>
 Total Tax Revenues	<u>17,087.9</u>	<u>18,487.4</u>	<u>19,736.3</u>	<u>20,879.2</u>	<u>18,259.5</u>	<u>18,460.0</u>
 MBTA Transfer	(704.8)	(712.6)	(734.0)	(756.0)	(767.1)	(767.1)
MSBA Transfer	<u>(395.7)</u>	<u>(488.7)</u>	<u>(557.4)</u>	<u>(634.7)</u>	<u>(702.3)</u>	<u>(590.9)</u>
 Total Budgeted Operating Tax Revenues	<u>15,987.4</u>	<u>17,286.2</u>	<u>18,444.9</u>	<u>19,488.5</u>	<u>16,790.0</u>	<u>17,102.0</u>
 Non-Tax Revenues:						
Federal Reimbursements (4)	4,697.0	5,210.1	6,167.6	6,429.5	8,250.9	8,587.8
Departmental and Other Revenues(5)	1,948.9	2,094.3	2,218.4	2,355.9	2,326.2	2,824.1
Inter-fund Transfers from Non - Budgeted Funds and Other Sources (6)	<u>1,740.1</u>	<u>1,714.9</u>	<u>1,785.0</u>	<u>2,039.3</u>	<u>1,850.3</u>	<u>1,941.5</u>
Budgeted Non-Tax Revenues and Other Sources	<u>8,386.0</u>	<u>9,019.3</u>	<u>10,171.0</u>	<u>10,824.7</u>	<u>12,427.4</u>	<u>13,353.4</u>
Budgeted Revenues and Revenues from Other Sources	<u>\$24,373.4</u>	<u>\$26,305.5</u>	<u>\$28,615.9</u>	<u>\$30,313.2</u>	<u>\$29,217.4</u>	<u>\$30,455.4</u>

SOURCES: Fiscal 2005-2009, Office of the Comptroller; fiscal 2010, Executive Office for Administration and Finance.

(1) Totals may not add due to rounding. Table does not reflect inter-fund transfers among budgeted funds and other sources that have no effect on ending balances. Excludes certain miscellaneous taxes expended outside the budget process.

(2) Includes unemployment insurance surcharges.

(3) Includes miscellaneous receipts from departments, comprising boxing receipts, beano receipts remittable to the Commonwealth, receipts from raffle and bazaar fees and, starting in fiscal 2010, satellite tax revenues.

(4) Federal reimbursements include increases in Medicaid matching funds (Federal Medical Assistance Percentage).

(5) Excludes intergovernmental revenues.

(6) Inter-fund transfers from non-budgeted funds and other sources include profits from the State Lottery, tobacco settlement funds and abandoned property proceeds, as well as other transfers.

State Taxes

The fiscal 2010 budget includes several provisions “decoupling” Commonwealth tax law from certain federal tax law changes made by the American Recovery and Reinvestment Act of 2009 (ARRA) and, in one instance, from the impact of an interpretation by the federal Internal Revenue Service that was effectively repealed (but only prospectively) by ARRA. The purpose of the decoupling provisions is to prevent revenue losses to the Commonwealth. The federal provisions at issue are ones that affect the scope of income or deductions of businesses under the federal Internal Revenue Code (IRC) and, in the absence of decoupling, would also apply for purposes of Commonwealth taxation. The specific federal provisions from which the Commonwealth legislation decouples include: (a) deferral of the recognition of certain cancellation of indebtedness income under the IRC; (b) suspension of IRC rules that would otherwise disallow or defer deductions for original issue discount claimed by issuers of debt obligations; and (c) relief from certain limitations on the use of losses after changes of ownership of a business under (i) IRS Notice 2008-83 (for periods prior to its effective repeal by ARRA) and (ii) new IRC Section 382(n) as added by ARRA.

In addition, the Commonwealth legislation specifically adopts a new federal exclusion from gross income of certain individuals. ARRA provides a subsidy of 65% of the cost of the Consolidated Omnibus Budget Reconciliation Act (or “COBRA,” which gives workers and their families who lose their health benefits the right to choose to continue group health benefits provided by their group health plan for limited periods of time under certain circumstances) continuation premiums for up to nine months for certain involuntarily terminated employees and for their families. This subsidy also applies to health care continuation coverage if required by states for small employers. ARRA provides for an exclusion from federal gross income of the COBRA subsidy. Because Commonwealth personal income tax law generally adopts IRC rules defining the scope of gross income as of January 1, 2005, it was necessary to adopt a specific Commonwealth exclusion to prevent this 2009 federal subsidy from being included in the Commonwealth taxable income of affected employees.

Sales and Use Tax. Effective August 1, 2009, the sales and use tax rate was increased from 5% to 6.25%, which was expected to produce an additional \$759 million in fiscal 2010 and \$900 million annually thereafter. Given the weak economy and the decline in the fiscal 2010 baseline sales tax revenue forecast, the Department of Revenue currently estimates that the sales tax increase will result in additional fiscal 2010 revenues of approximately \$705 million. Also effective August 1, 2009 was the elimination of the sales tax exemption on alcohol sales, which was expected to generate \$78.8 million in fiscal 2010 and approximately \$95 million annually thereafter. Revenue collections for the first five months after the alcoholic beverages sales tax exemption was eliminated indicate that fiscal 2010 collections will be approximately \$93 million. Beginning in fiscal 2011, a portion of the Commonwealth’s receipts from the sales tax (other than taxes required to be credited to the Convention Center Fund) is dedicated to the Massachusetts Transportation Trust Fund. The amount dedicated is the amount raised by a portion of the sales tax equal to a 0.385% sales tax, with a floor of \$275 million per fiscal year. On June 29, 2009, the Governor filed legislation providing that such sales tax receipts be dedicated to the Commonwealth Transportation Fund rather than directly to the Massachusetts Transportation Trust Fund. The fiscal 2010 budget directs the Comptroller to transfer \$275 million from the General Fund to the Commonwealth Transportation Fund. See “COMMONWEALTH CAPITAL INVESTMENT PLAN - Transportation Reform Legislation” below and the March Information Statement under the heading “COMMONWEALTH REVENUES - State Taxes; *Sales and Use Tax.*”

On September 2, 2009, the Attorney General certified an initiative petition to remove the sales tax on alcoholic beverages and alcohol, where the sale of such beverages and alcohol or their importation into the state is already subject to a separate excise tax under state law. The Attorney General also certified a petition to reduce the sales and use tax rates from their current level of 6.25% to 3%. Each petition would take effect as of January 1, 2011. The petition to reduce the sales and use tax rate provides that if the reduced rate would not produce enough revenues to satisfy any lawful pledge of sales and use tax revenues in connection with any bond, note or other contractual obligation, then the rate would instead be reduced to the lowest level allowed by law. Proponents of each certified petition collected the signatures of 66,593 registered voters by December 2, 2009 and such petitions have been filed with the Legislature. If the Legislature fails to enact an initiative petition by May 5, 2010, its proponents must collect another 11,099 signatures from registered voters by early July, 2010, to place the initiative on the November, 2010 ballot. See the March Information Statement under the heading “THE GOVERNMENT - Initiative Petitions.”

FAS 109 Deduction: For tax years beginning on or after January 1, 2009, the Commonwealth adopted a combined reporting regime for purposes of calculating the corporate excise of corporations that are engaged with affiliated corporations in a unitary business. In addition, legislation was enacted providing for a new tax deduction

designed to limit the impact of combined reporting in the Commonwealth on certain publicly traded corporations' financial statements. The deduction is generally referred to as the "FAS 109" deduction, in reference to the Statement of Financial Accounting Standards (FAS) No. 109, Accounting for Income Taxes. The Department of Revenue (DOR) issued a report on "FAS 109" deductions on September 23, 2009. The report was based on the projected FAS 109 deduction amounts the companies provided to DOR. Then DOR used this information and calculated aggregate potential tax benefit.

The DOR report indicated that the companies filing for the FAS deductions stated that their FAS 109 deductions would be about \$178.1 billion, which would result in corporate tax savings of \$535 million at the applicable tax rates in the years in which the deductions will be claimed. Corporations are required to claim deductions over a seven-year period starting in tax year 2012. These deductions are expected to result in corporate tax savings (and corresponding Commonwealth corporate tax revenue reductions) of \$76 million to \$79 million annually for tax years 2012 through 2018, inclusive.

Federal and Other Non-Tax Revenue

Lottery Revenues. The Lottery Commission's operating revenues for fiscal 2009 were \$959 million. This includes a \$1 million spending reduction in operating expenses, a \$2 million spending reduction in administrative expenses and an additional \$700,000 spending reversion by the Lottery. The result was a shortfall of \$43.7 million against the assumed \$1.003 billion budget to fund various commitments appropriated by the Legislature from the State Lottery Fund and Arts Lottery Fund, including Lottery administrative expenses, and \$811 million in appropriations for local aid to cities and towns, with the balance, if any, to be transferred to the General Fund for the general activities of the Commonwealth. A transfer of \$43.7 million from the General Fund to the Lottery Fund will be necessary in order to eliminate the fund deficit. The fiscal 2009 supplemental appropriation bill approved by the Governor on October 29, 2009 authorized the Comptroller to transfer up to \$46 million from the General Fund to the State Lottery Fund to cure the deficiency. See the March Information Statement under the heading "COMMONWEALTH REVENUES - Federal and Other Non-Tax Revenue; *Lottery Revenues.*"

The fiscal 2010 budget assumes total net transfers from the Lottery of \$937.5 million to fund various commitments appropriated by the Legislature from the State Lottery Fund and the Arts Lottery Fund, including Lottery administrative expenses and \$758.8 million in appropriations for local aid to cities and towns, with the balance, if any to be transferred to the General Fund for the general activities of the Commonwealth. The Lottery has increased its revenue projection for fiscal 2010 by \$54.8 million. For fiscal 2010, the State Lottery Commission is currently projecting net operating revenues of \$958.7 million, which would result in an expected surplus of \$21.3 million against the assumed \$937.5 million at the end of fiscal 2010.

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COMMONWEALTH EXPENDITURES

The following table identifies certain major spending categories of the Commonwealth and sets forth the budgeted expenditures for each fiscal year within each category.

Commonwealth Expenditures—Budgeted Operating Funds (in millions)(1)

<u>Expenditure Category</u>	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>	<u>Fiscal 2008</u>	<u>Fiscal 2009</u>	<u>Projected Fiscal 2010</u>
Direct Local Aid(2)	\$4,224.1	\$4,430.0	\$4,805.2	\$5,040.5	\$4,723.6(7)	\$4,837.4
Medicaid(3)	5,977.2	6,852.5	7,550.4	8,246.3	8,679.2	9,237.4
Other Health and Human Services	4,226.0	4,433.6	4,625.3	4,796.5	4,828.3	4,666.0
Group Insurance	846.4	963.7	1,022.3	852.5	973.1	1,063.9
Dept. of Elementary and Secondary Education	476.7	408.6	459.0	485.8	495.9	436.9
Higher Education	915.0	987.8	1,115.7	1,084.4	1,035.5	842.0
Dept. of Early Education and Care	348.8	387.1	507.1	549.9	560.3	520.8
Public Safety(4)	1,206.5	1,288.0	1,399.2	1,544.4	1,514.3	1,488.9
Energy and Environmental Affairs	181.1	202.0	238.5	227.1	215.9	204.3
Debt Service	1,738.8	1,826.7	2,234.4	1,990.1	2,011.7	2,064.0
Budgeted Pension Transfers	1,216.9	1,274.7	1,335.2	1,398.6	1,314.4	1,376.6
Other Program Expenditures	<u>1,927.2</u>	<u>2,138.7</u>	<u>2,364.9</u>	<u>2,414.1</u>	<u>2,350.9</u>	<u>2,022.0</u>
Sub Total - Programs and Services before transfers to Non- budgeted funds	<u>\$23,284.7</u>	<u>\$25,193.4</u>	<u>\$27,657.2</u>	<u>\$28,630.2</u>	<u>\$28,703.1</u>	<u>\$28,760.2</u>
Inter-fund Transfers to Non-budgeted Funds						
Commonwealth Care Trust Fund(5)	-	-	722.1	1,045.9	987.6	631.7
State Retiree Benefit Trust Fund	-	-	-	354.7	352.0	372.0
Medical Assistance Trust Fund(6)	-	70.0	364.0	376.7	374.0	559.5
Other	<u>494.4</u>	<u>321.2</u>	<u>179.6</u>	<u>400.9</u>	<u>189.9</u>	<u>520.1</u>
<i>Sub Total</i>	<u>\$494.4</u>	<u>\$391.2</u>	<u>\$1,265.7</u>	<u>\$2,178.2</u>	<u>\$1,903.5</u>	<u>\$2,083.3</u>
Budgeted Expenditures and Other Uses	<u>\$23,779.1</u>	<u>\$25,584.6</u>	<u>\$28,922.9</u>	<u>\$30,808.4</u>	<u>\$30,606.6</u>	<u>\$30,843.5</u>
Adjusted Budgeted Expenditures and Other Uses	<u>\$23,779.1</u>	<u>\$25,584.6</u>	<u>\$28,922.9</u>	<u>\$30,808.4</u>	<u>\$30,606.6</u>	<u>\$30,843.5</u>

SOURCES: Fiscal 2005-2009 Office of the State Comptroller; fiscal 2010 and off-budget adjustments, Executive Office for Administration and Finance.

(1) Totals may not add due to rounding. Table does not reflect inter-fund transfers among budgeted funds and other sources that have no effect on ending balances. Excludes certain miscellaneous taxes expended outside the budget process.

(2) Restated fiscal 2005 to fiscal 2007 Direct Local Aid differ from Direct Local Aid expenditures reported in the fiscal 2005 to 2007 SBFRs.

(3) Excludes off-budget Medicaid spending in fiscal 2005, 2006 and 2007 estimated at \$292 million, \$292 million and \$290 million, respectively. Fiscal 2005 through 2007 include program administration.

(4) Public Safety comprises expenditures for the Executive Office of Public Safety and Security, plus the Commonwealth's expenditures for sheriffs. Prior fiscal years have been restated to identify public safety spending.

- (5) Commonwealth Care Trust Fund transfers are based on projected program spending offset in part by revenues dedicated to the Trust Fund, including certain cigarette tax revenue dedicated to the Trust Fund beginning in fiscal 2009.
- (6) Medical Assistance Trust Fund transfers are shown according to date of payment, rather than date of service or authorization year.
- (7) Approximately \$412 million in State Fiscal Stabilization Funds from the American Recovery and Reinvestment Act of 2009 were part of the Chapter 70 education funding in fiscal 2009

Medicaid

See the March Information Statement under the heading “COMMONWEALTH EXPENDITURES - Medicaid.”

The fiscal 2010 budget approved by the Governor includes \$8.930 billion for MassHealth (a 4.0% increase over fiscal 2009 estimated spending). Excluding spending that was previously off-budget, MassHealth’s fiscal 2010 budget totals \$8.640 billion (1% percent over fiscal 2009 estimated on-budget spending). The fiscal 2010 MassHealth budget has spending exposures (*i.e.*, anticipated spending is greater than budgeted amounts) related to utilization, enrollment and claims processing. Estimates suggest that the exposure is \$307 million (the Governor has requested \$200 million to date in supplemental funding and anticipates requesting an additional \$107 million in supplemental funding, see “RECENT DEVELOPMENTS – Fiscal 2010” above). MassHealth is also working on quantifying potential additional exposures in the Children’s Behavioral Health Initiative related to compliance with the remedial plan ordered in *Rosie D. et al v. The Governor*. See “LEGAL MATTERS” below. In fiscal 2010, the state will be eligible for a FMAP of 61.59% throughout the year. This is expected to generate a total of \$1.32 billion in enhanced federal matching funds (*i.e.*, over and above reimbursement that would be received at a 50% federal match) based on the projected spending levels for all programs qualifying for federal Medicaid matching funds.

The Governor’s fiscal 2011 budget recommendations include \$9.84 billion for MassHealth which is 6.5% above fiscal 2010 estimated spending of \$9.23 billion. The fiscal 2011 budget fully maintains eligibility for Commonwealth residents and funds projected enrollment growth of 3%.

The MassHealth budget assumes a variety of savings and revenue initiatives. The savings include exercising discipline on rates, introducing new program integrity measures, restructuring the adult dental program, and increasing co-payments for generic drugs from \$2 to \$3 (excluding certain drugs used to manage and treat long-term chronic medical conditions). Revenue initiatives at MassHealth include restructuring payments for prescription drug coverage in managed care plans to achieve higher rebate revenues and expanding the Health Safety Net payer surcharge to managed care organizations serving MassHealth and Commonwealth Care members to provide additional funding for MassHealth and Commonwealth Care.

(in millions)

	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>	<u>Fiscal 2008</u>	<u>Fiscal 2009 (1)</u>	<u>Fiscal 2010 (2)</u>
Budgeted Medicaid program expenses (3)	\$6,756.40	\$7,412.50	\$8,102.50	\$8,552.00	\$9,132.30
Budgeted Medicaid administrative expenses (4)	127.60	133.76	132.37	143.70	95.38
Off-Budget Medicaid expenses (5) (6)	332.50	288.50	-	-	-
Total expenditures	7,216.50	7,834.76	8,234.87	8,695.70	9,277.68
Annual percentage growth in total expenditures	12.4%	8.6%	5.1%	5.6%	7.4%
Enrollment	1,042,345	1,094,844	1,139,284	1,177,922	1,220,144
Annual percentage growth in enrollment	5.5%	5.0%	4.1%	3.4%	3.6%
Per-enrollee expenditures	\$6,481.92	\$6,770.37	\$7,111.92	\$7,260.24	\$7,484.61
Annual percentage growth in per - enrollee expenditures	9.0%	4.5%	5.0%	2.1%	3.1%

SOURCE: The Executive Office of Administration and Finance

(1) Reflects the fiscal 2009 budget after emergency 9C spending reductions. Incorporates additional spending proposed by the Governor in supplemental appropriations legislation filed on July 2, 2009.

- (2) Reflects the fiscal 2010 estimated spending which includes the final budget after vetoes and supplemental funding that occurred in August. It also includes an additional \$307 million in spending that is expected in the MassHealth program. \$200 million has been requested by the Governor in a recent supplemental appropriations bill.
- (3) All fiscal years reflect spending through June 30.
- (4) The Executive Office of Health and Human Services and Medicaid administrative budget for fiscal 2010 was reduced due to the shifting of information technology resources to a new account.
- (5) Beginning in fiscal 2006, Medicare “buy in” payments (reimbursing the federal government for Medicare health insurance expenses for eligible low-income Medicare recipients) are reflected in budgeted Medicaid program expenses.
- (6) Off-budget spending does not include increases in hospital and physician rates mandated by health care reform legislation. Such costs were paid from the Commonwealth Care Trust Fund from fiscal 2007 through fiscal 2009. See “Health Care Reform - Commonwealth Care Trust Fund and Health Safety Net Trust Fund” below.

Health Care Reform

See the March Information Statement under the heading “COMMONWEALTH EXPENDITURES - Health Care Reform.”

Commonwealth Care. The fiscal 2010 budget currently includes \$723 million for Commonwealth Care. The fiscal 2010 budgeted amount for Commonwealth Care is lower than fiscal 2009 program spending for two reasons: (i) as proposed by the Legislature and enacted into law, Commonwealth Care coverage previously provided to “aliens with special status” (about 31,000 legal immigrants who do not qualify for federal reimbursement) was terminated as of September 1, 2009; and (ii) budgeted amounts reflect new savings initiatives designed to control Commonwealth Care costs while maintaining the integrity of the program. See “LEGAL MATTERS - *Finch, et al. v. Health Insurance Connector Authority, et al.*” below. In addition to the \$723 million already allocated for Commonwealth Care, on August 7, 2009, the Governor approved legislation providing an additional \$40 million to continue state-subsidized health coverage for these aliens with special status through June 30, 2010. On August 31, 2009, the Governor and the Connector Authority announced plans to contract with a health plan to offer this continuing coverage beginning as early as October 1, 2009 – under a new “Commonwealth Care Bridge” program. On October 1, 2009, eligible aliens with special status began to be enrolled in the health plan selected to offer this continuing coverage through Commonwealth Care Bridge.

The Connector Authority continues to monitor cost and enrollment trends for Commonwealth Care for fiscal 2010 and will revise estimates based on updated information. Current spending estimates range from \$723 million to \$743 million, reflecting different potential enrollment scenarios for the program. The cost estimates discussed above represent projections of gross funding needs for Commonwealth Care (net of enrollee contributions) and do not account for federal reimbursement under the Commonwealth’s Medicaid waiver.

The Administration’s fiscal 2011 budget preserves current eligibility for Commonwealth Care and provides \$838 million to fund additional enrollment in fiscal 2011 (funding over 20,000 additional members in the program from current enrollment levels). The budget does not assume any increases in Commonwealth Care enrollee premiums. The budget assumes that Plan Type 1 co-payments would increase by \$1 for generic drugs, consistent with MassHealth changes (with no co-payment increases for Plans Type 2 and 3) and that dental coverage for Plan Type 1 members would be restructured in the same manner as MassHealth dental benefits. The Administration’s fiscal 2011 budget also includes \$75 million for the Commonwealth Care Bridge program. This program will continue to be run by the Secretary of Administration and Finance, the Secretary of Health and Human Services and the Executive Director of the Connector.

Health Safety Net/Health Safety Net Trust Fund. The fiscal 2010 budget includes \$390 million in dedicated resources for the Health Safety Net, including \$320 million from hospital and insurer assessments and \$70 million from supplemental payments made by other sources. The Governor’s budget also anticipates retaining an additional \$30 million in accumulated Health Safety Net fiscal year 2008 and 2009 surpluses within the Health Safety Net Trust Fund to help address fiscal year 2010 demand. In light of these resources, while there is significant uncertainty around Health Safety Net program demand for fiscal 2010 given the downturn in the economy and lags in data, demand is currently projected to exceed these revenues by \$25 million to \$50 million. In the event that demand exceeds available revenues, the shortfall is expected to be allocated among hospitals based on rules already established in regulation.

The Governor’s fiscal 2011 budget includes \$420 million in dedicated resources for the Health Safety Net, including \$320 million from hospital and insurer assessments, \$70 million from supplemental payments made by other sources and a \$30 million contribution from the General Fund.

The Division of Health Care Finance and Policy continues to monitor Health Safety Net service volume and costs, to update evolving trends relating to Trust Fund care demand. Projections will likely change as more data emerges regarding demand on the Health Safety Net.

Commonwealth Care Trust Fund and Health Safety Net Trust Fund. The following chart reflects updated estimates of spending and revenues associated with the Commonwealth Care Trust Fund and the Health Safety Net Trust Fund.

Commonwealth Care Trust Fund (in millions)			
<u>Spending Categories (1)</u>	<u>Fiscal 2008</u>	<u>Fiscal 2009</u>	<u>Fiscal 2010</u>
Commonwealth Care (2)	\$ 629.8	\$ 804.6	\$ 723.0
Commonwealth Care Bridge (3)			40.0
Section 122 Supplemental Payments (4)	180.0	160.0	-
Provider Rates (5)	165.0	218.2	-
Total Spending	\$ 974.8	\$ 1,182.8	\$ 763.0
Dedicated Revenue to the CCTF			
Rolling Surplus (6)	\$ (28.3)	\$ (20.0)	\$ -
Cigarette Tax Revenue (7)	-	(130.0)	(105.0)
Other Tobacco Products (8)			
Individual Tax Penalties	(9.7)	(14.0)	(12.3)
Fair Share Assessment (9)	(5.4)	(12.5)	(9.5)
One-Time Hospital Assessment (10)	-	(15.0)	(5.0)
Prior-Years Health Safety Net Surplus (11)	-	(49.5)	-
FY 08 CCTF Surplus	-	(1.9)	-
Total General Fund Contribution to CCTF excluding HSNTF contributions (12)	(995.4)	(939.9)	(631.2)
Total Revenue	\$ 1,038.8	\$ 1,182.8	\$ 763.0
Health Safety Net Trust Fund (in millions)			
<u>Spending Categories (13)</u>	<u>Fiscal 2008(14)</u>	<u>Fiscal 2009(15)</u>	<u>Fiscal 2010(16)</u>
Health Safety Net	\$ 415.6	\$ 419.5	\$ 420.0
One-Time Payment to DSH Hospital	-	64.0	-
Total Spending	\$ 415.6	\$ 483.5	\$ 420.0
Dedicated Revenue to HSNTF			
Provider and Insurer Assessments	(320.0)	(320.0)	(320.0)
Offset	(60.0)	(70.0)	(70.0)
General Fund Contribution (for HSN)	(49.6)	(48.0)	(30.0)
Dedicated Funding for One-Time Payment to DSH Hospital	-	(64.0)	-
Residual UCP Funds	(24.0)	-	-
Total Revenue	\$ (453.6)	\$ (502.0)	\$ (420.0)
Spending Less Revenue in HSNTF	\$ (38.0)	\$ (18.0)	-
Total General Fund Contribution to CCTF including HSNTF	\$ (1,045.0)	\$ (987.9)	\$ (631.2)

SOURCE: Executive Office for Administration and Finance. Fiscal 2008 and fiscal 2009 amounts reflect actual spending and revenues. Fiscal 2010 amounts reflect budgeted spending and revenue estimates.

- 1) Overall spending is gross and therefore does not include federal reimbursements.
- 2) Reflects only the General Fund-supported portion of the Commonwealth Care program and does not reflect spending that is supported by enrollee contributions. Fiscal 2009 costs reflect estimates prior to finalization of risk-sharing with managed care organizations. Fiscal 2010 estimates reflect budgeted amounts. See "COMMONWEALTH EXPENDITURES - Health Care Reform, Commonwealth Care."

- 3) On August 7, 2009 the Governor approved legislation providing \$40 million for health care coverage for aliens with special status (legal immigrants who do not qualify for federal reimbursement) who were by law dis-enrolled from their previous Commonwealth Care coverage as of September 1, 2009. This coverage has been provided through the newly created Commonwealth Care Bridge program.
- 4) Section 122 supplemental payments are based on date of service (not date of payment). This reflects supplemental payments made to certain hospitals as specified in section 122 of the health care reform legislation.
- 5) Provider rates are based on date of service (not date of payment). This reflects hospital and physician rate increases as specified in section 128 of the health care reform legislation. These provider rates were moved on-budget (as part of the MassHealth budget) for fiscal 2010.
- 6) In fiscal 2008, this category reflects surplus funds that were transferred to the Commonwealth Care Trust Fund during fiscal 2007 that were not spent. In fiscal 2009, this category reflects funds that were held aside relating to hospital pay-for-performance incentives specified in the health care reform legislation.
- 7) Starting in fiscal 2009, the state raised cigarette taxes by \$1 per pack and dedicated the increased revenues to the Commonwealth Care Trust Fund.
- 8) The fiscal 2009 increase in cigarette taxes omitted cigars and smoking and smokeless tobacco. The Governor's fiscal 2011 budget proposal includes language to end this exemption.
- 9) Fair Share revenue is net of administrative funding to run the program at the Division of Unemployment Assistance.
- 10) A one-time hospital assessment of \$20 million was included in legislation enacted in August, 2008 to raise revenues to support health care spending. The Commonwealth Care Trust Fund received \$15 million in fiscal 2009 due to the fact that the assessment is paid on a hospital fiscal year ending September 30 (not the state fiscal year ending June 30). The Commonwealth Care Trust Fund received the remaining \$5 million in fiscal 2010.
- 11) Reflects prior-year Health Safety Net surpluses that by statute revert to the Commonwealth Care Trust Fund.
- 12) For fiscal 2008, the \$995.4 million contribution from the General Fund to the Commonwealth Care Trust Fund (excluding Health Safety Net Trust Fund contributions) is a combination of (i) \$931.4 million to support Commonwealth Care, Section 122 supplemental payments and provider rates; and (ii) \$64 million for a one-time payment to a DSH hospital (that was transferred into the Commonwealth Care Trust Fund in fiscal 2008 and subsequently transferred to the Health Safety Net Trust Fund in fiscal 2009).
- 13) Health Safety Net spending is based on a hospital fiscal year ending September 30.
- 14) The \$38 million fiscal 2008 Health Safety Net surplus is part of the \$49.5 million in Prior-Years Health Safety Net surplus that reverted to the Commonwealth Care Trust Fund in fiscal 2009. See footnote 11. As much as \$11.5 million in additional surplus from unneeded claims reserve funds is expected to be certified in the coming months.
- 15) In fiscal 2009, the \$18.55 million potential Health Safety Net surplus listed above is based on a current spending assumption of \$419.5 million and funding of \$320 million in provider and insurer assessments, \$70 million in offsets from the Medical Assistance Trust Fund and \$48 million in General Fund contributions (\$63 million originally appropriated reduced by \$15 million redirected to meet MassHealth funding needs.) The fiscal 2009 surplus could be lower or higher based upon final remediation of claims. Also, in fiscal 2009, the Health Safety Net Trust Fund received \$64 million from the Commonwealth Care Trust Fund to make a one-time payment to a DSH hospital.
- 16) Health Safety Net payments for fiscal 2010 are based on \$390 million in dedicated revenues for the program plus approximately \$30 million in surplus Health Safety Net funds from fiscal 2009 and fiscal 2009 that the Governor intends to retain within the Health Safety Net Trust Fund to address current demand. Demand is currently projected to exceed these revenues by \$20-\$50 million. In the event that demand exceeds available revenues, the shortfall is allocated among hospitals based on rules already established in regulation.

Pension

See the March Information Statement under the heading "COMMONWEALTH EXPENDITURES - Pension."

Valuation of Pension Obligation. On September 21, 2009, the Public Employee Retirement Administration Commission released its actuarial valuation of the total pension obligation as of January 1, 2009. The unfunded actuarial accrued liability as of that date for the total obligation was approximately \$22.080 billion, including approximately \$6.730 billion for the State Employees' Retirement System, \$13.620 billion for the Massachusetts Teachers' Retirement System, \$1.410 billion for Boston Teachers and \$325 million for cost-of-living increases reimbursable to local systems. The valuation study estimated the total actuarial accrued liability as of January 1, 2009 to be approximately \$59.140 billion (comprised of \$23.720 billion for state employees, \$32.540 billion for state teachers, \$2.550 billion for Boston Teachers and \$325 million for cost-of-living increases reimbursable to local systems). Total assets were valued at approximately \$37.060 billion based on a five-year average valuation method, which equaled 110% of the January 1, 2009 total asset market value. The valuation method was the same as the method used in the 2008 valuation.

The following table shows the valuation of accrued liabilities and assets from 2005 through 2009:

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Pension Fund Valuation and Unfunded Accrued Liabilities (in millions)

<u>Valuation Date</u>	<u>Total Actuarial Accrued Liability</u>	<u>Actuarial Value of Assets(1)</u>	<u>Unfunded Accrued Liabilities</u>	
			<u>Unfunded Actuarial Liability(2)</u>	<u>Market Value of Unfunded Liability</u>
January 1, 2005	\$48,358	\$34,939	\$13,419	\$12,861
January 1, 2006	50,865	36,377	14,488	11,844
January 1, 2007	53,761	40,412	13,349	8,859
January 1, 2008	56,637	44,532	12,105	7,402
January 1, 2009	59,142	37,058	22,084	25,453

SOURCE: Public Employee Retirement Administration Commission.

(1) Based on five-year average smoothing methodology.

(2) Based on actuarial valuation.

The most recently adopted funding schedule is based on the January 1, 2008 actuarial results and reflects the recently extended funding schedule deadline of 2025.

On November 9, 2009, in his testimony to the Joint Committee on Public Service, the Secretary of the Executive Office for Administration and Finance noted the impact to the state and local pension funding schedules from the recent losses in state and local pension fund assets and the resulting increase in the annual pension payments that would be required to fully fund the state and local systems on the existing funding schedules. The Secretary pointed out that this poses a significant challenge given the current fiscal constraints but underscored the importance of being thoughtful and deliberate in developing proposals to address this challenge responsibly.

The Governor's fiscal 2011 budget proposal maintains the January 1, 2008 pension schedule by recommending a transfer of \$1.442 billion, an increase of \$65 million over fiscal 2010. The Commonwealth revises its funding schedule every three years. Recognizing the impact that the loss of assets will have on the pension fund and future funding schedules, the Governor has instructed the Secretary of Administration and Finance to form a task force to begin developing strategies and recommendations for a new triennial schedule to be adopted for fiscal 2012.

On January 27, 2010, the Governor filed legislation proposing pension reforms in addition to those adopted by the passage of pension reform legislation in June, 2009. The additional reforms include eliminating abuses, improving fairness and updating the system to reflect changes in work patterns. Such reforms are expected by the Governor to generate an estimated savings of over \$2 billion over 30 years.

SELECTED FINANCIAL DATA

Statutory Basis

During a fiscal year there are numerous transactions among these budgeted funds, which from a fund accounting perspective create offsetting inflows and outflows. In conducting the budget process, the Executive Office for Administration and Finance excludes those inter-fund transactions that by their nature have no impact on the combined fund balance of the budgeted funds. The following table isolates this inter-fund activity from the budgeted sources and uses to align more clearly forecasts prepared during the budget process to the detailed fund accounting of the Commonwealth's annual financial statements.

Budgeted Operating Funds -- Statutory Basis (in millions)(1)

	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009	Projected Fiscal 2010
<u>Beginning Fund Balances</u>						
Reserved or Designated	\$ 664.6	\$ 355.6	\$ 947.2	\$ 351.3	\$ 171.5	\$ 68.8
Bay State Competitiveness Investment Fund	-	-	-	100.0	-	-
Transitional Escrow Fund	-	304.8	-	-	-	-
Stabilization Fund	1,137.3	1,728.4	2,154.7	2,335.0	2,119.2	841.3
Undesignated	<u>90.9</u>	<u>98.4</u>	<u>106.2</u>	<u>114.7</u>	<u>115.1</u>	<u>106.4</u>
Total	<u>1,892.8</u>	<u>2,487.2</u>	<u>3,208.1</u>	<u>2,901.0</u>	<u>2,405.8</u>	<u>1,016.5</u>
<u>Revenues and Other Sources</u>						
Tax Revenues	15,987.4	17,286.2	18,444.9	19,488.5	16,790.0	17,102.0
Federal Reimbursements	4,697.0	5,210.1	6,167.6	6,429.5	8,250.9	8,587.8
Departmental and Other Revenues	1,948.9	2,094.3	2,218.4	2,355.9	2,326.2	2,824.1
Inter-fund Transfers from Non-budgeted Funds and Other Sources (2)	<u>1,740.2</u>	<u>1,714.9</u>	<u>1,785.0</u>	<u>2,039.3</u>	<u>1,850.3</u>	<u>1,941.5</u>
Budgeted Revenues and Other Sources	24,373.4	26,305.5	28,615.9	30,313.2	29,217.4	30,455.4
Inter-fund Transfers	<u>2,231.3</u>	<u>1,358.1</u>	<u>552.9</u>	<u>2,226.3</u>	<u>1,963.8</u>	<u>925.9</u>
Total Budgeted Revenues and Other Sources	<u>26,604.7</u>	<u>27,663.6</u>	<u>29,168.8</u>	<u>32,539.5</u>	<u>31,181.2</u>	<u>31,381.3</u>
<u>Expenditures and Uses</u>						
Programs and Services	23,284.7	25,193.4	27,657.2	28,630.2	28,703.1	28,760.2
Inter-fund Transfers to Non-budgeted Funds and Other Uses	<u>494.4</u>	<u>391.2</u>	<u>1,265.7</u>	<u>2,178.2</u>	<u>1,903.5</u>	<u>2,083.3</u>
Budgeted Expenditures and Other Uses	23,779.1	25,584.6	28,922.9	30,808.4	30,606.6	30,843.5
Inter-fund Transfers	<u>2,231.2</u>	<u>1,358.1</u>	<u>553.0</u>	<u>2,226.3</u>	<u>1,963.8</u>	<u>925.9</u>
Total Budgeted Expenditures and Other Uses	<u>26,010.3</u>	<u>26,942.7</u>	<u>29,475.9</u>	<u>33,034.7</u>	<u>32,570.4</u>	<u>31,769.4</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>594.4</u>	<u>720.9</u>	<u>(307.1)</u>	<u>(495.2)</u>	<u>(1,389.2)</u>	<u>(388.1)</u>
<u>Ending Fund Balances</u>						
Reserved or Designated (3)	355.6	947.2	351.3	171.5	68.8	16.1
Bay State Competitiveness Investment Fund	-	-	100.0	-	-	-
Transitional Escrow Fund	304.8	-	-	-	-	-
Stabilization Fund	1,728.4	2,154.7	2,335.0	2,119.2	841.3	609.3
Undesignated	<u>98.4</u>	<u>106.2</u>	<u>114.7</u>	<u>115.1</u>	<u>106.4</u>	<u>92.7</u>
Total	<u>\$ 2,487.2</u>	<u>\$ 3,208.1</u>	<u>\$ 2,901.0</u>	<u>\$ 2,405.8</u>	<u>\$ 1,016.6</u>	<u>\$ 718.1</u>

SOURCES: Fiscal 2005-2009, Office of the Comptroller; fiscal 2010, Executive Office for Administration and Finance.

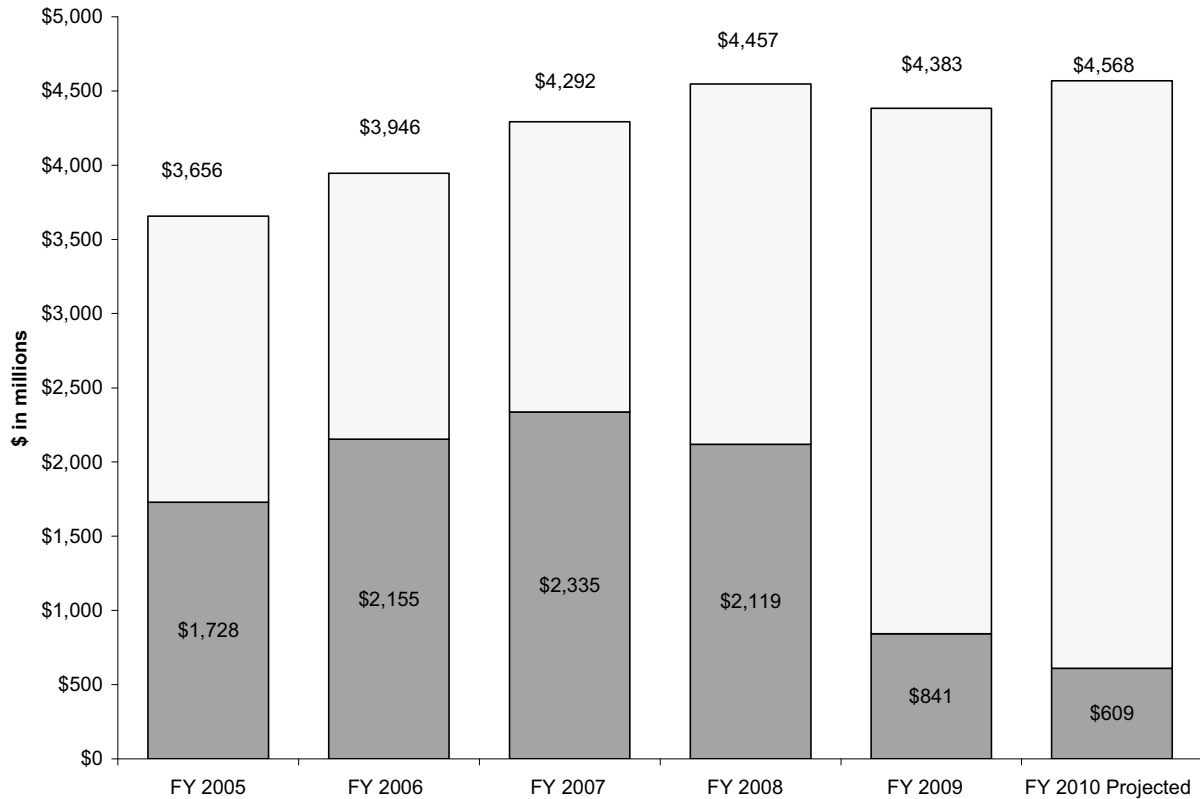
- (1) Totals may not add due to rounding.
- (2) Inter-fund Transfers from Non-budgeted Funds and Other Sources include profits from the State Lottery, transfer of tobacco settlement funds to allow their expenditure, abandoned property proceeds as well as other inter-fund transfers.
- (3) Consists largely of appropriations from previous years, authorized to be expended in current years.

Stabilization Fund

The fiscal 2010 budget authorizes the transfer of \$199 million from the Stabilization Fund to the General Fund and the transfer of all fiscal 2010 interest earnings. The budget also suspends the statutorily required deposit for fiscal 2010. Supplemental budget legislation signed into law on November 24, 2009 authorized an additional transfer of \$35.8 million from the Stabilization Fund to the General Fund. The Governor's budget recommendations for fiscal 2011 propose to suspend the statutorily required deposit and transfer \$175 million from the Stabilization Fund to the General Fund.

Stabilization Fund Balance Compared to Allowable Stabilization Fund Balance

(in millions) (1)



SOURCES: Fiscal 2005-2009, Office of the Comptroller; fiscal 2010, Executive Office for Administration and Finance.

LONG-TERM LIABILITIES

Interest Rate Swaps

The following table describes the interest rate swap agreements that the Commonwealth has entered into in connection with certain of its outstanding bond issues as of July 2, 2009.

<u>Swap Structure</u>	<u>Associated Bond Issue</u>	<u>Outstanding Notional Amount (in thousands)</u>	<u>Bond Floating Rate</u>	<u>Swap Fixed Rate Paid (Range)</u>	<u>Swap Variable Rate Received</u>	<u>Effective Date</u>	<u>Termination Date</u>	<u>Counterparty</u>
	<i>General Obligation Bonds:</i>							
Floating-to-fixed	Series 1997B	\$162,768	VRDB	4.659%	Cost of Funds	8/12/1997	8/1/2015	Goldman Sachs Matsui Marine Derivative Products Co., LP
Floating-to-fixed	Series 1997B	108,512	VRDB	4.659%	Cost of Funds	8/12/1997	8/1/2015	Ambac Financial Services, LP*
Floating-to-fixed	Series 1998A (refunding)	295,986	LIBOR	4.174%	LIBOR	11/17/2008	9/1/2016	Deutsche Bank AG
	Consolidated Loan of 2006, Series A							
	Central Artery Loan of 2000, Series A							
	Central Artery Loan of 2000, Series B							
Floating-to-fixed	Series 1998A	197,324	VRDB	4.174%	Cost of Funds	9/17/1998	9/1/2016	Citi Swapco, Inc.
Floating-to-fixed	Series 2001B & C	496,225	VRDB	4.150%	Cost of Funds	2/20/2001	1/1/2021	Morgan Stanley Derivative Products Inc.
Floating-to-fixed	Series 2003B	87,455	CPI	4.500%	Cost of Funds/CPI	3/12/2003	3/1/2014	Goldman Sachs Matsui Marine Derivative Products Co., LP
Floating-to-fixed	Series 2003B	10,000	CPI	4.500%	Cost of Funds/CPI	10/8/2008	3/1/2013	Deutsche Bank AG
Floating-to-fixed	Series 2005A	540,725	SIFMA	2.925 - 4.000%	SIFMA	3/29/2005	2/1/2028	Citi
Floating-to-fixed	Series 2006C	100,000	CPI	3.730 - 3.850%	Cost of Funds/CPI	11/29/2006	11/1/2020	Citi
Floating-to-fixed	Consolidated Loan of 2007, Series A	400,000	LIBOR	4.420%	LIBOR	5/30/2007	5/1/2037	Barclays Bank, PLC
Floating-to-fixed	Series 2007A (refunding)	31,665	LIBOR	3.963%	Cost of Funds/LIBOR	10/8/2008	11/2/2025	Deutsche Bank AG
Floating-to-fixed	Series 2007A (refunding)	414,130	LIBOR	4.083%	Cost of Funds/LIBOR	10/8/2008	8/1/2018	Bank of New York Mellon
	Central Artery Loan of							

* The Commonwealth plans to terminate this swap and replace it with a new swap with a more highly rated counterparty. The Commonwealth does not expect to be required to make a termination payment to Ambac.

<u>Swap Structure</u>	<u>Associated Bond Issue</u>	<u>Outstanding Notional Amount (in thousands)</u>	<u>Bond Floating Rate</u>	<u>Swap Fixed Rate Paid (Range)</u>	<u>Swap Variable Rate Received</u>	<u>Effective Date</u>	<u>Termination Date</u>	<u>Counterparty</u>
Floating-to-fixed	2000, Series A	109,125	SIFMA	3.942%	SIFMA	10/8/2008	8/1/2018	Merrill Lynch Capital Services, Inc.
Floating-to-fixed	Central Artery of 2000, Series A	54,525	SIFMA	3.942%	SIFMA	8/16/2008	6/15/2033	Bear Stearns Financial Products
Floating-to-fixed	Consolidated Loan of 2006, Series B	294,000	LIBOR	4.515%	LIBOR	11/25/2008	6/15/2033	Barclays Bank, PLC
	Consolidated Loan of 2000, Series D							
Subtotal		<u>3,020,470</u>						
<i>Special Obligation Dedicated Tax Revenue Bonds (CPI Based Swaps):</i>								
<i>Special Obligation Dedicated Tax Revenue Bonds (CPI Based Swaps):</i>								
Floating-to-fixed	Series 2004	28,863	CPI	4.450 - 5.250%	Cost of Funds/CPI	6/29/2004	1/1/2018	Goldman Sachs Capital Markets, LP
Floating-to-fixed	Series 2004	28,863	CPI	4.450 - 5.250%	Cost of Funds/CPI	6/29/2004	1/1/2018	J.P. Morgan Chase Bank
Floating-to-fixed	Series 2004	28,863	CPI	4.450 - 5.250%	Cost of Funds/CPI	6/29/2004	1/1/2018	J. P. Morgan Chase Bank
Floating-to-fixed	Series 2005A	<u>96,490</u>	CPI	4.771 - 5.060%	Cost of Funds/CPI	6/12/2005	6/1/2022	Merrill Lynch Capital Services, Inc.
Subtotal		<u>183,079</u>						
Total		<u>\$3,485,519</u>						

Debt Service Requirements

The following table sets forth, as of July 2, 2009, the annual fiscal year debt service requirements on outstanding Commonwealth general obligation bonds, special obligation bonds and federal grant anticipation notes. For variable-rate bonds with respect to which the Commonwealth is a fixed-rate payor under an associated interest rate swap agreement, the debt service schedule assumes payment of the fixed rate due under such agreement. For other variable-rate bonds, the schedule assumes a 5% interest rate.

Debt Service Requirements on Commonwealth Bonds as of January 2, 2010 through Maturity (in thousands) (1)

Period Ending	General Obligation Bonds As of January 2, 2010 through Maturity						Federal Highway Grant Anticipation Notes (2) As of January 2, 2010 through Maturity			Special Obligation Revenue Bonds As of January 2, 2010 through Maturity		
	Principal	Compounded Interest	Gross Interest	Build America Bonds Subsidies	Net Interest	Debt Service	Principal	Interest	Debt Service	Principal	Interest	Debt Service
6/30/2010	\$228,048	\$ -	\$ 362,526	\$ -	\$ 362,526	\$ 590,574	\$ 73,145	\$ 25,841	\$ 98,986	\$ 35,530	\$ 11,700	\$ 47,230
6/30/2011	1,063,932	7,768	813,009	(19,320)	793,689	1,865,389	151,290	44,957	196,247	37,240	56,178	93,418
6/30/2012	968,628	8,266	754,859	(18,159)	736,700	1,713,594	159,365	36,880	196,245	39,135	54,290	93,425
6/30/2013	1,041,529	9,413	704,861	(18,159)	686,702	1,737,644	194,580	28,933	223,513	41,150	52,258	93,408
6/30/2014	932,292	7,735	656,445	(18,159)	638,286	1,578,313	239,065	16,727	255,792	37,170	50,020	87,190
6/30/2015	928,103	7,686	611,585	(18,159)	593,426	1,529,215	247,070	5,641	252,711	59,065	48,117	107,182
6/30/2016	979,764	6,083	568,321	(18,159)	550,162	1,536,009	-	-	-	60,975	44,918	105,893
6/30/2017	871,080	4,533	524,806	(18,159)	506,647	1,382,260	-	-	-	64,675	41,617	106,292
6/30/2018	735,930	3,588	485,361	(18,159)	467,202	1,206,720	-	-	-	46,350	38,425	84,775
6/30/2019	732,162	21,077	448,090	(18,159)	429,931	1,183,170	-	-	-	48,775	36,121	84,896
6/30/2020	813,864	2,236	411,111	(18,159)	392,952	1,209,052	-	-	-	49,020	33,499	82,519
6/30/2021	1,002,329	1,806	366,731	(18,159)	348,572	1,352,707	-	-	-	51,515	31,064	82,579
6/30/2022	798,077	1,625	322,199	(18,159)	304,040	1,103,742	-	-	-	54,355	28,292	82,647
6/30/2023	740,289	1,422	283,763	(18,159)	265,604	1,007,315	-	-	-	36,960	25,428	62,388
6/30/2024	665,332	1,115	249,181	(18,159)	231,022	897,469	-	-	-	28,990	23,443	52,433
6/30/2025	608,680	873	218,721	(18,159)	200,562	810,115	-	-	-	30,625	21,848	52,473
6/30/2026	471,168	708	191,904	(18,159)	173,745	645,621	-	-	-	32,360	20,164	52,524
6/30/2027	465,191	522	169,250	(18,159)	151,091	616,804	-	-	-	34,190	18,384	52,574
6/30/2028	275,969	345	150,691	(18,159)	132,532	408,846	-	-	-	36,125	16,504	52,629
6/30/2029	360,171	139	135,192	(18,159)	117,033	477,343	-	-	-	38,170	14,517	52,687
6/30/2030	519,376	79	117,588	(18,159)	99,429	618,884	-	-	-	40,330	12,418	52,748
6/30/2031	301,135	-	91,233	(14,445)	76,788	377,923	-	-	-	42,610	10,199	52,809
6/30/2032	216,715	-	81,076	(14,445)	66,631	283,346	-	-	-	45,020	7,856	52,876
6/30/2033	187,300	-	69,908	(12,440)	57,468	244,768	-	-	-	47,565	5,380	52,945
6/30/2034	188,585	-	60,460	(11,068)	49,392	237,977	-	-	-	50,250	2,764	53,014
6/30/2035	196,755	-	50,745	(9,647)	41,098	237,853	-	-	-	-	-	-
6/30/2036	205,130	-	40,643	(8,177)	32,466	237,596	-	-	-	-	-	-
6/30/2037	214,730	-	30,106	(6,654)	23,452	238,182	-	-	-	-	-	-
6/30/2038	194,135	-	19,102	(5,077)	14,025	208,160	-	-	-	-	-	-
6/30/2039	123,805	-	10,940	(3,445)	7,495	131,300	-	-	-	-	-	-
6/30/2040	91,905	-	4,596	(1,609)	2,987	94,892	-	-	-	-	-	-
TOTAL	\$17,122,109	\$87,019	\$9,005,003	\$(451,348)	\$8,553,655	\$25,762,783	\$1,064,515	\$158,979	\$1,223,494	\$1,088,150	\$705,404	\$1,793,554

SOURCE: Office of the Comptroller.

(1) Totals may not add up due to rounding.

(2) Includes a series of crossover refunding bonds. The refunding escrows funded by these bonds and related premiums are used to pay interest on the refunding bonds until the refunded bonds are callable and then to redeem the refunded bonds. Interest on the refunded bonds prior to redemption continues to be paid from pledged revenues as before.

General Obligation Contract Assistance Liabilities

Massachusetts Turnpike Authority. The fiscal 2010 budget included a provision authorizing a contract between the Secretary of Administration and Finance, acting on behalf of the Commonwealth, with the concurrence of the Secretary of Transportation and Public Works, and the Turnpike Authority providing for the Commonwealth to make payments to the Turnpike Authority or the Massachusetts Department of Transportation (MassDOT), as appropriate, in the amount of \$100 million in each fiscal year for the purpose of defraying costs, including debt service on bonds issued by the Turnpike Authority or MassDOT to finance or refinance improvements to the Metropolitan Highway System. See “COMMONWEALTH CAPITAL INVESTMENT PLAN - Transportation Reform Legislation.” The contract, which pledges the full faith and credit of the Commonwealth to such payments, was executed on June 30, 2009. The term of the contract extends until fiscal 2039, the last fiscal year in which Metropolitan Highway System bonds issued before July 1, 2009 are scheduled to mature. Payments under the new contract are in addition to the payments required by the contract for financial assistance dated as of February 19, 1999 between the Turnpike Authority and the Commonwealth. See the March Information Statement under the heading “LONG-TERM LIABILITIES - General Obligation Contract Assistance Liabilities; *Massachusetts Turnpike Authority.*”

Contingent Liabilities

Massachusetts Turnpike Authority. On June 24, 2009, Standard & Poor’s downgraded Ambac’s insurer financial strength rating below the threshold at which UBS AG (UBS) asserted it was entitled to provide a notice of potential termination of its swap agreements with the Authority. UBS provided notice on June 24, 2009 of an asserted termination event. Under the swap agreements, upon valid notice of a termination event, the Turnpike Authority had 30 days (until July 24, 2009) either to provide alternate credit support that was acceptable to UBS, provide collateral essentially equal to the fair value of the swaps or obtain an “A” rating or better on all of the Turnpike Authority’s underlying Metropolitan Highway System (MHS) bonds. Prior to the 30-day deadline, the Turnpike Authority obtained sufficiently high ratings on its underlying subordinated MHS bonds to cure the asserted termination events with respect to four of the five UBS swaps. The deadline for curing the asserted termination event with respect to the remaining UBS swap was extended several times by mutual agreement, and on October 20, 2009, the Turnpike Authority reached agreement with UBS that one of the ratings currently assigned to the underlying senior MHS bonds was sufficient to cure the asserted termination event. Legislation authorizing a Commonwealth guaranty of the Turnpike’s swap obligations expired November 1, 2009. No guaranty was ultimately required to cure the termination event. See the March Information Statement under the heading “LONG-TERM LIABILITIES - Contingent Liabilities; *Massachusetts Turnpike Authority.*”

COMMONWEALTH CAPITAL INVESTMENT PLAN

Capital Investment Plan

The Executive Office for Administration and Finance annually updates its five-year capital investment plan, including its debt affordability analysis. The five-year plan coordinates capital expenditures by state agencies and authorities that are funded primarily by Commonwealth debt, third-party payments and federal reimbursements. Beginning in fiscal 2009 and expected through fiscal 2012, capital funds are also provided pursuant to the American Recovery and Reinvestment Act of 2009.

The Executive Office for Administration and Finance sets an annual administrative limit on the amount of bond-funded capital expenditures. The purpose of the administrative limit, known as the “bond cap,” is to keep Commonwealth debt within affordable levels.

On October 7, 2009, the Governor released a five-year capital investment plan for fiscal 2010 through fiscal 2014, totaling nearly \$17 billion. With the release of the five-year capital investment plan, the Governor announced that the bond cap will be \$1.5 billion for fiscal 2010, plus \$150 million in unused bond cap from fiscal 2009 which has been carried forward to support spending in fiscal 2010. The bond cap for fiscal 2011 is projected to be \$1.625 billion, and is projected to increase by \$125 million in each subsequent fiscal year through fiscal 2014.

The bond cap determination is based on the debt affordability policy described in the updated debt affordability analysis. Under this policy, the Executive Office for Administration and Finance will set the annual borrowing limit at a level designed to keep debt service within 8% of budgeted revenues. For this purpose, debt service includes principal and interest payments on all general obligation debt, special obligation gas tax debt, interest on federal grant anticipation notes, general obligation contract assistance payment obligations and budgetary contract assistance payment obligations on certain capital lease financings. In addition, while the accelerated bridge program will be funded outside of the bond cap, the related debt service costs of the program have been fully accounted for under the debt affordability policy in setting the bond cap at the designated levels. However, when a project financed with debt payable by the Commonwealth directly or indirectly generates new state revenue that is applied to the payment of such debt, the Executive Office for Administration and Finance will exclude the debt, the related debt service payment obligations and the new revenue used to pay such obligations from the debt affordability analysis. For example, bonds issued by MassDevelopment and payable by the Commonwealth pursuant to the I-Cubed program or for the parkway at the former South Weymouth naval base are expected to be excluded from the bond cap, as the Commonwealth's payment liability with respect to such bonds is expected to be limited to the new state tax revenues generated from the private development supported by the infrastructure improvements financed by the bonds.

For purpose of the debt affordability analysis, budgeted revenue includes all Commonwealth taxes and other revenues available to pay Commonwealth operating expenses, including debt service, pensions and other budgetary obligations. It does not include off-budget revenues dedicated to the Massachusetts Bay Transportation Authority, the Massachusetts School Building Authority and the Massachusetts Convention Center Authority. The fiscal 2010 estimate was based on the fiscal 2010 budget as originally approved and does not take into account the subsequent downward revision of the fiscal 2010 revenue estimate by the Secretary of Administration and Finance on October 15, 2009. For purposes of projecting budgeted revenue in future fiscal years, the compound annual growth rate in budgeted revenues from fiscal years 2000 through 2010 of 2.66% was applied to fiscal 2011 revenues and to each year thereafter. This is consistent with the debt affordability policy, which states that projected increases to budgeted revenues will be the lesser of 3% or the actual compound annual growth rate over the last ten fiscal years.

In addition to keeping debt service within 8% of budgeted revenues, the debt management policy limits future annual growth in the bond cap for the regular capital program to not more than \$125 million. This additional constraint is designed to ensure that projected growth in the bond cap will be held to stable and sustainable levels. As noted above, the bond cap is expected to grow by \$125 million from fiscal 2010 through fiscal 2014.

The Executive Office for Administration and Finance will revisit the debt capacity and affordability analysis periodically, and at least every year, to revise estimates for future years by taking into account fluctuations in interest rates, budgeted revenues and other changes affecting the Commonwealth's debt capacity. In addition, the Executive Office for Administration and Finance will annually assess the appropriateness of the methodology and constraints for establishing the bond cap.

The following table shows the annual bond cap, the resulting estimated total annual debt service payment obligations and the estimated debt service as a percentage of estimated budgeted revenues, all as presented in the debt affordability analysis published on October 7, 2009.

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Bond Cap

(in thousands - may not add due to rounding)

	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014
Bond Cap ¹	\$ 1,650,000	\$ 1,625,000	\$ 1,750,000	\$ 1,875,000	\$ 2,000,000
Total Debt Service Obligations	2,215,272	2,215,317	2,390,578	2,391,257	2,494,262
Estimated Budgeted Revenue	29,370,942	30,298,677	31,104,291	31,931,577	32,781,022
Debt Service as % of Budgeted Revenues	7.54%	7.31%	7.69%	7.49%	7.61%

SOURCE: Executive Office for Administration and Finance, Debt Affordability Analysis published October 7, 2009.

(1) Includes \$150 million of fiscal 2009 unused bond cap that has been carried forward to fiscal 2010.

Reflecting changed economic conditions, the total bond cap projected in the fiscal 2010 through fiscal 2014 five-year plan is \$1.1 billion less than the total bond cap projected in the first five-year plan published by the Executive Office for Administration and Finance in July, 2007.

In the past, the Commonwealth aggregated its capital expenditures into seven major categories based primarily on the agencies responsible for spending and carrying out capital projects: economic development, environment, housing, information technology, infrastructure and facilities, public safety, and transportation. The following table sets forth historical capital spending in fiscal 2005 through fiscal 2009 according to these categories:

Commonwealth Historical Capital Spending

(in millions - may not add due to rounding)

	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009
Information technology	\$ 61	\$ 88	\$ 53	\$ 65	\$ 97
Infrastructure	262	283	271	186	333
Environment	122	142	153	188	246
Housing	122	129	140	172	252
Public safety	18	19	18	19	21
Transportation	1,300	1,189	1,120	1,109	1388
Convention centers	54	12	2	-	-
Other	39	30	29	43	96
School building assistance	565	435	-	-	-
Total Uses	<u>\$2,543</u>	<u>\$2,327</u>	<u>\$1,786</u>	<u>\$1,782</u>	<u>\$2,432</u>

SOURCE: Executive Office for Administration and Finance, Debt Affordability Analysis published October 7, 2009.

For fiscal 2008 through fiscal 2014, the Executive Office for Administration and Finance re-characterized capital spending into 13 categories based on spending purpose, rather than spending agency: community investments, corrections, courts, economic development, energy and environment, health and human services, higher education, housing, information technology, maintenance, public safety, state office buildings and facilities, and transportation. This presentation of capital investment categories results in certain expenditures appearing in categories that are different from those in which they had been categorized in the historical capital spending table above. For example, Chapter 90 local aid for municipal transportation projects appears in the community investment category, rather than the transportation category, because these funds are invested in municipally-owned assets. Similarly, expenditures for Department of Conservation and Recreation roads and bridges appear in the transportation category, rather than the energy and environment category.

The capital investment plan for fiscal 2010 through fiscal 2014 is designed to allocate resources strategically to invest in the Commonwealth's public facilities and programs and represents the Governor's vision for public infrastructure. The following tables show the allocation of bond cap spending by major investment category and the allocation of total capital spending from all sources of funding by major investment category for fiscal 2010 through fiscal 2014.

Capital Investment Plan - Total Bond Cap

(in millions - may not add due to rounding)

Investment Category:	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	5-Year Total	5-Year Total	% of
Community Investment	\$235	\$223	\$241	\$259	\$244	\$1,203		14%
Corrections	21	21	32	60	95	229		3
Courts	112	69	30	53	109	373		5
Economic Development	87	82	94	107	117	487		5
Energy/Environment	107	103	98	106	109	523		6
Health/Human Services	92	84	80	45	67	368		4
Higher Education	84	124	152	232	235	827		9
Housing	168	168	168	171	173	848		10
Information Technology	75	73	82	86	86	402		5
Public Safety	13	8	15	28	39	103		1
State Buildings	73	92	105	70	61	400		4
Transportation	<u>583</u>	<u>578</u>	<u>653</u>	<u>659</u>	<u>665</u>	<u>3138</u>	<u>35</u>	
Total	<u>\$1,650</u>	<u>\$1,625</u>	<u>\$1,750</u>	<u>\$1,875</u>	<u>\$2,000</u>	<u>\$8,900</u>	<u>100%</u>	

Capital Investment Plan - All Sources of Funding

(in millions - may not add due to rounding)

Investment Category:	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	5-Year Total	5-Year Total	% of
Community Investment	\$294	\$280	\$283	\$295	\$281	\$1,433		8%
Corrections	26	22	32	60	95	236		1
Courts	112	76	39	62	118	406		2
Economic Development	107	122	168	177	192	767		4
Energy/Environment	121	116	99	106	109	551		3
Health/Human Services	93	89	84	45	67	378		2
Higher Education	99	169	200	234	235	937		5
Housing	297	268	212	173	173	1,124		7
Information Technology	78	76	82	86	86	494		3
Public Safety	39	20	19	28	39	145		1
State Buildings	85	104	105	70	61	425		2
Transportation	<u>1,687</u>	<u>2,133</u>	<u>2,231</u>	<u>2,240</u>	<u>1,855</u>	<u>10,146</u>	<u>60</u>	
Total	<u>\$3,039</u>	<u>\$3,475</u>	<u>\$3,554</u>	<u>\$3,577</u>	<u>\$3,311</u>	<u>\$17,042</u>	<u>100%</u>	

SOURCE: Executive Office for Administration and Finance, Debt Affordability Analysis published October 7, 2009.

The different sources of funding for the capital program, as reflected in the table above, include:

- Bond cap – Commonwealth borrowing to support the regular capital program;
- Federal – federal reimbursements for capital expenditures, primarily for transportation projects;
- Third-party – contributions made by third parties to capital projects being carried out by the Commonwealth and Commonwealth contributions to the Central Artery/Ted Williams Tunnel project from annual operating revenues;
- Project-Financed Bonds – self-supporting bonds payable by the Commonwealth from a project-related stream of revenue;
- Accelerated Bridge – Commonwealth gas tax bonds or federal grant anticipation notes issued to fund the accelerated bridge program; and
- American Recovery and Reinvestment Act of 2009 (ARRA) – funds provided by the federal stimulus bill directly to the Commonwealth for targeted capital investments.

The following table shows the sources of capital funds for fiscal 2009 and the estimated sources of funds for the next five fiscal years:

Capital Investment Plan: Sources of Funds
(in millions - may not add due to rounding)

<u>Fiscal Year</u>	<u>Bond Cap</u>	<u>Federal Reimbursements</u>	<u>Third Party</u>	<u>Project Financed</u>	<u>Accelerated Bridge Program</u>	<u>ARRA</u>	<u>Total</u>
2009	\$1,577.0	633.1	119.6	16.2	81.6	4.9	2,432.3
2010	1,650.0	717.3	57.5	37.5	357.3	219.1	3,038.7
2011	1,625.0	821.9	88.8	141.1	525.5	272.7	3,475.1
2012	1,750.0	703.0	80.9	179.0	688.7	152.2	3,553.8
2013	1,875.0	698.1	26.2	212.8	668.4	96.0	3,576.6
2014	2,000.0	715.5	24.2	214.0	357.1	0	3,310.8

SOURCE: Executive Office for Administration and Finance, Debt Affordability Analysis published October 7, 2009.

Transportation Reform Legislation

On June 18, 2009, the Legislature enacted, and on June 26, 2009 the Governor approved, legislation designed to reform the Commonwealth's transportation system. The legislation created a new entity called the Massachusetts Department of Transportation (MassDOT), governed by a five-member board appointed by the Governor. The Governor has appointed a Secretary of MassDOT, who serves as the new authority's chief executive officer. MassDOT has an office of planning and programming and four divisions - one for highways, one for mass transit, one for aeronautics and one for the Registry of Motor Vehicles - which share administrative functions such as human resources, financial management, information technology and planning. Each division is headed by an administrator appointed by the Secretary of MassDOT. The board of MassDOT was authorized to begin exercising its powers on November 1, 2009.

The transportation reform legislation provided for the dissolution of the Massachusetts Turnpike Authority and the transfer of its assets, liabilities, obligations and debt to MassDOT, which has a separate legal existence from the Commonwealth. MassDOT assumed the rights, powers and duties of the Turnpike Authority effective November 1, 2009. The legislation maintained the separate existence of the Massachusetts Bay Transportation Authority, but its governing board was abolished and has been replaced by a new five-member board appointed by the Governor. The Massachusetts Port Authority remains an independent authority, but pursuant to the legislation the Tobin Memorial Bridge, a tolled bridge previously owned and operated by the Port Authority, was transferred to MassDOT on January 1, 2010.

All regional transit authorities in the Commonwealth are mandated to shift to a forward-funded budgeting system no later than fiscal 2012. The Secretary of Administration and Finance is to develop a plan for accomplishing this conversion and to seek the necessary appropriations.

The legislation established a Massachusetts Transportation Trust Fund within MassDOT, into which all bridge, tunnel and highway tolls, as well as transit fares under certain circumstances, are deposited. Moneys in the Central Artery and Statewide Road and Bridge Infrastructure Fund may be transferred to the Massachusetts Transportation Trust Fund. The Trust Fund is to be used for operations, maintenance and capital costs related to the transportation assets under MassDOT's jurisdiction, including MBTA assets and assets of the Turnpike Authority transferred pursuant to the legislation, as well as debt service on outstanding Turnpike Authority debt. MassDOT is authorized to issue special obligation debt secured by moneys in the Trust Fund to refinance Turnpike Authority debt issued before July 1, 2009. MassDOT debt will not be debt of the Commonwealth.

The legislation contemplates that the Legislature will continue to make capital appropriations for transportation improvements and that such appropriations will continue to be funded through the issuance by the State Treasurer of Commonwealth debt. Currently outstanding capital spending authorizations are to be made available to MassDOT by the Secretary of Administration and Finance.

The legislation also established a Commonwealth Transportation Fund as a budgetary fund of the Commonwealth for transportation-related purposes, to receive essentially the same revenues that are now deposited in the Highway Fund, including gasoline tax receipts and registry fee revenues. Legislation approved by the Governor on July 20, 2009 provides that the Commonwealth Transportation Fund will also receive the sales tax receipts dedicated to transportation purposes (see “COMMONWEALTH REVENUES - State Taxes; *Sales and Use Tax*” above), with a guaranteed annual payment of \$275 million. The guaranteed amount of \$275 million includes \$100 million earmarked for costs including debt service on Turnpike Authority debt, \$160 million earmarked for the MBTA and \$15 million earmarked for the regional transit authorities. Moneys currently in the Deferred Maintenance Trust Fund are also being transferred to the Commonwealth Transportation Fund. Moneys in the Commonwealth Transportation Fund will be used to pay Commonwealth debt service and contract assistance obligations for transportation-related investments, with the excess in each fiscal year to be available for appropriation to the Massachusetts Transportation Trust Fund for use by MassDOT.

LEGAL MATTERS

Matters described in the March Information Statement under the heading “LEGAL MATTERS” are updated as follows:

The Arborway Committee v. Executive Office of Transportation et al, Suffolk Superior Court. On May 26, 2009, the Superior Court granted summary judgment to the state defendants on statute of limitations grounds, dismissing all claims against the Commonwealth. On July 7, 2009, the Superior Court ordered the entry of a separate and final judgment on those claims. The plaintiffs have appealed, and their brief was filed in the Massachusetts Appeals Court on February 12, 2010.

Hutchinson et al v. Patrick et al, United States District Court, Western Division. In May, 2009, plaintiffs moved for an award of attorneys’ fees and costs, requesting just over \$750,000. In February, 2010, the court allowed Plaintiffs’ motion and awarded the fees and costs requested.

Ricci v. Okin. The United States Supreme Court denied the petition of the Fernald class members for a writ of certiorari, and so the decision of the U. S. Court of Appeals for the First Circuit, favorable to the Commonwealth, stands.

Rolland v. Patrick, United States District Court, Western Division. This is a class action by mentally retarded nursing home patients seeking community placements and services that resulted in a settlement agreement. In July, 2001, the District Court found that the Commonwealth had breached portions of the agreement and was in violation of certain legal requirements related to the provision of “active treatment” to class members. The United States Court of Appeals for the First Circuit affirmed the District Court’s order in January, 2003. In April, 2007, the District Court found that, despite a “tremendous amount of work,” and substantial improvement in the provision of services, the Commonwealth has not yet ensured that all class members receive active treatment. A court monitor was appointed to evaluate whether each class member is receiving active treatment. The parties have now reached a new settlement agreement under which 640 community placements would be created; placement of a class member in the community would take the place of any further obligation to provide “active treatment” to that individual. After a hearing on May 22, 2008, the court found that the agreement is fair, reasonable and adequate, and approved it in a written decision issued June 16, 2008. A group of class members challenged the court-approved settlement agreement on appeal to the United States Court of Appeals for the First Circuit. In mid-January, 2010, the United States Court of Appeals for the First Circuit affirmed the District Court’s order approving the fairness, reasonableness and adequacy of the new settlement agreement.

Disability Law Center, Inc. v. Massachusetts Department of Correction, et al., United States District Court. On July 31, 2009, the state defendant filed, under seal, a superseding draft settlement agreement that contemplates appropriate services to inmates with serious mental illness while taking account of the Commonwealth’s current budgetary constraints. The Disability Law Center (DLC) rejected the state defendant’s settlement offer, as proposed. Thereafter, in early November, 2009, the parties filed separate status reports with the Court reporting a cessation of their settlement discussions and, consequently, the need for a trial date. A scheduling order dated February 10, 2010 provides that any amended pleadings must be filed by early May, 2010, and all discovery is to be completed by mid-

March, 2011. The Court has set a trial date of June 6, 2011. While the DLC requests only injunctive relief, the Department of Correction has conducted a preliminary funding analysis, which estimates that approximately \$135 million of additional funding would be required over the next five fiscal years relating to program costs and staffing associated with the implementation of provisions of the original draft settlement agreement. This estimate does not include approximately \$8 million in bond funding for information technology infrastructure and related upgrades.

Harper et al. v. Massachusetts Department of Transitional Assistance, United States District Court. This lawsuit was filed by three individuals seeking to represent a class of indigent disabled individuals who apply for or receive subsistence-level cash and/or food stamp benefits from the Massachusetts Department of Transitional Assistance (“DTA”). Plaintiffs allege that the DTA’s practices and policies with respect to processing applications for benefits, notifying recipients of changes in benefits and identifying applicants or recipients with disabilities fail to make reasonable accommodations for applicants and recipients with disabilities, and therefore violate the Americans with Disabilities Act and the Rehabilitation Act of 1973. Plaintiffs seek systemic changes to the DTA’s policies for processing benefits applications, notifying applicants or recipients of benefit awards or changes and making disability determinations. The DTA has answered the complaint, and the parties are conducting discovery. The parties are awaiting the Court’s decision with respect to plaintiffs’ motion for class certification, which the DTA opposed. Although the existence and scope of liability are contested by the DTA, the cost of implementing the changes demanded by the plaintiffs could cost millions of dollars.

Demoranville v. Commonwealth, Supreme Judicial Court. Following dismissal of the case by the Superior Court in January, 2009, the Supreme Judicial Court granted direct appellate review of that decision. Oral argument took place on February 11, 2010.

TJX Companies v. Commissioner of Revenue (“TJX I”), Appeals Court. In *TJX I*, the taxpayer challenged certain assessed corporate excise taxes and the Commissioner’s application of the sham transaction doctrine to various deductions claimed by TJX on account of purported royalty and interest payments to related, out-of-state corporations. According to the statement of agreed facts submitted to the Appellate Tax Board in *TJX I*, the direct amount in dispute, exclusive of interest, was approximately \$9.8 million. The Board decided *TJX I* in favor of the Commissioner, and the taxpayer appealed. The Appeals Court largely affirmed the decision of the Appellate Tax Board in an unpublished decision dated April 3, 2009. Subsequently, the Supreme Judicial Court denied TJX Companies’ application for further appellate review.

TJX Companies v. Commissioner of Revenue (“TJX II”), Appellate Tax Board. In *TJX II*, the taxpayer is challenging a tax liability of approximately \$18 million (including interest) at the Appellate Tax Board arising from the Commissioner’s disallowance of deductions for various royalty payments and interest taken in connection with transactions between several subsidiaries of the taxpayer. The Board had stayed *TJX II* pending the outcome of *TJX I*, although the facts and circumstances of each are slightly different. While the issues are similar, the Appeals Court’s decision in *TJX I* will not necessarily control the ultimate decision in *TJX II*.

Capital One Bank v. Commissioner of Revenue. The United States Supreme Court denied Capital One Bank’s petition for a writ of certiorari on June 22, 2009, and so the decision of the Supreme Judicial Court, favorable to the Commonwealth, stands.

Geoffrey, Inc. v. Commissioner of Revenue. The United States Supreme Court denied Geoffrey, Inc.’s petition for a writ of certiorari on June 22, 2009, and so the decision of the Supreme Judicial Court, favorable to the Commonwealth, stands.

Central Artery/Ted Williams Tunnel Cost Recovery Program Litigation, Suffolk Superior Court. In the November, 2006 civil action involving the collapse of the ceiling in the I-90 Connector Tunnel, the Commonwealth has reached settlement agreements with or agreed to dismiss each of the remaining defendants. Under those agreements, the Commonwealth has recovered or expects to recover an additional \$43.2 million. Of that amount, \$26 million is in credits against claims by contractors against the Commonwealth; the remaining \$17.2 million is in settlement payments. Under the settlement agreements, those payments are to be made to the Central Artery and Statewide Road and Bridge Infrastructure Fund (now part of the Commonwealth Transportation Fund). The settlement documents have been signed and filed with the court, and the litigation is concluded. Once payments

called for under the settlement agreements are made, the Commonwealth will have recovered a total of approximately \$78.4 million in damages specifically for the ceiling collapse.

Grand River Enterprises Six Nations, Ltd. v. William Pryor, et al., United States District Court, New York. Except for resolution of outstanding discovery disputes, discovery is complete. Summary judgment briefs were filed in September, 2009. Due to the parties' requests for extensions of time for responses and reply briefs, argument will not occur until the first quarter of 2010, at the earliest.

In re: Centers for Medicare and Medicaid Services regulations (Uncompensated Care Pool/Health Safety Net Trust Fund). The federal Health Care Financing Administration (now CMS) asserted in June, 2000 that the portion of the Medicaid program funded by the Commonwealth's Health Safety Net Trust Fund (formerly the Uncompensated Care Pool) might violate federal regulations regarding permissible taxes on health care providers. Since 1993, MassHealth has sought federal waivers for the Commonwealth's assessment on acute care hospitals and surcharge payers, respectively, which fund the Uncompensated Care Pool and its successor, the Health Safety Net Trust Fund. The Commonwealth believes that the assessments are within the federal law pertaining to health care-related taxes. Under federal regulations, if the Commonwealth were ultimately determined to have imposed an impermissible health care-related tax, the federal government could seek retroactive repayment of federal Medicaid reimbursements. New federal regulations on health care-related taxes were, in large part, subject to a moratorium on implementation through June 30, 2009, which CMS has extended until June 30, 2010. By the end of pool fiscal year 2010, the Commonwealth will have collected an estimated \$4.836 billion in acute hospital assessments since 1990 and an estimated \$1.717 billion in surcharge payments since 1998. Clarification of the law surrounding permissible provider taxes is a national issue involving a number of states.

In re: Audit by the U. S. Department of Health and Human Services Office of the Inspector General (UMMHC hospital supplemental payments). The OIG audited MassHealth supplemental payments made to the UMass Memorial Health Care hospitals in 2004 and 2005. In its final report, the OIG identified an overpayment of \$5.75 million in Federal Financial Participation (FFP) and made a recommendation that the Commonwealth work with CMS to determine the appropriateness of an additional \$2.8 million in FFP. EOHHS sent its response to the final report on February 2, 2010.

Boston Harbor Clean-Up. The cost of initial construction of water treatment facilities required under the federal district court's order has now amounted to approximately \$4.5 billion through December, 2009. Going forward, the Massachusetts Water Resources Authority anticipates spending an additional \$230 million on remaining construction work on Combined Sewer Overflow projects. These figures do not include routine ongoing costs, such as maintenance expenses and capital spending for plant and system upgrades, retrofits, and replacements.

Shwachman v. Commonwealth, Worcester Superior Court. This eminent domain case, involving the taking of property necessary for construction of a new Worcester County courthouse, settled in early October, 2009 for \$500,000.

Rosie D., et al. v. The Governor, United States District Court, Western Division. Although the Commonwealth paid the plaintiffs' attorneys approximately \$7.1 million in court-approved fees in 2009, plaintiffs are entitled to submit additional petitions for recovery of attorneys' fees incurred post-judgment (*e.g.*, for monitoring activity), through the end of the remedial plan implementation period (July, 2012).

Commonwealth of Massachusetts v. Philip Morris, Inc., et al. (2006 Non-Participating Manufacturer ("NPM") Adjustment proceeding). Philip Morris paid its entire April 2009 annual Tobacco Master Settlement Agreement ("MSA") payment, but (as anticipated) R.J. Reynolds Tobacco Co. and Lorillard Tobacco Co. withheld their portion of the NPM Adjustment, which reduced the initial 2009 payout to Massachusetts by approximately \$22 million.

The following matters were not described in the March Information Statement:

Commonwealth v. Johnson et al, United States District Court. The Attorney General filed this action seeking judicial review of the decision by the federal Centers for Medicare and Medicaid Services (CMS) to deny approximately \$86 million FFP for targeted case management (TCM) services provided by the Department of

Children and Families (formerly the Department of Social Services). A hearing occurred on November 12, 2009, at which time the court took under advisement the Commonwealth's motion for summary judgment. (See description of CMS' initial disallowance action under *In re: Disallowance by the U.S. Department of Health and Human Services Centers of Medicaid and Medicaid Services (Targeted Case Management)* in the March Information Statement).

Boston Medical Center Corp. and Boston Medical Center Health Plan, Inc. v. Secretary of the Executive Office of Health and Human Services, Suffolk Superior Court. On July 15, 2009, the plaintiffs filed suit alleging that they are owed at least \$127.6 million in additional payments by the Commonwealth for fiscal 2009. The plaintiffs allege that the Commonwealth was obligated under Commonwealth law to set aside higher Medicaid reimbursement rates for services provided to Medicaid clients by the Boston Medical Center hospital and managed care organization entities. The defendant filed its Answer denying all of plaintiffs' claims on September 11, 2009. Around October 21, 2009, the court granted plaintiffs' motion to file an Amended Complaint. Defendant filed its Amended Answer on October 27, 2009.

Kristy Didonato, et al. v. Department of Transitional Assistance, et al. (Didonato I and Didonato II), Massachusetts Housing Court—Western Division. These are consolidated class actions challenging DTA's practices and procedures relating to emergency shelter placements and, more specifically, its practices and procedures relating to the placement of families in shelters that are located more than 20 miles from their home communities. In October, 2006, the Housing Court allowed the plaintiffs' motion for partial summary judgment on the systemic notice and hearing claims in *Didonato I* and *II*. Following the court's decision, DTA worked with plaintiffs' counsel to implement the court's partial summary judgment decision and also initiated settlement discussions to resolve the remaining claims in the consolidated complaints. During a status conference in February, 2009, plaintiffs' counsel expanded their requested relief to include a demand that DTA adopt a policy requiring that motel placements be used to avoid placing families with school-age children in shelters that are more than 20 miles from their home communities. On July 1, 2009, the emergency shelter program was transferred from DTA to another state agency, the Department of Housing and Community Development. If the court agrees to expand the *Didonato* cases to include this claim relating to the use of motels, and ultimately finds that the Commonwealth must facilitate a motel placement before placing a family with school-age children in a shelter more than 20 miles from their home community, the program costs related to implementing such a requirement potentially could exceed \$20 million.

Sales/Use Tax Abatement Claims, not yet docketed at the Appellate Tax Board. Counsel for the Office of Appeals of the Department of Revenue has identified a group of related administrative appeals involving tax abatements filed as the result of pending litigation, in which the taxpayers are being sued in a potential class action. These taxpayers have filed protective abatement claims seeking a refund from the Commonwealth of \$24.6 million.

Local 589, Amalgamated Transit Union, et al. v. Commonwealth of Massachusetts, et al., Suffolk Superior Court. In a class action complaint filed in September, 2009, ten separate union organizations and numerous MBTA employees and retirees challenge various provisions in the recently enacted transportation reform legislation that alter the requirements for employee pension eligibility, transfer the MBTA employees' and retirees' health insurance coverage to Group Insurance Commission plans, increase the percentage of health insurance premiums to be paid by MBTA employees and retirees, and foreclose collective bargaining of group insurance coverage. These changes are in each instance prospective, do not apply to the pension and health insurance provisions in currently existing collective bargaining agreements, and when ultimately implemented are anticipated to result in projected annual savings of \$30 million to \$40 million associated with the transition of the MBTA employee/retiree benefits to state-controlled insurance plans. Plaintiffs claim that the changes effected by the statute violate federal labor protective agreements, unconstitutionally impair union and other contracts, and effect an unconstitutional taking of property. On December 24, 2009, the Superior Court denied the plaintiffs' request for a preliminary injunction regarding the first round of health insurance transfers, which then took place on January 1, 2010. Both the Commonwealth and the MBTA have filed answers, and the case is now in the discovery phase. There is a significant likelihood that the Superior Court will hear dispositive motions before the next round of health insurance transfers, which will occur on July 1, 2010.

OPEIU, Local 6 and the Massachusetts Trial Court, American Arbitration Association. The union representing the Trial Court's clerical and professional employees has taken two grievances to arbitration concerning the non-payment of negotiated wage increases for the second and third years of a collective bargaining

agreement effective from July 1, 2007 to June 30, 2010. At an arbitration commenced in October, 2009, the union argued that because the Legislature funded the negotiated 3% wage increases for the first year of that agreement, the Trial Court is bound to pay the negotiated wage increases for the second and third years of the agreement as well. The union values these wages increases at about \$30.8 million. The Trial Court reports that the Legislature has not fully funded the wage increases, the Senate specifically rejected funding for the fiscal 2010 increases, and the collective bargaining agreement specifies that economic items are not effective until the appropriations necessary to fully fund such items are enacted. The Trial Court has additional arguments as to why the claimed increases are not owing, including that an arbitrator has no authority to order the Trial Court to expend funds for which there has been no appropriation. It is anticipated that any adverse ruling by an arbitrator will be appealed under the state statute governing collective bargaining agreements providing for arbitration.

Holyoke Medical Center, Inc., et al. v. Secretary of the Executive Office of Health & Human Services, Suffolk Superior Court. Six community hospitals which mainly serve patients covered by public insurance plans claim that they are owed an additional \$115.9 million, plus interest, by the Commonwealth's Medicaid program. Plaintiffs claim that the Medicaid reimbursement rates established by Executive Office of Health and Human Services were too low. The lawsuit was filed on December 1, 2009, and the defendants' response to the complaint is due March 15, 2010.

DIRECTV, Inc. v. Commonwealth of Massachusetts Department of Revenue, Suffolk Superior Court. In a lawsuit filed in early 2010, DIRECTV claims that the excise on the sale of direct broadcast satellite services to subscribers or customers in the Commonwealth (enacted by Mass. St. 2009, c. 27, sec. 61 and 150) violates the Commerce Clause of the United States Constitution and the equal protection clauses of the United States and Massachusetts Constitution. Although the suit is only in its incipient stage, the potential refund of taxes collected under the statute may exceed \$10 million for each tax year.

Howe v. Town of North Andover, et al., United States District Court. A lawsuit was filed in late January, 2010, naming twenty Massachusetts State Police officers or employees and three Essex Sheriff officers or employees as defendants. The lawsuit arises out of a death at a sobriety checkpoint allegedly organized and/or staffed by the Massachusetts State Police, Essex Sheriff's Department and the North Andover Police Department. The lawsuit alleges wrongful death, civil rights violations, negligence and other claims. At this time no determination has been made as to the merits of the claims against the defendants.

Mass. Community College Council, Inc. et al. v. Board of Higher Ed. et al., Suffolk County Superior Court. A group of individual plaintiffs and the employee organizations to which they belong brought this action for declaratory and mandamus relief, challenging the Commonwealth's criteria for eligibility to enroll in Group Insurance Commission health insurance coverage under G.L. c. 32A and for the payment of a pro-rata contribution for non-eligible employees who obtain health insurance coverage through the Health Insurance Connector Authority. The case is in the earliest stages of litigation; the complaint was filed in late November, 2009, and the state defendants' answered on February 12, 2010 denying the plaintiffs are entitled to any of the relief they demand. While the case is not a class action, if the plaintiffs prevail, it is expected that the Commonwealth would likely make similarly situated persons eligible for coverage or contribution. It is not possible, at this time, to accurately estimate the costs that would be incurred if the plaintiffs prevail.

Sandra Murphy, et al. v. Massachusetts Turnpike Authority, Middlesex Superior Court. Plaintiffs filed suit against the Turnpike Authority on behalf of a purported "class" consisting of all toll payers within the Metropolitan Highway System ("MHS"). The plaintiffs claim that the use of toll money collected on some parts of the MHS to fund operations, maintenance and tax debt service for other parts of the MHS (specifically, the Central Artery) is an unconstitutional tax and seek an injunction and damages. The plaintiffs filed a motion seeking a preliminary injunction prohibiting the Turnpike Authority from spending any MHS tolls on the "non-tolled segments" of the MHS for the duration of the case. The Superior Court denied that motion. The Turnpike Authority filed a Motion to Dismiss, seeking to dismiss all counts of the Third Amended Complaint. A hearing on the Turnpike Authority's motion was held on October 15, 2009. The Court took the motion under advisement and has not yet rendered its decision. In the event the motion were denied and the plaintiffs ultimately prevailed, the extent of the impact on the treasury of the Commonwealth cannot now be accurately estimated.

Finch, et al. v. Health Insurance Connector Authority, et al. SJC for Suffolk County. This lawsuit, filed directly in the Supreme Judicial Court single justice session, challenges, under the state and federal Equal Protection Clauses, a statute enacted in August 2009 that excludes from the Commonwealth Care program, run by the Connector Authority, those individuals who are alien residents with special status (AWSS). Many members of the AWSS population are otherwise eligible for subsidized insurance through the Commonwealth Care program. Because the Commonwealth does not receive federal Medicaid funds for these individuals (unlike other members of Commonwealth Care), the Legislature effectively reduced the Connector Authority's budget by excluding this group of members. The Commonwealth then established a less expensive program to cover much of the AWSS population with health insurance. The lawsuit does not ask for retroactive relief, but seeks to have the individuals reinstated to the Commonwealth Care program. If plaintiffs succeed on their claims, the Commonwealth could incur as much as \$80-\$100 million in additional costs for covering special status immigrants through Commonwealth Care in fiscal 2011. This is a conservative estimate based on projected average program costs and will be refined as updated cost and enrollment information for special status immigrants becomes available.

MISCELLANEOUS

Any provisions of the constitution of the Commonwealth, of general and special laws and of other documents set forth or referred to in the March Information Statement and this Supplement are only summarized, and such summaries do not purport to be complete statements of any of such provisions. Only the actual text of such provisions can be relied upon for completeness and accuracy.

The March Information Statement and this Supplement contain certain forward-looking statements that are subject to a variety of risks and uncertainties that could cause actual results to differ from the projected results, including without limitation general economic and business conditions, conditions in the financial markets, the financial condition of the Commonwealth and various state agencies and authorities, receipt of federal grants, litigation, arbitration, force majeure events and various other factors that are beyond the control of the Commonwealth and its various agencies and authorities. Because of the inability to predict all factors that may affect future decisions, actions, events or financial circumstances, what actually happens may be different from what is set forth in such forward-looking statements. Forward-looking statements are indicated by use of such words as "may," "will," "should," "intends," "expects," "believes," "anticipates," "estimates" and others.

All estimates and assumptions in the March Information Statement and this Supplement have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates and assumptions are correct. So far as any statements in the March Information Statement and this Supplement involve any matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. The various tables may not add due to rounding of figures.

Neither the Commonwealth's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

The information, estimates and assumptions and expressions of opinion in the March Information Statement and this Supplement are subject to change without notice. Neither the delivery of this Supplement nor any sale made pursuant to any official statement of which the March Information Statement and this Supplement are a part shall, under any circumstances, create any implication that there has been no change in the affairs of the Commonwealth or its agencies, authorities or political subdivisions since the date of this Supplement, except as expressly stated.

CONTINUING DISCLOSURE

The Commonwealth prepares its Statutory Basis Financial Report and its Comprehensive Annual Financial Report with respect to each fiscal year ending June 30. The Statutory Basis Financial Report becomes available by October 31 of the following fiscal year and the Comprehensive Annual Financial Report becomes available in January of the following fiscal year. Copies of such reports and other financial reports of the Comptroller referenced

in this document may be obtained by requesting the same in writing from the Office of the Comptroller, One Ashburton Place, Room 909, Boston, Massachusetts 02108. The financial statements are also available at the Comptroller's web site located at <http://www.mass.gov/osc> by clicking on "Financial Reports/Audits."

On behalf of the Commonwealth, the State Treasurer will provide to the Municipal Securities Rulemaking Board (MSRB), no later than 270 days after the end of each fiscal year of the Commonwealth, certain financial information and operating data relating to such fiscal year, as provided in Rule 15c2-12 of the federal Securities and Exchange Commission, together with audited financial statements of the Commonwealth for such fiscal year. To date, the Commonwealth has complied with all of its continuing disclosure undertakings relating to the general obligation debt of the Commonwealth and has not failed in the last seven years to comply with its continuing disclosure undertakings with respect to its special obligation debt and federal grant anticipation notes. However, the annual filings relating to the fiscal year ended June 30, 2001 for the Commonwealth's special obligation debt and for the Commonwealth's federal highway grant anticipation notes were filed two days late, on March 29, 2002. Proper notice of the late filings was provided on March 29, 2002 to the MSRB.

The Department of the State Auditor audits all agencies, departments and authorities of the Commonwealth at least every two years. Copies of audit reports may be obtained from the State Auditor, State House, Room 229, Boston, Massachusetts 02133.

AVAILABILITY OF OTHER FINANCIAL INFORMATION

Questions regarding the March Information Statement or this Supplement or requests for additional information concerning the Commonwealth should be directed to Colin MacNaught, Assistant Treasurer for Debt Management, Office of the Treasurer and Receiver-General, One Ashburton Place, 12th floor, Boston, Massachusetts 02108, telephone (617) 367-3900, or to Karol Ostberg, Director of Capital Finance, Executive Office for Administration and Finance, State House, Room 373, Boston, Massachusetts 02133, telephone (617) 727-2040. Questions regarding legal matters relating to the March Information Statement or this Supplement should be directed to John R. Regier, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, Massachusetts 02111, telephone (617) 348-1720.

THE COMMONWEALTH OF MASSACHUSETTS

By Timothy P. Cahill
Timothy P. Cahill
Treasurer and Receiver-General

By Jay Gonzalez
Jay Gonzalez
Secretary of Administration and Finance

March 2, 2010

SUMMARY OF THE CONTRACT AND RELATED PROVISIONS OF THE TRUST AGREEMENT

The following is a summary of certain provisions of the Contract for Financial Assistance dated as of June 30, 2009, as amended (the “Contract”) between the Massachusetts Turnpike Authority and The Commonwealth of Massachusetts, acting by and through the Secretary of the Executive Office for Administration and Finance of the Commonwealth and with the concurrence of the Secretary of the Executive Office of Transportation and Public Works of the Commonwealth, and relevant provisions of the Metropolitan Highway System Trust Agreement, as amended and supplemented. This summary does not purport to be complete and reference is made to the Contract for Financial Assistance, the Metropolitan Highway System Trust Agreement and each Supplemental Trust Agreement, including the Seventh Supplemental Trust Agreement, for full and complete statements of its terms and provisions.

Definitions

For the purposes of the Contract, the term “Bonds” means bonds issued by the Authority prior to the date of the Contract under the Metropolitan Highway System Trust Agreement dated as of September 1, 1997 (the “Trust Agreement”) by and between the Authority and The Bank of New York, as successor Trustee, and bonds issued by the Authority or its successor in interest for the purpose of refinancing any such previously issued bonds. (Section 1 of the Contract)

Obligations to Make Payments

The Commonwealth shall pay to the Authority or its successor in interest in each fiscal year until the termination of the contract the amount of \$100,000,000; provided that this amount shall be paid in twelve monthly installments no later than the 15th day of each month commencing in July of each fiscal year; provided further that the Commonwealth and the Authority or its successor in interest may agree to accelerate the monthly payments due to the Authority or its successor in interest in any fiscal year; and provided further that the final installment in each fiscal year shall not be later than two weeks before the end of the then-current fiscal year. The amount payable to the Authority or its successor under this section shall be in addition to and shall not include the amount of the Commonwealth’s payment obligation provided for under that certain Contract for Financial Assistance dated as of February 19, 1999 between the Commonwealth and the Authority. (Section 2 of the Contract)

Pledge of Credit of the Commonwealth; Obligation Unconditional

The Contract and the payments under the Contract shall constitute irrevocable general obligations of the Commonwealth for which the faith and credit of the Commonwealth are pledged for the benefit of the Authority or its successor in interest and, to the extent moneys received hereunder are pledged under the Trust Agreement, for the Owners of the Bonds issued under the Trust Agreement. The obligation of the Commonwealth to make payments hereunder shall be absolute and unconditional. Without limiting the generality of the foregoing, the Commonwealth shall have no power to set off its payments hereunder against any obligation due to the Commonwealth from the Authority or its successor in interest and shall have no power to impose conditions on such payments except as expressly provided in the Contract. (Section 3 of the Contract)

Pledge of Contract Assistance by the Authority

The Authority or its successor in interest may pledge the Contract and the payments made under the Contract as security for the payment of Bonds. (Section 4 of the Contract)

Term

The provisions of the Contract and the obligation of the Commonwealth to provide such payments to the Authority and its successor in interest in accordance with the Contract shall remain in effect and shall not terminate until June 30, 2039. (Section 5 of the Contract)

Amendment

The provisions of the Contract may be amended by agreement of the parties to the Contract, provided that no amendment shall be made that (a) would reduce the term of the Contract or affect the manner in which the amounts due under the Contract are determined or (b) would otherwise affect adversely the interest of the holders of Bonds issued by the Authority or its successor in interest under the Trust Agreement, except to the extent permitted under the Trust Agreement. (Section 6 of the Contract)

Dedicated Payments

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

Any Supplemental Trust Agreement pledging and designating Dedicated Payments shall be supported by a Certificate of an Authorized Officer, demonstrating satisfaction of the requirements of the paragraph above. All Dedicated Payments shall be deposited upon receipt in the Senior Debt Service Fund or the Subordinated Debt Service Fund, as determined by such Certificate of an Authorized Officer. The Authority may in its discretion reverse or modify any pledge and designation of Dedicated Revenues by a further Supplemental Trust Agreement and any determination to deposit Dedicated Payments in a particular Debt Service Fund may be reversed or modified by Certificate of an Authorized Officer, in each case provided that a Certificate of an Authorized Officer shall establish that following any such reversal or modification the Authority will meet the test for incurring \$1 (one dollar) of Additional Senior Bonds and the Authority will be in compliance with the provisions of the Metropolitan Highway System Trust Agreement. (Section 606 of the Metropolitan Highway System Trust Agreement).

The First Supplemental Trust Agreement provides that all amounts received by the Authority pursuant to the Contract for Financial Assistance dated as of February 19, 1999 (the "1999 Contract") by and between the Authority and The Commonwealth of Massachusetts, acting by and through the Secretary of the Executive Office for Administration and Finance of the Commonwealth and with the concurrence of the Secretary of the Executive Office of Transportation and Construction of the Commonwealth are designated and pledged as Dedicated Payments under the Trust Agreement. (Section 701 of the First Supplemental Trust Agreement) After all Senior Bonds are no longer Outstanding, but no later than January 1, 2037, the payments received by the Department under the 1999 Contract shall be deposited in the Subordinated Debt Service Fund upon receipt by the Department.

The Fifth Supplemental Trust Agreement provides that all amounts received by the Authority pursuant to the Contract are designated and pledged as Dedicated Payments under the Trust Agreement. Notwithstanding any provision of the Metropolitan Highway System Trust Agreement to the contrary, the pledge and designation and application of such Dedicated Payments to the Senior and Subordinated Debt Service Funds, as set forth in the certificate summarized in the following section, shall not be reversed or modified in any respect other than by compliance with the provisions described in the second paragraph of this section, and receipt by the Authority and the Trustee prior to the effective date of any such reversal or modification of a written confirmation from each Rating Agency that its rating of Outstanding Bonds will not be adversely affected. (Section 107 of the Fifth Supplemental Trust Agreement)

Certificate Regarding Designation and Pledge of Dedicated Payments under the Fifth Supplemental Trust Agreement

In connection with the designation and pledge by the Fifth Supplemental Trust Agreement of certain revenues to be received by the Authority pursuant to the Contract as Dedicated Payments, an Authorized Officer of the Authority delivered a certificate in the following form pursuant to the provisions described in the second paragraph under the heading “Dedicated Payments” above.

The requirements of the Trust Agreement have been satisfied as follows:

1. The Dedicated Payments to be received by the Authority pursuant to the Contract are to be received from the Commonwealth and consist of a payment obligation payable to the Authority pursuant to a statutory and contractual arrangement with the Commonwealth which, in the opinion of Bond Counsel, constitutes a general obligation of the Commonwealth.
2. The Contract, by its terms, will not terminate so long as the Authority is relying thereon for the purpose of issuing Bonds or demonstrating compliance with the covenants under the Trust Agreement.
3. The manner of determining the amounts to be received from the Contract are not subject to change or revision during the period in which the Authority is relying on such Dedicated Payments for the purposes described in Section 2.
4. The Authorized Officer of the Authority directs that such Dedicated Payments as designated and pledged by the Fifth Supplemental Trust Agreement be deposited upon receipt by the Authority first, in the Subordinated Debt Service Fund until the amount so deposited on each date causes Subordinated Net Debt Service (calculated as of such date of deposit) to be or projected to be equal to zero and second, the balance remaining, if any, shall be deposited in the Senior Debt Service Fund.

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**Summary of Certain Provisions
of the
Trust Agreement**

The following is a summary of certain provisions of the Metropolitan Highway System Trust Agreement, as amended and supplemented, and as further amended and supplemented by the Seventh Supplemental Trust Agreement, including certain terms used in the Metropolitan Highway System Trust Agreement not elsewhere defined in this Official Statement. This summary does not purport to be complete and reference is made to the Metropolitan Highway System Trust Agreement and each Supplemental Trust Agreement, including the Seventh Supplemental 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 Metropolitan Highway System Trust Agreement and used in this Official Statement:

Accepted Metropolitan Highway System shall mean the Boston Extension and the portions of the Tunnels and any other portions of the Metropolitan Highway System in which the Authority has an Ownership Interest as of the date of issuance of the Initial Bonds together with any other portions of the Metropolitan Highway System in which the Authority hereafter acquires an Ownership Interest and which it determines to accept for inclusion in the Accepted Metropolitan Highway System pursuant to the Metropolitan Highway System Trust Agreement, and upon satisfaction of the requirements of the Metropolitan Highway System Trust Agreement including without limitation the Central Artery and the Central Artery North Area.

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

Act shall mean Chapter 81A of the Massachusetts General Laws, as amended and supplemented to the date of the Metropolitan Highway System Trust Agreement and from time to time.

Additional Bonds shall mean Additional Senior Bonds and Bonds issued to refund Bonds all pursuant to the Metropolitan Highway System Trust Agreement.

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

otherwise provided in the Supplemental Trust Agreement authorizing Additional Bonds which are Capital Appreciation Bonds or Deferred Income Bonds, as the case may be.

Amortized Value, when used with respect to Investment Obligations purchased at a premium above or a discount below par, shall mean the value as of any given time obtained by dividing the total premium or discount at which such Investment Obligation was purchased by the number of months remaining between the purchase date and the maturity date of such Investment Obligation and deducting the amount thus calculated on the first day of each month after such purchase from the purchase price in the case of an Investment Obligation purchased at a premium or adding the amount thus calculated on the first day of each month after such purchase to the purchase price in the case of an Investment Obligation purchased at a discount.

Annual Budget shall mean the annual budget, as amended or supplemented, adopted or in effect for a particular Fiscal Year as described under the heading "Annual Budget."

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

Authority shall mean the Massachusetts Turnpike Authority, a body politic and corporate and a public instrumentality of the Commonwealth organized and existing under the Act.

Authorized Officer shall mean the Chairperson, the Chief Executive Officer, the Chief Financial Officer or the General Counsel of the Department, and when used with reference to an act or document of the Department also means any other person authorized by resolution of the Department to perform the act or sign the document in question.

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

Bond or Bonds shall mean any bond or bonds, including Initial Bonds and Additional Bonds, whether issued as Senior Bonds or Subordinated Bonds, and any Bond Anticipation Notes authenticated and delivered under the Metropolitan Highway System Trust Agreement, but not including General Fund Indebtedness.

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

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

Boston Extension shall mean all roadways and tunnels for vehicular traffic that constitute that portion of interstate highway route 90 beginning at and including the interchange of interstate highway route 90 and state highway 128 in the Town of Weston and ending in the City at the interchange of interstate highway route 90 and interstate highway route 93.

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

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

Capital Reinvestment Requirement shall mean the amount established by the Authority in its sole discretion to be deposited in the Capital Reinvestment Fund during the then current Fiscal Year to provide for capital improvements for the Accepted Metropolitan Highway System in accordance with the current Annual Budget.

Central Artery shall mean all roadways and tunnels for vehicular traffic that constitute that portion of interstate highway route 93 beginning at a point immediately south of the Southampton Street interchange and continuing to and including the interchange of interstate highway route 93 and Massachusetts Avenue in the South End section of the City and continuing and including the interchange of interstate highway route 90 and interstate highway route 93 in the South Bay section of the City and continuing to and including the interchange of State highway route 1 and interstate highway route 93 in the Charlestown section of the City including but not limited to the Charles River crossing portion of interstate highway route 93.

Central Artery North Area shall mean all roadways and tunnels for vehicular traffic consisting of a portion of state highway route 1 beginning at, but not including, the southern boundary of the Tobin Memorial Bridge and continuing to the interchange of interstate highway 93 and state highway route 1.

City shall mean the City of Boston in the Commonwealth.

Code shall mean the Internal Revenue Code of 1986, as amended to the date of adoption of the Metropolitan Highway System Trust Agreement, unless a later day shall be specified in a Supplemental Trust Agreement to be applicable to one or more Series of Bonds, and the applicable regulations thereunder, and any reference to the provisions of the Metropolitan Highway System Trust Agreement shall, to the extent the provisions of the Internal Revenue Code of 1986, as amended to the date of adoption of the Metropolitan Highway System Trust Agreement.

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

Commonwealth shall mean The Commonwealth of Massachusetts.

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

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

Date of Completion shall mean (i) in the case of the construction of any vehicular road, bridge or tunnel, the date on which such road, bridge or tunnel is opened to vehicular traffic (as evidenced by a certificate of an Authorized Officer filed with the Trustee), and (ii) in the case of any other work, building or improvement, the date on which the

acquisition, construction, improvement, reconstruction or rehabilitation thereof is completed (as evidenced by a certificate of an Authorized Officer filed with the Trustee).

Debt Service for any period shall mean, 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 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 (1) no Bonds (except for Put Bonds actually tendered for payment and not purchased in lieu of redemption prior to the redemption date thereof) of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof and (2) the principal amount of Put Bonds tendered for payment and not purchased in lieu of redemption prior to the redemption date thereof shall be deemed to accrue on the date required to be paid pursuant to such tender. For purposes of this definition, the principal and interest portions of the Accreted Value of a Capital Appreciation Bond and the Appreciated Value of a Deferred Income Bond becoming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of accrued and unpaid and accruing interest or Principal Installments only during the year such amounts become due for payment unless otherwise provided in the Supplemental Trust Agreement authorizing Additional Bonds which are Capital Appreciation Bonds or Deferred Income Bonds. Debt Service on Senior Bonds and Subordinated Bonds with respect to which there is a Qualified Hedge Agreement shall be calculated consistent with the Metropolitan Highway System Trust Agreement. Debt Service shall include costs of Credit Facilities and Liquidity Facilities and reimbursement to Providers of Credit Enhancement, in each case if and to the extent payable from the applicable Debt Service Fund. Debt Service on Bond Anticipation Notes shall not include any Principal Installments thereon.

Dedicated Payments shall mean any revenues of the Authority which are not Revenues as defined in the Metropolitan Highway System Trust Agreement as initially adopted which the Authority subsequently pledges as additional security for its payment obligations on the Bonds pursuant to a Supplemental Trust Agreement, in each case which are specifically designated as Dedicated Payments by the Authority in accordance with the limitations of the Metropolitan Highway System Trust Agreement and, accordingly, are to be deposited in the Senior Debt Service Fund or the Subordinated Debt Service Fund upon receipt, including without limitation certain revenues described in clauses (iv), (v) or (vi) of the second sentence of the definition of “Revenues.”

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

Department means the Massachusetts Department of Transportation, as successor to the Authority, a body politic and corporate and a public instrumentality of the Commonwealth organized and existing under Chapter 6C of the Massachusetts General Laws, as amended and supplemented from time to time.

Determination Date shall have the meaning set forth under the heading “Extensions.”

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

Extension shall mean:

(1) An acquisition, improvement, betterment, enlargement or capital addition within the Commonwealth of any roadway, bridge, tunnel, overpass, interchange, parking facility or other similar facility, including any approaches, entrances, exits, acceleration and deceleration lanes relating thereto, whether or not connecting to the Accepted Metropolitan Highway System, which upon acquisition of an Ownership Interest therein or construction thereof is to be subject to a toll, rental or other charge for the use thereof within the control of the Authority or for which a Dedicated Payment not constituting on the Determination Date Dedicated Payments or Revenues is made available to or for the account of the Authority; and

(2) An acquisition, improvement, betterment, enlargement or capital addition within the Commonwealth of any roadway, bridge, tunnel, overpass, interchange, parking facility or other similar facility, including any approaches, entrances, exits, acceleration and deceleration lanes relating thereto, whether or not connecting to the Accepted Metropolitan Highway System, which upon acquisition of an Ownership Interest therein meets a necessary traffic management or safety purpose of the Metropolitan Highway System, in the determination of the Authority;

provided, however, that on the Determination Date the expenditure of Revenues with respect to the Extension complies with the provisions of the Metropolitan Highway System Trust Agreement.

Fiduciary or Fiduciaries shall mean the Trustee, any Paying Agent, or any or all of them, as may be appropriate, or any person appointed to act as a Fiduciary in a Supplemental Trust Agreement adopted pursuant to the Metropolitan Highway System Trust Agreement.

First Supplemental Trust Agreement shall mean the First Supplemental Metropolitan Highway System Trust Agreement dated as of March 1, 1999 by and between the Authority and the Trustee.

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

General Fund Expenses shall mean, to the extent such expenses shall not have been otherwise provided for, (i) tourism grants payable by the Authority to the Commonwealth allocable, in the Authority's determination, to the Metropolitan Highway System; (ii) the costs and expenses of the Metropolitan Highway System Advisory Board payable by the Authority pursuant to the Act; (iii) the costs of assistance programs for communities or neighborhoods which abut the Metropolitan Highway System; (iv) the net costs of any Hedge Agreements payable from the General Fund pursuant to the Metropolitan Highway System Trust Agreement; (v) all costs incurred under the Project Management Agreement and Transfer Agreements which are by the terms thereof or of any exhibit thereto to be reimbursed by the Commonwealth, including without limitation costs attributable to project management staff; and (vi) with respect to portions of the Metropolitan Highway System other than the Accepted Metropolitan Highway System, (a) the Authority's expenses incurred in the normal course of business for administration, operation, maintenance, repair, ordinary replacements and ordinary reconstruction of such portions of the Metropolitan Highway System or any part thereof and shall include, without limiting the generality of the foregoing: administrative expenses as determined by the Authority in its discretion, including the payment of a private operator or management company, insurance premiums, legal and engineering expenses, health and hospitalization payments, expenditures relating to advertisements or promotions by or for the Authority to promote or increase use of such portions of the Metropolitan Highway System, and any other expenses required to be paid by the Authority, all to the extent properly and directly attributable to the operation of such portions of the Metropolitan Highway System payable by the Authority, and (b) any extraordinary costs or expenses for reconstruction, rehabilitation, improvement or new construction.

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

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

Indebtedness shall mean Bonds, Bond Anticipation Notes and General Fund Indebtedness.

Independent Consultant shall mean a consultant or consulting firm or corporation, financial or otherwise, or an engineer or engineering firm or corporation, of national reputation retained by the Authority to perform the acts and carry out the duties provided for such consultant in the Metropolitan Highway System Trust Agreement.

Initial Bonds shall mean the Authority's \$1,183,046,617 Metropolitan Highway System Revenue Bonds, 1997 Series A (Senior), the Authority's \$194,680,000 Metropolitan Highway System Revenue Bonds, 1997 Series B (Subordinated) and the Authority's \$89,136,005.95 Metropolitan Highway System Revenue Bonds, 1997 Series C (Senior), each issued pursuant to the Metropolitan Highway System Trust Agreement.

Insurance Consultant shall mean an insurance consultant of national reputation retained by the Authority to perform the acts and carry out the duties provided for such Insurance Consultant in the Metropolitan Highway System Trust Agreement.

Insurer shall mean any nationally recognized company engaged in the business of insuring municipal bonds which may from time to time insure the payment of the principal of and interest on all or any portion of the Bonds of any Series.

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

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

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

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

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

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

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

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

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

(v) an obligation of any state of the United States of America or any political subdivision thereof or any agency, instrumentality or local government unit of any such state or political subdivision other than obligations described in clause (iii) above which shall be rated at the time of the investment in any of the three highest rating categories by any Rating Agency, without regard to any refinement or gradation of such rating;

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

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

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

(ix) a time deposit, certificate of deposit, whether negotiable or non-negotiable, and a banker's acceptance of one or more of the 50 largest banks in the United States or commercial paper issued by the parent holding company of any such bank which at the time of investment has an outstanding unsecured, uninsured and unguaranteed debt issue rated in either of the two highest rating categories by any Rating Agency, without regard to

any refinement or gradation of such rating (including the Trustee and its parent holding company, if any, if it otherwise qualifies);

(x) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York which at the time of investment has an outstanding unsecured, uninsured and unguaranteed long-term debt issue or commercial paper issue rated at least in any of the three highest rating categories, without regard to refinement or gradation of such rating, by any Rating Agency (including the Trustee and its parent holding company, if any, if it otherwise qualifies), which agreement is secured by any one or more of the securities described in clause (i), (iv) or (viii) above which securities shall at all times have a market value (exclusive of accrued interest) of not less than the full amount of the repurchase agreement and be delivered to another bank or trust company organized under the laws of any state of the United States of America or any national banking association, as custodian;

(xi) an Investment Agreement;

(xii) money market funds registered under the Federal Investment Company Act of 1940, as amended, whose shares are registered under the Federal Securities Act of 1933, and having a rating in any of the two highest rating categories by any Rating Agency, without regard to refinement or gradation of such rating;

(xiii) commercial paper, notes, bonds or other obligations of any corporation rated, at the time of investment, in the two highest rating categories by any Rating Agency, without regard to refinement or gradation of such rating; and

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

For the purposes of the provisions of the Metropolitan Highway System Trust Agreement summarized under the heading “Defeasance,” Investment Obligations shall mean and include only (x) such securities as are described in clauses (i), (v) (to the extent rated at the time of investment in the highest rating category, without regard to any refinement or gradation of such rating, by any Rating Agency), (vi) and (viii) of the definition of “Investment Obligations” which shall not be subject to redemption prior to their maturity other than at the option of the Owner thereof, (y) such securities as are described in clause (ii) of the definition of Investment Obligations which shall not be subject to redemption prior to their maturity other than at the option of the Owner thereof or as to which an irrevocable notice of redemption of such securities on a specified redemption date has been given and such securities are not otherwise subject to redemption prior to such specified date other than at the option of the Owner thereof, or (z) upon compliance with the provisions under this heading, such securities as are described in clauses (i), (v) to the extent rated at the time of investment in the highest rating category, without regard to any refinement or gradation of such rating, by any Rating Agency, (vi) or (viii) of the definition of Investment Obligations which are subject to redemption prior to maturity at the option of the issuer thereof on a specified date or dates, all in accordance with the Metropolitan Highway System Trust Agreement.

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

Metropolitan Highway System shall mean the integrated system of roadways, bridges, tunnels, overpasses, interchanges, parking facilities, entrance plazas, approaches, connecting highways, service stations, restaurants, tourist information centers and administration, storage, maintenance and other buildings that the Authority owns, constructs or operates and maintains pursuant to the Act which consists of the Boston Extension, the Tunnels, the Central Artery, the Central Artery North Area and including in each case such real property and any improvements thereon, personal property, equipment, licenses, appurtenances and interests in land acquired or leased in connection

with or incident to the construction, ownership, operation, rehabilitation, reconstruction, improvement, repair, maintenance or administration of such roadways and tunnels as are necessary for their safe and efficient operation and maintenance or which are otherwise convenient or desirable to carry out the purpose of the Act.

Metropolitan Highway System Advisory Board shall mean that advisory board created pursuant to section 28 of the Act.

Net Revenues shall mean, as of any date of calculation and for any period, the actual Revenues for any such past period or the projected Revenues for any such future period and any other amounts deposited or to be deposited in the Revenue Fund, less the actual Operating Expenses for any such past period or the projected Operating Expenses for any such future period; provided that in both cases the following shall be excluded from Revenues for this purpose: (i) Investment Income from the Senior Debt Service Reserve Fund and the Senior Debt Service Fund to the extent deposited or to be deposited or retained or to be retained, respectively, in the Senior Debt Service Fund and (ii) Investment Income from the Subordinated Debt Service Reserve Fund and the Subordinated Debt Service Fund to the extent deposited or to be deposited or retained or to be retained, respectively, in the Subordinated Debt Service Fund.

1999 Series A Bonds or *1999 Bonds* means the Authority's \$808,975,000 Metropolitan Highway System Revenue Bonds, 1999 Series A (Subordinated) issued pursuant the Metropolitan Highway System Trust Agreement, as amended and supplemented by the First Supplemental Trust Agreement.

1997 Series A Bonds means the Authority's \$1,183,046,617 Metropolitan Highway System Revenue Bonds, 1997 Series A (Senior), issued pursuant to the Metropolitan Highway System Trust Agreement.

1997 Series B Bonds means the Authority's \$194,680,000 Metropolitan Highway System Revenue Bonds, 1997 Series B (Subordinated), issued pursuant to the Metropolitan Highway System Trust Agreement.

1997 Series C Bonds means the Authority's \$89,136,005.95 Metropolitan Highway System Revenue Bonds, 1997 Series C (Senior), issued pursuant to the Metropolitan Highway System Trust Agreement.

1996 Notes means the Authority's Guaranteed Bond Anticipation Notes, 1996 Series A dated January 15, 1996 and issued pursuant to the Guaranteed Bond Anticipation Note Resolution and the First Supplemental Guaranteed Bond Anticipation Note Resolution, each adopted by the Authority on January 5, 1996.

Operating Expenses shall mean the Authority's expenses (including deposits to the Operating and Maintenance Reserve Account for such expenses) incurred in the normal course of business for administration, operation, maintenance, repair, ordinary replacements and ordinary reconstruction of the Accepted Metropolitan Highway System or any part of it or any Extension or part of it and shall include, without limiting the generality of the foregoing: allocable overhead and administrative expenses as determined by the Authority in its discretion, including the payment of a private operator or management company, insurance premiums, legal and engineering expenses, pension, retirement, health and hospitalization payments, expenditures relating to advertisements or promotions by or for the Authority to promote or increase use of the Accepted Metropolitan Highway System or any Extension and any other expenses required to be paid by the Authority, all to the extent properly and directly attributable to the operation of the Accepted Metropolitan Highway System and any Extension and payable by the Authority, and the expenses, liabilities and compensation of the Fiduciaries required to be paid under the Metropolitan Highway System Trust Agreement. Operating Expenses shall not include (i) any extraordinary costs or expenses for reconstruction, rehabilitation, improvement or new construction, (ii) any provision for depreciation, amortization or similar charges, (iii) General Fund Expenses, or (iv) any costs or expenses in connection with any project which is not part of the Accepted Metropolitan Highway System or any Extension.

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

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

(i) any Bonds canceled by any Fiduciary at or prior to such date,

(ii) Bonds (or portions of Bonds) for the payment or redemption of which moneys, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held in trust under the Metropolitan Highway System Trust Agreement and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given or provision satisfactory to the Trustee shall have been made for the giving of such notice as provided in Article IV of the Metropolitan Highway System Trust Agreement;

(iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Metropolitan Highway System Trust Agreement unless proof satisfactory to the Trustee is presented that any such Bonds are held by a bona fide purchaser in due course;

(iv) Bonds deemed to have been paid as provided under the heading "Defeasance;" and

Ownership Interest shall mean either fee title to any real property or a leasehold interest therein, a highway easement or other comparable easement thereupon provided that such leasehold interest or easement will not by the terms of the instrument creating the same terminate prior to the latest maturity date of Bonds then Outstanding.

Parcel 7 Parking Garage shall mean the facility having approximately 310 public parking spaces located on the second, third and fourth levels of the west side of a mixed-use building facility sited on Parcel 7 between Hanover, Congress and New Sudbury streets in Boston.

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

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

Project shall mean and be limited to the Metropolitan Highway System, any Extension or any part thereof.

Project Cost, with respect to any Project, shall include among other things (i) the costs incurred or to be incurred by the Authority in connection with the acquisition, design, construction, improvement, or reconstruction of such Project except to the extent such costs are funded from the proceeds of any indebtedness of the Authority, the payment of which is included as a Project Cost under clause (iii) below, (ii) amounts, if any, required by the Metropolitan Highway System Trust Agreement to be paid into any Fund or Account upon the issuance of any Series, (iii) payments when due on any indebtedness of the Authority (other than the Bonds) incurred for such Project, (iv) costs of equipment and supplies and initial working capital and reserves required by the Authority for the commencement of operation of such Project, (v) costs of acquisition by the Authority of real or personal property or any interest therein, and (vi) any other costs properly attributable to the acquisition, design, construction, improvement, or reconstruction of such Project.

Project Management Agreement shall mean the Central Artery/Ted Williams Tunnel Project Management Agreement dated as of July 1, 1997 by and between the Commonwealth, acting by and through the Massachusetts Department of Highways, and the Authority, as amended from time to time.

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

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

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

Qualified Institution shall mean (i) a bank, a trust company, a national banking association, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America, a corporation, a trust, a partnership, an unincorporated organization, or a government or an agency, instrumentality, program, account, fund, political subdivision or corporation thereof, in each case the unsecured or uncollateralized long-term debt obligations of which, or obligations secured or supported by a letter of credit, contract, agreement or surety bond issued by any such organization, at the time an Investment Agreement, Qualified Hedge Agreement, Credit Facility or Liquidity Facility is entered into by the Authority are rated, without regard to any refinement or gradation of such ratings, in the three highest categories of each Rating Agency which rates such obligations or (ii) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality.

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

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

Revenues shall mean all (i) all rates, fees, tolls, rentals or other charges and other earned income and receipts as derived in cash by or for the account of the Authority from the Accepted Metropolitan Highway System or any Extension, (ii) Investment Income, (iii) any Supplemental Revenues, (iv) the proceeds of use and occupancy insurance on any portion of the Accepted Metropolitan Highway System or any Extension and of any other insurance which insures against loss of revenues therefrom payable to or for the account of the Authority, and (v) all amounts received by the Trustee for the account of the Authority under a Hedge Agreement. Notwithstanding the preceding sentence, however, Revenues shall not include (i) Dedicated Payments, (ii) amounts received under a Qualified Hedge Agreement which are deposited in a Debt Service Fund and have been relied upon in calculating Debt Service in accordance with the Metropolitan Highway System Trust Agreement, (iii) receipts from extraordinary, non-recurring events or sources attributable to the Accepted Metropolitan Highway System or any Extension, such as sale of property or air rights, (iv) rental income from leases of or licenses to use property or air rights attributable to the Accepted Metropolitan Highway System or any Extension unless pledged by the Authority pursuant to Schedule 501 to the Metropolitan Highway System Trust Agreement or, in the Authority's discretion, as Supplemental Revenues pursuant to a Supplemental Trust Agreement, (v) operating assistance, subsidy or other similar funding received from a governmental or other entity which is attributable to the Accepted Metropolitan Highway System or any Extension, unless pledged by the Authority, in its discretion, as Supplemental Revenues pursuant to a Supplemental Trust Agreement, or (vi)(a) all rates, fees, tolls, rentals or other charges and other earned income and receipts as derived in cash by or for the account of the Authority, (b) operating assistance, subsidy or other similar funding received from a governmental or other entity, and (c) the proceeds of use and occupancy insurance and of any other insurance which insures against loss of revenues therefrom payable to or for the account of the Authority, in each case with respect to portions of the Metropolitan Highway System other than the Accepted Metropolitan Highway System and unless pledged by the Authority, in its discretion, as Supplemental Revenues pursuant to a Supplemental Trust Agreement.

S&P means Standard & Poor's Ratings Services or any successor rating agency.

Senior Debt Service Reserve Requirement shall mean as of any date of calculation, with respect to Senior Bonds, an amount equal to the sum of the following amounts for the 1997 Series A Bonds, the 1997 Series C Bonds and any Series of Additional Senior Bonds: the least of (i) 10% of the original net proceeds from the sale of such Series, (ii) 125% of average annual Debt Service for such Series and (iii) the maximum amount of Debt Service due on the Bonds of such Series in any future Fiscal Year; provided that in the case that two or more Series of Bonds are treated as one issue for federal tax purposes, (a) the aggregate Senior and Subordinated Debt Service Reserve Requirements for such Series shall not exceed the amount which would be applicable if such Series were treated as a single Series for purposes of calculating such Requirements and (b) any reduction in the aggregate Senior and Subordinated Debt Service Reserve Requirements resulting from the limitation in clause (a) of this proviso shall be allocated pro rata among the affected Series in accordance with the ratio of the Senior and Subordinated Debt Service Reserve Requirements which would have applied but for such clause (a). The Estimated Average Interest Rate as of the date of issue for any Senior Variable Interest Rate Bonds shall be used to establish Debt Service on such Bonds for the purpose of the Senior Debt Service Reserve Requirement.

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

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

Series 2010 Bonds shall mean, collectively, the 2010 Series A Bonds and the 2010 Series B Bonds.

Seventh Supplemental Trust Agreement shall mean the Seventh Supplemental Metropolitan Highway System Trust Agreement dated as of March 1, 2010 by and between the Department and the Trustee.

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

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

Subordinated Bonds shall mean all Bonds authenticated and delivered pursuant to the provisions described under the heading "Additional Subordinated Bonds" below.

Subordinated Debt Service Reserve Requirement shall mean as of any date of calculation, with respect to Subordinated Bonds, an amount equal to the sum of the following amounts for the 1997 Series B Bonds, the 1999 Series A Bonds and any Series of Additional Subordinated Bonds: the least of (i) 10% of the original net proceeds from the sale of such Series, (ii) 125% of average annual Debt Service for such Series and (iii) the maximum amount of Debt Service due on the Bonds of such Series in any future Fiscal Year; provided that in the case that two or more Series of Bonds are treated as one issue for federal tax purposes, (a) the aggregate Senior and

Subordinated Debt Service Reserve Requirements for such Series shall not exceed the amount which would be applicable if such Series were treated as a single Series for purposes of calculating such Requirements and (b) any reduction in the aggregate Senior and Subordinated Debt Service Reserve Requirements resulting from the limitation in clause (a) of this proviso shall be allocated pro rata among the affected Series in accordance with the ratio of the Senior and Subordinated Debt Service Reserve Requirements which would have applied but for such clause (a). The Estimated Average Interest Rate as of the date of issue for any Subordinated Variable Interest Rate Bonds shall be used to establish Debt Service on such Bonds for the purpose of the Subordinated Debt Service Reserve Requirement.

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

Supplemental Revenues shall mean any revenues of the Authority which are not Revenues as defined in the Trust Agreement as initially adopted which the Authority, in its discretion, subsequently pledges as additional security for its obligations under the Metropolitan Highway System Trust Agreement pursuant to a Supplemental Trust Agreement, including without limitation revenues described in clauses (iv), (v) or (vi) of the second sentence of the definition of Revenues.

Supplemental Trust Agreement shall mean any trust agreement supplemental to or amendatory of the Metropolitan Highway System Trust Agreement, adopted by the Authority in accordance with Article VIII of the Metropolitan Highway System Trust Agreement.

Ted Williams Tunnel shall mean all or any segments of the roadways, bridges, viaducts and tunnels for vehicular traffic that constitute the interstate highway route 90 extension and its connecting roadways and tunnels including (i) the harbor tunnel crossing beneath Boston Harbor, beginning at and including the interchange of State highway route 1A and the Logan Airport access and egress roadways with interstate highway route 90 and continuing beneath Boston Harbor to and including the interchange of interstate highway route 90 and South Boston Bypass road but excluding the Logan Airport access and egress roadways owned or to be owned by the Massachusetts Port Authority, (ii) the seaport access highway beginning at the interchange of interstate highway routes 90 and 93 and continuing to the interchange of interstate highway route 90 and South Boston Bypass Road, and (iii) South Boston Bypass Road, a portion of which is also known as the South Boston Haul Road, beginning at the interchange of interstate highway route 93 and South Boston Bypass Road and continuing to the interchange of the seaport access highway in the South Boston section of the City.

Tender Date shall have the meaning given such term in the Seventh Supplemental Trust Agreement, or any other Supplemental Trust Agreement providing for the issuance of Variable Interest Rate Bonds, as applicable.

Tender Price shall have the meaning given such term in the Seventh Supplemental Trust Agreement, or any other Supplemental Trust Agreement providing for the issuance of Variable Interest Rate Bonds, as applicable.

Transfer Agreements shall mean the Third Harbor Tunnel Transfer Agreement dated December 13, 1995, as amended, by and between the Commonwealth acting by and through the Massachusetts Department of Highways and the Authority and any transfer agreement entered into by the Commonwealth and the Authority with respect to the transfer to the Authority of an Ownership Interest in the Central Artery, the Central Artery North Area or any other portion of the Metropolitan Highway System.

Trust Agreement shall mean the Metropolitan Highway System Trust Agreement as supplemented and amended, and as further supplemented and amended by the Seventh Supplemental Trust Agreement.

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

Tunnels shall mean the Sumner Tunnel, the Callahan Tunnel and the Ted Williams Tunnel.

Turnpike shall mean, the limited access express toll highway, designated as interstate highway route 90, and all bridges, tunnels, overpasses, underpasses, interchanges, parking facilities, entrance plazas, approaches, connecting highways, service stations, restaurants, tourist information centers and administration, storage, maintenance and other buildings that the Authority may own, construct or operate and maintain pursuant to the Act, extending from the town of West Stockbridge on the Commonwealth's border with New York state to, but not including, the interchange of interstate highway route 90 and state highway route 128/I-95 in the town of Weston, and including in each case such real property and any improvements thereon, personal property, equipment, licenses, appurtenances and interests in land acquired or leased in connection with or incident to the construction, ownership, operation, rehabilitation, reconstruction, improvement, repair, maintenance or administration of such roadways and tunnels as are necessary for their safe and efficient operation and maintenance or which are otherwise convenient or desirable to carry out the purpose of the Act.

Turnpike Revenues shall mean (i) all rates, fees, tolls, rentals or other charges and other earned income and receipts derived from or with respect to the ownership, operation, lease, rent or other use or disposition of the Turnpike or any part thereof; and (ii) all other funds received by the Authority, from whatever source, relating to the Turnpike.

2010 Series A Bonds shall mean, collectively, the Department's Metropolitan Highway System Revenue Bonds (Subordinated), Commonwealth Contract Assistance Secured, Variable Rate Demand Obligations, 2010 Series A-1, 2010 Series A-2, 2010 Series A-3, 2010 Series A-4, 2010 Series A-5, 2010 Series A-6 and 2010 Series A-7, issued pursuant the Metropolitan Highway System Trust Agreement, as amended and supplemented, and as further amended and supplemented by the Seventh Supplemental Trust Agreement.

2010 Series A Debt Service Reserve Requirement shall mean (i) on the date of issuance of the 2010 Series A Bonds, \$36,013,968 and (ii) thereafter, an amount equal to 6.08% of the notional amount outstanding from time to time of the UBS Subordinated Swap Agreement.

2010 Series B Bonds shall mean the Department's Metropolitan Highway System Revenue Bonds (Subordinated), Commonwealth Contract Assistance Secured, 2010 Series B, issued pursuant the Metropolitan Highway System Trust Agreement, as amended and supplemented, and as further amended and supplemented by the Seventh Supplemental Trust Agreement.

2010 Series B Debt Service Reserve Requirement shall mean zero dollars.

UBS Subordinated Swap Agreement shall mean the ISDA Master Agreement dated as of May 22, 2001 and the Amended and Restated Schedule dated as of October 20, 2009, each by and between UBS AG and Massachusetts Turnpike Authority, as predecessor to the Department, and all Confirmations exchanged between the parties confirming the Transactions thereunder relating solely to Subordinated Bonds.

Valuation Date shall mean with respect to any Capital Appreciation Bond the date or dates set forth in the Metropolitan Highway System Trust Agreement with respect to the 1997 Series A Bonds and the 1997 Series C Bonds or in the First Supplemental Trust Agreement with respect to the 1999 Series A Bonds or in a Supplemental Trust Agreement authorizing such Bond on which specific Accreted Values are assigned to the Capital Appreciation Bond and (ii) with respect to any Deferred Income Bond, the date or dates on or prior to the Interest Commencement Date set forth in the Supplemental Trust Agreement authorizing such Bond on which specific Appreciated Values are assigned to the Deferred Income Bond.

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

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

The Pledge Effectuated by the Metropolitan Highway System Trust Agreement

The Bonds are special obligations of the Authority payable solely from the items pledged to the payment thereof pursuant to the terms of the Metropolitan Highway System Trust Agreement.

The Metropolitan Highway System Trust Agreement provides that there is irrevocably pledged for the payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for Senior Bonds, in accordance with their terms and the provisions of the Metropolitan Highway System Trust Agreement, subject only to the provisions of the Metropolitan Highway System Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Metropolitan Highway System Trust Agreement: (i) the proceeds of the sale of the Senior Bonds, (ii) the Revenues, (iii) Dedicated Payments allocated to Senior Bonds and interest earnings thereon, (iv) the rental income from certain leases between the Authority and certain third parties specifically listed in Schedule 501 to the Metropolitan Highway System Trust Agreement, as amended by the First Supplemental Trust Agreement, the Seventh Supplemental Trust Agreement or added by any other Supplemental Trust Agreement and (v) all Funds and Accounts established by the Metropolitan Highway System Trust Agreement (other than the Rebate Fund, the Subordinated Debt Service Fund and the Subordinated Debt Service Reserve Fund), including the investments, if any, thereof.

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

Provisions for Issuance of Bonds

Senior Bonds of one or more Series may at any time or from time to time be authenticated and delivered upon original issuance (i) to pay or provide for the payment of the 1996 Notes, or any other Authority bonds, notes or other obligations issued in connection with the Metropolitan Highway System, (ii) to refund Outstanding Bonds, (iii) to make payments to the Commonwealth related to the transfer to the Authority of all or a portion of the Metropolitan Highway System, (iv) to pay Project Costs, (v) to make a deposit to the Bond Proceeds Fund, the Operating Fund, the Senior Debt Service Fund, the Senior Debt Service Reserve Fund, the Subordinated Debt Service Fund, the Subordinated Debt Service Reserve Fund, the Capital Reinvestment Fund or the General Fund, including any Accounts therein, and (vi) to pay or provide for the payment of the costs incurred in connection with the issuance of Bonds.

Subordinated Bonds of one or more Series may at any time or from time to time be authenticated and delivered upon original issuance (i) to refund Outstanding Subordinated Bonds, (ii) to make a deposit to the Subordinated Debt Service Fund or the Subordinated Debt Service Reserve Fund relating to such Refunding Bonds, including any Accounts therein, and (iii) to pay or provide for the payment of the costs incurred in connection with the issuance of such Refunding Bonds.

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

(1) An Opinion of Bond Counsel to the effect that (i) the Authority has the right and power under the Act to enter into the Metropolitan Highway System Trust Agreement, and the Metropolitan Highway System Trust Agreement has been duly and lawfully approved by the Authority, and, assuming due authorization, execution and delivery by the Trustee, is in full force and effect and is valid and binding upon the Authority and enforceable in accordance with its terms, and no other authorization for the Metropolitan Highway System Trust Agreement is required; (ii) the Metropolitan Highway System Trust Agreement creates the valid pledge of the items which it purports to pledge to the payment of the Bonds pursuant to the Metropolitan Highway System Trust Agreement, subject to the application of certain provisions of the Metropolitan Highway System Trust Agreement to the purposes and on the conditions permitted by the Trust Agreement; and (iii) the Bonds of such Series are valid and binding special obligations of the Authority as provided in the Metropolitan Highway System Trust Agreement, enforceable in accordance with their terms and the terms of the Trust Agreement, and entitled to the benefit of the Trust Agreement and of the Act and such Bonds have been duly and validly authorized and issued in accordance with law, including the Act, and in accordance with the Metropolitan Highway System Trust Agreement; provided, that such Opinion may take exception as to the effect of, or for restrictions or limitations imposed by or resulting from, bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws affecting creditors' rights generally and judicial discretion and may state that no opinion is being rendered as to the availability of any particular remedy;

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

(3) Copies of the Metropolitan Highway System Trust Agreement as amended and supplemented and of the Supplemental Trust Agreement authorizing such Series if such Series are Additional Bonds, each certified by an Authorized Officer;

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

(5) A certificate of an Authorized Officer setting forth (i) the aggregate principal amount of all Bonds of all Series to be Outstanding immediately after such authentication and delivery, (ii) the Debt Service for such Bonds for the then current and each future Fiscal Year, and (iii) the greatest amount of Debt Service for the then current or any future Fiscal Year; and stating that the amount on deposit in the applicable Debt Service Reserve Fund (after taking into account any surety bond, insurance policy, letter of credit or other similar obligation on deposit therein) immediately after the authentication and delivery of the Bonds of such Series (and in the event that any Outstanding Bonds are then being redeemed, after such redemption) will be at least equal to the applicable Debt Service Reserve Requirement;

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

Additional Senior Bonds

One or more Series of Additional Senior Bonds may be authenticated and delivered upon original issue for any of the purposes set forth in the provisions to the Metropolitan Highway System Trust Agreement.

The Additional Senior Bonds of such Series shall be authenticated only upon receipt by the Trustee of one of the following (in addition to the documents required by the provisions of the Metropolitan Highway System Trust Agreement): (i) a certificate of an Independent Consultant estimating that in each of the Fiscal Years following the issuance of the Additional Senior Bonds during which Senior Bonds will be Outstanding, Net Revenues will be at least equal to 1.20 times Senior Net Debt Service and 1.15 times Combined Net Debt Service; or (ii) a certificate of an Authorized Officer estimating that for at least 12 consecutive months during the last 18 months, assuming that such Additional Senior Bonds had been issued, Net Revenues would have been at least equal to 1.20 times the maximum amount of Senior Net Debt Service and 1.15 times the maximum amount of Combined Net Debt Service in the then current or any future Fiscal Year; or (iii) a certificate of an Independent Consultant that (a) in each of the Fiscal Years

following the issuance of the Additional Senior Bonds preceding a particular future Fiscal Year designated for the purpose by the Authority, Net Revenues will be at least equal to 1.20 times the amount of Senior Net Debt Service and 1.15 times the amount of Combined Net Debt Service in each such Fiscal Year and (b) in such designated future Fiscal Year, Net Revenues will be at least equal to 1.20 times the maximum amount of Senior Net Debt Service and 1.15 times the maximum amount of Combined Net Debt Service in the then current or any subsequent Fiscal Year. For purposes of any projections in any such certificate, the Independent Consultant or the Authority may include estimated toll increases and Operating Expenses which are projected by the Authority to occur during the applicable period of projection, which projections are reasonable in the opinion of the Independent Consultant and projections of Debt Service and Revenues which shall be consistent with the provisions of the Metropolitan Highway System Trust Agreement (see “Covenants Regarding Calculation of Projected Debt Service and Revenues”). (*Section 205*).

Additional Subordinated Bonds

No Additional Subordinated Bonds may be issued under the Trust Agreement except: (i) Refunding Bonds issued pursuant to the Metropolitan Highway System Trust Agreement solely for the purpose of refunding any Subordinated Bonds or (ii) Bonds pursuant to the Metropolitan Highway System Trust Agreement in lieu of or in substitution for Bonds previously issued. The provisions described in the following paragraph shall only apply in the event of the issuance of Refunding Bonds pursuant to the provisions described in clause (5)(b) under the heading “Special Provisions for Refunding Bonds” below.

The Additional Subordinated Bonds of such Series shall be authenticated only upon receipt by the Trustee of one of the following (in addition to the documents required by the provisions of the Metropolitan Highway System Trust Agreement): (i) a certificate of an Independent Consultant estimating that in each of the Fiscal Years following the issuance of the Additional Subordinated Bonds, Net Revenues will be at least equal to 1.15 times Combined Net Debt Service; or (ii) a certificate of an Authorized Officer estimating that for at least 12 consecutive months during the last 18 months, assuming that such Additional Subordinated Bonds had been issued, Net Revenues would have been at least equal to 1.15 times the maximum amount of Combined Net Debt Service in the then current or any future Fiscal Year; or (iii) a certificate of an Independent Consultant that (a) in each of the Fiscal Years following the issuance of the Additional Subordinated Bonds preceding a particular future Fiscal Year designated for the purpose by the Authority, Net Revenues will be at least equal to 1.15 times the amount of Combined Net Debt Service in each such Fiscal Year and (b) in such designated future Fiscal Year, Net Revenues will be at least equal to 1.15 times the maximum amount of Combined Net Debt Service in the then current or any subsequent Fiscal Year. For purposes of any projections in any such certificate, the Independent Consultant or the Authority may include estimated toll increases and Operating Expenses which are projected by the Authority to occur during the applicable period of projection, which projections are reasonable in the opinion of the Independent Consultant and projections of Debt Service and Revenues which shall be consistent with the requirements of the provisions of the Metropolitan Highway System Trust Agreement (see “Covenants Regarding Calculation of Projected Debt Service and Revenues”). (*Section 206*).

Special Provisions for Refunding Bonds

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

The Refunding Bonds of such Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the documents required the provisions of the Metropolitan Highway System Trust Agreement) of:

- (1) If the Bonds to be refunded are to be redeemed, instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds so to be refunded on a redemption date specified in such instructions;
- (2) If the Bonds to be refunded are to be deemed paid within the meaning and with the effect expressed in the Metropolitan Highway System Trust Agreement relating to defeasance of Bonds, instructions to the Trustee, satisfactory to it; and

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

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

(5) Either (a) a certificate of an Authorized Officer of the Authority stating that (i) the final maturity of the Refunding Bonds is no later than the final maturity of the Bonds to be refunded and (ii) as a result of the issuance of the Refunding Bonds there shall be no increase in the amount of Senior Net Debt Service in any Fiscal Year and there shall be no increase in the amount of Combined Net Debt Service in any Fiscal Year; or (b) the certificates provided for in the Metropolitan Highway System Trust Agreement with respect to such Series of Refunding Bonds, considering for all purposes of such certificate that (i) such Series of Refunding Bonds is a Series of Senior Bonds issued pursuant to the Metropolitan Highway System Trust Agreement or Subordinated Bonds issued pursuant to the Metropolitan Highway System Trust Agreement, as applicable, and (ii) that the Bonds to be refunded are no longer Outstanding. (*Section 207*).

Bond Anticipation Notes

Whenever the Authority shall have, by Supplemental Trust Agreement, authorized the issuance of a Series of Bonds, the Authority may by trust agreement, resolution or other action authorize the issuance of Bond Anticipation Notes in anticipation of the sale of such authorized Series of Bonds in a principal amount not exceeding the principal amount of the Bonds of such Series so authorized. No such Bond Anticipation Notes shall be issued unless at the time of issuance the Authority satisfies the requirements for the issuance of a Series of Bonds set forth in the provisions of the Metropolitan Highway System Trust Agreement assuming for the purposes of such requirements that (i) on the date of issuance of such Bond Anticipation Notes the Authority issues Bonds in an amount sufficient to pay the principal of and interest on such Bond Anticipation Notes, (ii) such Bonds were issued on the date of calculation, (iii) no such Bond matures later than the maturity date next preceding the fortieth anniversary of the assumed date of issuance, (iv) such Bonds bear interest at such rates as an Authorized Officer shall determine to be required to have sold such Bonds at a price equal to the principal amount thereof, (v) interest on such Bonds is payable on the interest payment date, commencing on the first such date next succeeding the assumed date of issuance and (vi) the principal, Sinking Fund Installments and interest payable during any Fiscal Year after the assumed date of issuance is substantially equal to the principal, Sinking Fund Installments and interest payable during any other such Fiscal Year.

The principal of and interest on such Bond Anticipation Notes and any renewals of such Notes shall be payable only (i) from the proceeds of any renewals of such Bond Anticipation Notes issued to repay such Bond Anticipation Notes, (ii) from the proceeds of the sale of the Series of Bonds in anticipation of which such Notes are issued, (iii) from the proceeds of such Bond Anticipation Notes deposited in the Bond Proceeds Fund, (iv) from amounts available in the General Fund or (v) from any moneys of the Authority available therefor and not pledged under the Metropolitan Highway System Trust Agreement. Such proceeds set forth in clauses (ii) and (iii) may be pledged for the payment of the principal of and interest on such Bond Anticipation Notes and any such pledge shall have priority over any other pledge created by the Metropolitan Highway System Trust Agreement. In any case, such Bond Anticipation Notes shall be retired or defeased not later than the date of authentication and delivery of the Bonds in anticipation of which they are issued.

The proceeds of the sale of Bond Anticipation Notes other than any renewals thereof shall be applied to the purposes for which the Bonds anticipated by such Bond Anticipation Notes are authorized and shall be deposited in

the appropriate Fund or Account established by the Metropolitan Highway System Trust Agreement for such purposes and, if so provided in the trust agreement, resolution or other action authorizing the issuance of Bond Anticipation Notes to pay outstanding Bond Anticipation Notes, applied directly to such payment. (*Section 208*).

Additional Obligations

The Authority reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness pursuant to other and separate resolutions or agreements of the Authority, including without limitation General Fund Indebtedness, so long as such bonds, notes or other obligations are not, or such other indebtedness is not, except as provided in the Metropolitan Highway System Trust Agreement, entitled to a charge or lien or right with respect to the Revenues or the Funds and Accounts created under the Metropolitan Highway System Trust Agreement or pursuant thereto. (*Section 209*).

Hedging Transactions

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

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

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

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

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

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

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

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

(2) any and all payments required to be made by the Authority to the Provider pursuant to such Hedge Agreement (including any fee and termination payments) shall be made only from amounts on deposit in the General Fund; and

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

Redemption of Bonds

Additional Bonds subject to redemption prior to maturity pursuant to a Supplemental Trust Agreement shall be redeemable, upon notice as provided in the Metropolitan Highway System Trust Agreement, at such times, at such Redemption Prices and upon such terms in addition to and consistent with the terms contained in the Metropolitan Highway System Trust Agreement as may be specified in the Metropolitan Highway System Trust Agreement or in the Supplemental Trust Agreement authorizing such Series.

In the case of any redemption of Bonds otherwise than out of any Sinking Fund Installments, the Authority shall give written notice to the Trustee of its election so to redeem, of the redemption date, of the Series, and of the principal amounts of the Bonds of each maturity of such Series to be redeemed (which Series, maturities and principal amounts thereof to be redeemed shall be determined by the Authority in its sole discretion, subject to any limitations with respect thereto contained in the Metropolitan Highway System Trust Agreement or any Supplemental Trust Agreement).

In the case of any redemption of Bonds out of Sinking Fund Installments, the Authority shall, in the case of each Sinking Fund Installment, give written notice to the Trustee of the date of such Sinking Fund Installment, the unsatisfied balance of such Sinking Fund Installment, as provided in the Metropolitan Highway System Trust Agreement, the particular Series and maturity of the Bonds entitled to such Sinking Fund Installment, and the principal amount of such Bonds to be redeemed out of such Sinking Fund Installment. Such notice shall be given at least 45 days prior to the date of such Sinking Fund Installment, or such shorter period as shall be acceptable to the Trustee. The Authority covenants that it will, prior to the date of such Sinking Fund Installment, pay to the appropriate Paying Agent an amount in cash which will be sufficient to redeem all of the Bonds which are to be redeemed out of such Sinking Fund Installment, at the Redemption Price thereof, plus interest accrued and unpaid to the date of the Sinking Fund Installment.

Except as otherwise provided in a certificate of an Authorized Officer with respect to the Initial Bonds or in a Supplemental Trust Agreement authorizing the issuance of the Series of Additional Bonds, if fewer than all of the Bonds of like maturity of any Series shall be called for prior redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate subject to any limitation with respect thereto contained in any Supplemental Trust Agreement.

The Trustee shall give notice, in the name of the Authority, of the redemption of such Bonds, which shall specify the Series and maturities of the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed and the respective portions of the principal amount thereof to be redeemed. The notice shall further state that on the redemption date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of registered Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail a copy of such notice not less than thirty (30) days nor more than sixty (60) days before the redemption date, to the registered owners of any Bonds or portions of Bonds which are to be redeemed. In addition, at the request of the Authority, the Trustee shall also mail a copy of any such notice of election to redeem pursuant to the Metropolitan Highway System Trust Agreement to the registered owners of the Bonds in the manner described in the preceding sentence on such earlier date or dates prior to the redemption date as the Authority may specify, which earlier notice may be conditional as specified by the Authority; provided that notice in accordance with the preceding sentence shall still be given when due. Failure of the registered Owner of Bonds which are to be redeemed to receive any such notice shall not affect the validity of the proceedings for the redemption of Bonds. If, at the time of mailing of the notice of optional redemption, moneys have not been deposited with the Trustee in an amount sufficient to redeem all of the Bonds called for redemption, such notice may state that it is conditional, i.e., subject to the deposit of sufficient moneys not later than the opening of business on the redemption date, and any such notice shall be of no effect unless such moneys are deposited. *(Article IV).*

Establishment of Funds and Accounts

The Metropolitan Highway System Trust Agreement establishes the following Funds and Accounts, which shall be held and administered by the Trustee:

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

The Metropolitan Highway System Trust Agreement establishes the following Funds and Accounts, which shall be held and administered by the Authority:

- (1) Bond Proceeds Fund, which shall include a Metropolitan Highway System Capital Account, a Commonwealth Payment Account, an Extension Account and such other Accounts as the Authority may create by Supplemental Trust Agreement;
- (2) Operating Fund, which shall include an Operations and Maintenance Account and an Operating and Maintenance Reserve Account;
- (3) Rebate Fund;
- (4) Capital Reinvestment Fund; and
- (5) General Fund.

(Section 502)

The Seventh Supplemental Trust Agreement establishes the following Funds and Accounts, which shall be held and administered by the Tender Agent:

- (1) Series A-1 Bond Purchase Fund, which shall include a Series A-1 Liquidity Facility Purchase Account, a Series A-1 Credit Facility Purchase Account, a Series A-1 Remarketing Account and a Series A-1 Department Purchase Account;
- (2) Series A-2 Bond Purchase Fund, which shall include a Series A-2 Liquidity Facility Purchase Account, a Series A-2 Credit Facility Purchase Account, a Series A-2 Remarketing Account and a Series A-2 Department Purchase Account;
- (3) Series A-3 Bond Purchase Fund, which shall include a Series A-3 Liquidity Facility Purchase Account, a Series A-3 Credit Facility Purchase Account, a Series A-3 Remarketing Account and a Series A-3 Department Purchase Account;
- (4) Series A-4 Bond Purchase Fund, which shall include a Series A-4 Liquidity Facility Purchase Account, a Series A-4 Credit Facility Purchase Account, a Series A-4 Remarketing Account and a Series A-4 Department Purchase Account;
- (5) Series A-5 Bond Purchase Fund, which shall include a Series A-5 Liquidity Facility Purchase Account, a Series A-5 Credit Facility Purchase Account, a Series A-5 Remarketing Account and a Series A-5 Department Purchase Account;

(6) Series A-6 Bond Purchase Fund, which shall include a Series A-6 Liquidity Facility Purchase Account, a Series A-6 Credit Facility Purchase Account, a Series A-6 Remarketing Account and a Series A-6 Department Purchase Account; and

(7) Series A-7 Bond Purchase Fund, which shall include a Series A-7 Liquidity Facility Purchase Account, a Series A-7 Credit Facility Purchase Account, a Series A-7 Remarketing Account and a Series A-7 Department Purchase Account.

The Seventh Supplemental Trust Agreement establishes the following Accounts within the Subordinated Debt Service Fund, which shall be held and administered by the Trustee:

- (1) Series A-1 Bank Payment Subaccount;
- (2) Series A-2 Bank Payment Subaccount;
- (3) Series A-3 Bank Payment Subaccount;
- (4) Series A-4 Bank Payment Subaccount;
- (5) Series A-5 Bank Payment Subaccount;
- (6) Series A-6 Bank Payment Subaccount; and
- (7) Series A-7 Bank Payment Subaccount.

The Seventh Supplemental Trust Agreement establishes the following Accounts within the Subordinated Debt Service Reserve Fund, which shall be held and administered by the Trustee: 2010 Series A Account and 2010 Series B Account.

(Section 401 of the Seventh Supplemental Trust Agreement)

Bond Proceeds Fund

The Authority shall deposit into the Metropolitan Highway System Capital Account the net proceeds of all Bonds, other than Refunding Bonds, issued for direct expenditures to be made by the Authority other than for Extensions, which net proceeds shall be in the amount and applied as set forth in the Metropolitan Highway System Trust Agreement with respect to the Initial Bonds or in the applicable Supplemental Trust Agreement authorizing the issuance of a Series of Additional Bonds.

The Authority shall deposit into the Commonwealth Payment Account the net proceeds of all Bonds, other than Refunding Bonds, issued for payments to be made to the Commonwealth under the Act or other law, which net proceeds shall be in the amount and applied as set forth in the Metropolitan Highway System Trust Agreement with respect to the Initial Bonds or in the applicable Supplemental Trust Agreement authorizing the issuance of a Series of Additional Bonds.

The Authority shall deposit into the Extension Account the net proceeds of all Bonds issued for Extensions, which net proceeds shall be in the amount set forth in the applicable Supplemental Trust Agreement. Sub-accounts for each Series of Bonds may be established by the Authority within the Extension Account. Amounts on deposit in the Extension Account shall be applied to the payment of the Project Cost of the Extension for which such deposit was made in the manner and upon such conditions as the Authority may provide in such Supplemental Trust Agreement. Amounts remaining on deposit in the Extension Account upon the Date of Completion of the Extension or Extensions for which such deposit was made or if the acquisition, design, construction, improvement, reconstruction, renewal, rehabilitation or improvement of such Extension or Extensions is abandoned prior to completion, shall, at the discretion of the Authority (i) be transferred to the applicable Debt Service Fund and applied toward the purchase or redemption of Bonds, or (ii) be deposited in any other Account established within the Bond Proceeds Fund.

(Section 503).

Revenue Fund and Application Thereof

The Authority shall, immediately following the issuance and delivery of any Bonds under the Metropolitan Highway System Trust Agreement, transfer to the Trustee for payment into the Revenue Fund all Revenues as received, except Investment Income required by the terms of the Metropolitan Highway System Trust Agreement to be deposited in another Fund or Account. Amounts in the Revenue Fund shall be deposited in, or credited to, as appropriate, on the last Business Day of the month in which the first such amounts are deposited in the Revenue Fund and on or before the twenty-fifth (25th) day of each month thereafter, the following Funds and Accounts, in the amounts and in the order and priority, as follows:

(1) To the Authority for deposit into the Operating Fund, (i) for credit to the Operating and Maintenance Account, such amount as the Authority shall estimate is required consistent with the Annual Budget, together with amounts then on deposit therein, to provide for the payment of Operating Expenses (other than Operating Expenses for credit to the Operating and Maintenance Reserve Account) estimated to be paid through the next month and (ii) for credit to the Operating and Maintenance Reserve Account, such amount, if any, as shall be required to bring the amount on deposit therein to the level required therefor by the then current Annual Budget;

(2) Into the Senior Debt Service Fund, the amount, if any, required so that the balance in said Fund shall equal the Debt Service for Senior Bonds and the fees and charges related to Credit Facilities, Liquidity Facilities, and Qualified Hedge Agreements entered into in connection with Senior Bonds accruing prior to the twenty-fifth day of the next succeeding month; provided that, for the purposes of computing the amount to be deposited in said Fund, there shall be excluded from the balance of said Fund the amount, if any, set aside in said Fund from the proceeds of Senior Bonds (including amounts, if any, transferred thereto from the Bond Proceeds Fund) or otherwise for the payment of interest on Senior Bonds which is to be applied in accordance with the instructions set forth in a certificate of an Authorized Officer of the Authority delivered to the Trustee to the payment of interest to accrue on Senior Bonds on or after the twenty-fifth day of the next succeeding month;

(3) Into the Senior Debt Service Reserve Fund, the amount, if any, required for such Fund, after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation deposited in such Fund pursuant to the Metropolitan Highway System Trust Agreement and subject to the provisions thereto, to equal the Senior Debt Service Reserve Requirement as of the last day of the then current month (provided, however, that the provisions described under "Senior Debt Service Reserve Fund" shall govern any restoration required after a withdrawal from such Fund or as a result of a valuation of such Fund);

(4) Into the Subordinated Debt Service Fund, the amount, if any, required so that the balance in said Fund shall equal the Debt Service for Subordinated Bonds and the fees and charges related to Credit Facilities, Liquidity Facilities and Qualified Hedge Agreements entered into in connection with Subordinated Bonds accruing prior to the twenty-fifth day of the next succeeding month; provided that, for the purposes of computing the amount to be deposited in said Fund, there shall be excluded from the balance of said Fund the amount, if any, set aside in said Fund from the proceeds of Subordinated Bonds (including amounts, if any, transferred thereto from the Bond Proceeds Fund) or otherwise for the payment of interest on Subordinated Bonds which is to be applied in accordance with the instructions set forth in a certificate of an Authorized Officer of the Authority delivered to the Trustee to the payment of interest to accrue on Subordinated Bonds on or after the twenty-fifth day of the next succeeding month;

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

(6) To the Authority for credit to the Rebate Fund, notwithstanding any other provisions of Article V of the Metropolitan Highway System Trust Agreement, such Revenues at such times and in such amounts as shall be set forth in a certificate of an Authorized Officer;

(7) To the Authority for deposit into the Capital Reinvestment Fund, one-twelfth of the Capital Reinvestment Requirement established by the Authority for the Fiscal Year in the Authority's then current Annual Budget, or such greater portion of such Requirement as the Trustee may be directed to so deposit by a certificate of an Authorized Officer; and

(8) To the Authority for deposit into the General Fund, the moneys remaining on deposit in the Revenue Fund after making the foregoing deposits. (*Section 504*).

Operating Fund

Amounts credited to the Operating and Maintenance Account shall be applied from time to time by the Authority to the payment of Operating Expenses of the Accepted Metropolitan Highway System and any Extensions.

Amounts credited to the Operating and Maintenance Account which the Authority at any time determines to be in excess of the requirements of such Account shall be applied to make up any deficiencies in the following Funds and Accounts in the order stated: Senior Debt Service Fund; Senior Debt Service Reserve Fund; Subordinated Debt Service Fund; Subordinated Debt Service Reserve Fund; Rebate Fund and Capital Reinvestment Fund. Any balance of such excess not so applied shall be credited to any Fund or Account specified by the Authority.

Amounts credited to the Operating and Maintenance Reserve Account shall, at the direction of the Authority, be applied to the payment of Operations Expenses to the extent unavailable from the Operating Fund.

Amounts credited to the Operating and Maintenance Reserve Account which the Authority at any time determines to be in excess of the requirements of such Account shall be applied to make up any deficiencies in the following Funds and Accounts in the order stated: Senior Debt Service Fund; Senior Debt Service Reserve Fund; Subordinated Debt Service Fund; Subordinated Debt Service Reserve Fund; Rebate Fund; and Capital Reinvestment Fund. Any balance of such excess shall be credited to any Fund or Account specified by the Authority. (*Section 505*).

Senior Debt Service Fund

The Trustee shall pay out of the Senior Debt Service Fund to the respective Paying Agents (i) on or before each interest payment date for any of the Senior Bonds, the amount required for the interest payable on such date; (ii) on or before each Principal Installment due date, the amount required for the Principal Installment for Senior Bonds payable on such due date; and (iii) on or before any redemption date for the Senior Bonds, the amount required for the payment of the Redemption Price of and interest on the Senior Bonds then to be redeemed.

In the event of the refunding of any Senior Bonds, the Authority may direct the Trustee to withdraw from the Senior Debt Service Fund all, or any portion of, the amounts accumulated therein with respect to Debt Service on the Senior Bonds being refunded and deposit such amounts in a separate account with the Trustee to be held for the payment of the principal or Redemption Price, if applicable, of and interest on the Senior Bonds being refunded; provided that such withdrawal shall not be made unless (a) immediately thereafter Senior Bonds being refunded shall be deemed to have been paid pursuant to the Metropolitan Highway System Trust Agreement, and (b) the amount remaining in the Senior Debt Service Fund, after giving effect to the issuance of Refunding Bonds and the disposition of the proceeds thereof, shall not be less than the requirement of such Fund pursuant to the Metropolitan Highway System Trust Agreement. In the event of such refunding, the Authority may also direct the Trustee to withdraw from the Senior Debt Service Fund all, or any portion of, the amounts accumulated therein with respect to Debt Service on the Senior Bonds being refunded and deposit such amounts in any Fund or Account under the Metropolitan Highway System Trust Agreement; provided, however, that such withdrawal shall not be made unless clauses (a) and (b) referred to hereinabove have been satisfied and provided, further, that, at the time of such withdrawal, there shall exist no deficiency in any Fund or Account held under the Metropolitan Highway System Trust Agreement (other than the Fund or Account into which such amount is being transferred). (*Section 507*).

Senior Debt Service Reserve Fund

If on the last Business Day of any month the amount in the Senior Debt Service Fund shall be less than the amount required to be in such Fund pursuant paragraph (2) under the heading “Revenue Fund and Application Thereof,” the Trustee shall transfer to the Senior Debt Service Fund (in such order) amounts from the General Fund, the Senior Debt Service Reserve and the Capital Reinvestment Fund equal to the deficiency.

In lieu of the required deposits and transfers to the Senior Debt Service Reserve Fund or as a replacement or substitution for any moneys or Investment Obligations then on deposit in the Senior Debt Service Reserve Fund, the Authority may at any time cause to be deposited into the Senior Debt Service Reserve Fund for the benefit of the Owners of the Senior Bonds a surety bond, an insurance policy, a letter of credit or other similar obligation (and may replace such surety bond, insurance policy, letter of credit or similar obligation from time to time) providing for payments in an amount equal to the difference between the Senior Debt Service Reserve Requirement and the sums, if any, then on deposit in the Senior Debt Service Reserve Fund or being deposited in the Senior Debt Service Reserve Fund concurrently with such surety bond, insurance policy, letter of credit or other similar obligation.

In the event of the refunding of any Senior Bonds, the Authority may direct the Trustee to withdraw from the Senior Debt Service Reserve Fund all, or any portion of, the amounts accumulated therein with respect to the Senior Bonds being refunded and deposit such amounts with the Trustee in a separate account to be held for the payment of the principal or Redemption Price, if applicable, and interest on the Senior Bonds being refunded, subject to continued satisfaction of the Debt Service Reserve Requirement.

Regardless of any other provisions of the Metropolitan Highway System Trust Agreement, in the event that at any time the amount on deposit in the Senior Debt Service Reserve Fund, after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation deposited in such Fund under this heading, shall be less than the Senior Debt Service Reserve Requirement as a result of any withdrawal from said Fund or as a result of the valuation of such fund performed in accordance with the Metropolitan Highway System Trust Agreement, the Authority shall restore the amount on deposit in the Senior Debt Service Reserve Fund, after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation deposited in said Fund under this heading, to the Senior Debt Service Reserve Requirement, in the case of restoration after withdrawal in twelve (12) equal monthly installments commencing within ninety (90) days of such withdrawal, and in the case of restoration as a result of valuation in six (6) equal monthly installments commencing thirty (30) days after such valuation. (*Section 508*).

Subordinated Debt Service Fund

The Trustee shall pay out of the Subordinated Debt Service Fund to the respective Paying Agents (i) on or before each interest payment date for any of the Subordinated Bonds, the amount required for the interest payable on such date; (ii) on or before each Principal Installment due date, the amount required for the Principal Installment for Subordinated Bonds payable on such due date; and (iii) on or before any redemption date for the Subordinated Bonds, the amount required for the payment of the Redemption Price of and interest on the Subordinated Bonds then to be redeemed.

In the event of the refunding of any Subordinated Bonds, the Authority may direct the Trustee to withdraw from the Subordinated Debt Service Fund all, or any portion of, the amounts accumulated therein with respect to Subordinated Debt Service on the Subordinated Bonds being refunded and deposit such amounts in a separate account with the Trustee to be held for the payment of the principal or Redemption Price, if applicable, of and interest on the Subordinated Bonds being refunded; provided that such withdrawal shall not be made unless (a) immediately thereafter Subordinated Bonds being refunded shall be deemed to have been paid pursuant to the Metropolitan Highway System Trust Agreement, and (b) the amount remaining in the Subordinated Debt Service Fund, after giving effect to the issuance of Refunding Bonds and the disposition of the proceeds thereof, shall not be less than the requirement of such Fund pursuant to the Metropolitan Highway System Trust Agreement. In the event of such refunding, the Authority may also direct the Trustee to withdraw from the Subordinated Debt Service Fund all, or any portion of, the amounts accumulated therein with respect to Debt Service on the Subordinated Bonds being refunded and deposit such amounts in any Fund or Account under the Metropolitan Highway System Trust Agreement; provided, however, that such withdrawal shall not be made unless clauses (a) and (b) referred to

hereinabove have been satisfied and provided, further, that, at the time of such withdrawal, there shall exist no deficiency in any Fund or Account held under the Metropolitan Highway System Trust Agreement (other than the Fund or Account into which such amount is being transferred). (*Section 509*).

Subordinated Debt Service Reserve Fund

If on the last Business Day of any month the amount in the Subordinated Debt Service Fund shall be less than the amount required to be in such Fund, the Trustee shall transfer to the Subordinated Debt Service Fund (in such order) amounts from the General Fund, the Subordinated Debt Service Reserve Fund and the Capital Reinvestment Fund equal to the deficiency.

In lieu of the required deposits and transfers to the Subordinated Debt Service Reserve Fund or as a replacement or substitution for any moneys or Investment Obligations then on deposit in the Subordinated Debt Service Reserve Fund, the Authority may at any time cause to be deposited into the Subordinated Debt Service Reserve Fund for the benefit of the Owners of the Subordinated Bonds a surety bond, an insurance policy, a letter of credit or other similar obligation (and may replace such surety bond, insurance policy, letter of credit or similar obligation from time to time) providing for payments in an amount equal to the difference between the Subordinated Debt Service Reserve Requirement and the sums, if any, then on deposit in the Subordinated Debt Service Reserve Fund or being deposited in the Subordinated Debt Service Reserve Fund concurrently with such surety bond, insurance policy, letter of credit or other similar obligation.

In the event of the refunding of any Subordinated Bonds, the Authority may direct the Trustee to withdraw from the Subordinated Debt Service Reserve Fund all, or any portion of, the amounts accumulated therein with respect to the Subordinated Bonds being refunded and deposit such amounts with the Trustee in a separate account to be held for the payment of the principal or Redemption Price, if applicable, and interest on the Subordinated Bonds being refunded, subject to continued satisfaction of the Debt Service Reserve Requirement.

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

Notwithstanding anything in the Trust Agreement to the contrary, with respect to the 2010 Series A Bonds, references to the Subordinated Debt Service Reserve Fund shall be deemed to refer to the 2010 Series A Account within the Subordinated Debt Service Reserve Fund and references to the Subordinated Debt Service Reserve Requirement shall be deemed to refer to the 2010 Series A Debt Service Reserve Requirement. Notwithstanding anything in the Trust Agreement to the contrary, with respect to the 2010 Series B Bonds, references to the Subordinated Debt Service Reserve Fund shall be deemed to refer to the 2010 Series B Account within the Subordinated Debt Service Reserve Fund and references to the Subordinated Debt Service Reserve Requirement shall be deemed to refer to the 2010 Series B Debt Service Reserve Requirement.

The amounts on deposit in the 2010 Series A Account within the Subordinated Debt Service Reserve Fund may be transferred to the Subordinated Debt Service Fund at any time at the direction of the Department, as evidenced by a certificate of an Authorized Officer delivered to the Trustee, to be applied to debt service on the 2010 Series A Bonds if said Authorized Officer has determined that the payments reasonably expected to be made to the Department by the Provider of any Qualified Hedge Agreement with respect to any 2010 Series A Bonds is less than the actual, accrued interest payments due on such 2010 Series A Bonds. The amounts on deposit in the 2010 Series A Account within the Subordinated Debt Service Reserve Fund may otherwise be applied in accordance with the other provisions of the Trust Agreement relating to the Subordinated Debt Service Reserve Fund without the

delivery of the certificate of an Authorized Officer referenced above. As provided in the Trust Agreement, the income from any Investment Obligations in the 2010 Series A Account within the Subordinated Debt Service Reserve Fund shall be credited to the Subordinated Debt Service Fund, but only to the extent not needed to cause the balance in the 2010 Series A Account within the Subordinated Debt Service Reserve Fund to be equal to the 2010 Series A Debt Service Reserve Requirement. *(Section 510).*

Capital Reinvestment Fund

Amounts in the Capital Reinvestment Fund shall be applied to payment of the costs of equipment, major renewals, replacements, repairs, rehabilitation, additions, betterments and improvements with respect to the Accepted Metropolitan Highway System and any Extensions necessary to keep the same in good operating condition or to prevent a loss of Revenues therefrom, or required by any governmental agency having jurisdiction over the Projects or any part thereof, including the prevention or correction of any unusual loss or damage, in connection with the Accepted Metropolitan Highway System and any Extensions, to the extent not provided from the proceeds of Bonds.

If and to the extent provided in the Metropolitan Highway System Trust Agreement with respect to the Initial Bonds or in a Supplemental Trust Agreement authorizing Additional Bonds, amounts from the proceeds of such Bonds may be credited to the Capital Reinvestment Fund and applied as specified in the Metropolitan Highway System Trust Agreement or the Supplemental Trust Agreement, as applicable, for any purpose of such Fund.

If at any time, the amount in the Senior Debt Service Fund shall be less than the amount then required to be on deposit in such Fund, the amount in the Senior Debt Service Reserve Fund shall be less than the Senior Debt Service Reserve Requirement, the amount in the Subordinated Debt Service Fund shall be less than the amount then required to be on deposit in such Fund, or the amount in the Subordinated Debt Service Reserve Fund shall be less than the Subordinated Debt Service Reserve Requirement, the Authority shall transfer from the Capital Reinvestment Fund to the credit of the respective Funds (in the order set forth in the Metropolitan Highway System Trust Agreement) the amount necessary (or all the moneys credited to the Capital Reinvestment Fund if less than the amount necessary) to make up such deficiency. *(Section 511).*

Application of General Fund

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

To the extent not required to make up any deficiency as required above, amounts in the General Fund may, upon the direction of an Authorized Officer of the Authority, be transferred to any Fund or Account, transferred to the Authority free and clear of the lien of the Metropolitan Highway System Trust Agreement for any of its corporate purposes consistent with the Act, or applied to the payment of debt service on General Fund Indebtedness or the payment of any General Fund Expenses. *(Section 512).*

Investment of Funds

Amounts in the Funds and Accounts established by the Metropolitan Highway System Trust Agreement may be invested by the Trustee at the direction of the Authority or by the Authority, as the case may be, only in Investment Obligations; except that (i) no moneys in the Revenue Fund, the Senior Debt Service Fund, the Subordinated Debt Service Fund, the Senior Debt Service Reserve Fund or the Subordinated Debt Service Reserve Fund shall be invested in any Investment Obligation described in clause (xiv) of the definition of Investment Obligations and (ii) no moneys in the Senior Debt Service Reserve Fund and Subordinated Debt Service Reserve Fund shall be invested in Investment Obligations of greater than a five year maturity, except for Investment Obligations described in clauses (x), (xi) or (xiv) of such definition which, if any Insured Bonds are outstanding,

have been approved by the Insurer. To the extent not used to meet the requirement of such Funds and Accounts, income from such Investment Obligations shall be paid to the Trustee as received for deposit in the Revenue Fund; provided that (i) the income from any Investment Obligations in the Rebate Fund and in the Bond Proceeds Fund or in a separate account or sub-account therein, except as may be provided in a Supplemental Trust Agreement with respect to Additional Bonds, shall be held in such Fund, Account or sub-account for the purposes thereof, (ii) the income from any Investment Obligations in the Senior Debt Service Fund or the Subordinated Debt Service Fund shall be held in such Funds for the purposes thereof and (iii) the income from any Investment Obligations in the Senior Debt Service Reserve Fund and the Subordinated Debt Service Reserve Fund shall be credited to the Senior Debt Service Fund and the Subordinated Debt Service Fund, respectively. The Trustee and the Authority shall sell any Investment Obligations held in any Fund or Account to the extent required for payments from such Fund or Account. The proceeds of such sales, and of all payments at maturity or upon redemption of such investments, shall be held in the applicable Fund or Account to the extent required to meet the requirements of such Fund or Account. In computing the amount of such Funds and Accounts, investments shall be valued at par, or if purchased at other than par, shall be valued at Amortized Value; except that seventy-five percent (75%) of the investments in the Senior Debt Service Reserve Fund and Subordinated Debt Service Reserve Fund shall be valued at market annually on each January 1 beginning January 1, 1999. Accrued interest received upon the sale of any Investment Obligation shall be treated as income from such Investment Obligation. Notwithstanding any provision of the Trust Agreement to the contrary, for the period from January 1, 2037 to the last maturity date of all Subordinated Bonds then Outstanding, amounts held for the credit of the Subordinated Debt Service Reserve Fund shall only be invested in Investment Obligations permitted for the Subordinated Debt Service Reserve Fund and which shall be rated no lower than the rating, if any, then applicable to the Subordinated Bonds from Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

Each investment of any moneys in any Fund or Account established under the Metropolitan Highway System Trust Agreement shall permit the moneys so deposited or invested to be available for use at the times at which the Authority reasonably believes such moneys will be required for the purposes above. (*Section 513*).

Satisfaction of Sinking Fund Installments

Any amount accumulated in the Senior Debt Service Fund or Subordinated Debt Service Fund up to the unsatisfied balance of each respective Sinking Fund Installment may be applied (together with amounts accumulated in the Senior Debt Service Fund or Subordinated Debt Service Fund with respect to interest on the Bonds for which such Sinking Fund Installment was established) by the Trustee at the direction of the Authority prior to the forty-fifth day preceding the due date of such Sinking Fund Installment to the purchase or the redemption of Bonds to be redeemed from such Sinking Fund Installment at prices (including any brokerage and other charges) not exceeding the principal amount of such Bonds plus unpaid interest accrued to the date of purchase.

Upon the purchase or redemption of any Series of Bonds for which Sinking Fund Installments shall have been established, an amount equal to the principal amount of the Bonds so purchased or redeemed shall be credited toward future Sinking Fund Installments in such order as the Authority shall determine. In satisfaction, in whole or in part, of any Sinking Fund Installment, the Authority may deliver to the Trustee at least forty-five days prior to the date of such Sinking Fund Installment, for cancellation, Bonds purchased or redeemed, except Bonds purchased or redeemed pursuant to the first paragraph under this heading, of the Series and maturity entitled to such Sinking Fund Installment. All Bonds so delivered to the Trustee in satisfaction of a Sinking Fund Installment shall reduce the amount thereof by the amount of the aggregate principal amount of such Bonds.

The Trustee shall pay out of the Senior Debt Service Fund or Subordinated Debt Service Funds as applicable, to the appropriate Paying Agents, on or before such redemption date (or maturity date), the amount required for the redemption of the Bonds so called for redemption (or for the payment of such Bonds then maturing), and such amount shall be applied by such Paying Agents to such redemption (or payment). (*Section 514*).

Particular Covenants of the Authority:

Payment of Bonds

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

Power to Construct and Operate Projects and Collect Tolls and Charges

Pursuant to the Act, the Authority has and continues to have good right and lawful power to construct, reconstruct, maintain, repair and operate the Accepted Metropolitan Highway System, any Extension and any other Project for which it expends Revenues or incurs Indebtedness under the Metropolitan Highway System Trust Agreement, and to fix and revise from time to time and charge and collect tolls, fees, rates, rents, or other charges for the use thereof as provided in the Metropolitan Highway System Trust Agreement and its covenants shall run to the Bondowners for so long as any Bonds are Outstanding. (*Section 605*).

Dedicated Payments

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

Any Supplemental Trust Agreement pledging and designating Dedicated Payments shall be supported by a Certificate of an Authorized Officer, demonstrating satisfaction of the requirements of the paragraph above. All Dedicated Payments shall be deposited upon receipt in the Senior Debt Service Fund or the Subordinated Debt Service Fund, as determined by such Certificate of an Authorized Officer. The Authority may in its discretion reverse or modify any pledge and designation of Dedicated Revenues by a further Supplemental Trust Agreement and any determination to deposit Dedicated Payments in a particular Debt Service Fund may be reversed or modified by Certificate of an Authorized Officer, in each case provided that a Certificate of an Authorized Officer shall establish that following any such reversal or modification the Authority will meet the test for incurring \$1 (one dollar) of Additional Senior Bonds and the Authority will be in compliance with the provisions of the Metropolitan Highway System Trust Agreement and receipt by the Authority and the Trustee prior to the effective date of any reversal or

modification of a written confirmation from each Rating Agency that its rating of Outstanding Bonds will not be adversely affected. (*Section 606*).

Creation of Liens; Sale, Lease and Transfer of Property

Until the pledge of the Metropolitan Highway System Trust Agreement shall be discharged and satisfied, as described under the heading “Defeasance,” the Authority shall not, except as provided below, (i) issue any bonds or other evidences of indebtedness, other than Bonds secured by a pledge of the Revenues or other moneys, securities or funds and accounts held or set aside by the Authority or by the Fiduciaries under the Metropolitan Highway System Trust Agreement, nor create or cause to be created any lien or charge on the Revenues, or such moneys, securities or funds and accounts, (ii) at any time when the Authority is in default in making any payment required to be made under the Metropolitan Highway System Trust Agreement or maintaining any Fund or Account required to be maintained in the amount required therefor by the Metropolitan Highway System Trust Agreement, set apart or appropriate and pay any amount out of the General Fund except as required by the Metropolitan Highway System Trust Agreement, or (iii) issue any bonds or other evidences of indebtedness, other than Bonds secured by a pledge of any tolls, revenues, rates, fees, charges, rentals (other than rental payments or license payments not pledged as Revenues under the Metropolitan Highway System Trust Agreement) or other earned income or receipts, as derived in cash by or for the account of the Authority, from the Accepted Metropolitan Highway System; provided, however, that nothing contained in the Metropolitan Highway System Trust Agreement shall prevent the Authority from at any time issuing Bond Anticipation Notes secured as provided in the Metropolitan Highway System Trust Agreement; provided further, however, that this heading shall not apply to, and shall not be construed to apply to, any right or interest of the Authority in any project which is not part of the Accepted Metropolitan Highway System unless and until the Authority designates such project as part of the Accepted Metropolitan Highway System in accordance with the terms of the Metropolitan Highway System Trust Agreement.

No part of the Accepted Metropolitan Highway System or any Extension shall be sold, mortgaged, leased or otherwise disposed of or encumbered, except that the Authority may (i) sell, exchange or otherwise dispose of at any time and from time to time any property or facilities constituting part of the Accepted Metropolitan Highway System or any Extension (a) not useful or no longer needed, in the opinion of the Authority, in the construction, maintenance or operation thereof or (b) if the Authority shall certify that following such sale exchange or disposition, the Authority will meet the test for incurring \$1 (one dollar) of Additional Senior Bonds and the Authority will be in compliance with the toll covenant described under the heading “Tolls and Charges”; (ii) lease or make contracts or grant licenses for the operation of, or grant easements or other rights, including, without limitation, air rights with respect to, any part of the Accepted Metropolitan Highway System or any Extension, if such lease, contract, license, easement or right does not, in the opinion of the Authority (a) impede or restrict the operation by the Authority of the Accepted Metropolitan Highway System or (b) materially adversely affect the ability of the Authority to comply with the covenants described under the heading “Tolls and Charges” or (c) otherwise run contrary to the best interests of the Authority; or (iii) sell or transfer to the Massachusetts Port Authority in furtherance of such authority’s traffic management or safety purposes, at any time and from time to time, a portion of the Accepted Metropolitan Highway System which is not subject to a toll, rental or other charge for the use thereof.

The net proceeds of any award, condemnation or taking by eminent domain which are not deposited in the Capital Reinvestment Fund to be used for the repair and improvement of the applicable Project shall be deposited in the discretion of an Authorized Officer in the Senior Debt Service Fund or the Subordinated Debt Service Fund and applied to the purchase or redemption of Senior Bonds or Subordinated Bonds, respectively, or in the Revenue Fund.

Nothing contained in the Metropolitan Highway System Trust Agreement shall be used to prohibit the Authority from (i) entering into a purchase money mortgage, lease-purchase agreement or capitalized lease with respect to its property or equipment or (ii) creating or permitting to be created a lien, mortgage or other security interest in its property or equipment in connection with such purchase money mortgage, lease-purchase agreement or capitalized lease provided that such lien, mortgage or other security interest shall not be equal or prior to the pledge created by the Metropolitan Highway System Trust Agreement. (*Section 607*).

Acceptance of Metropolitan Highway System

The Authority shall not accept additional portions of the Metropolitan Highway System for inclusion in the Accepted Metropolitan Highway System unless there has been submitted to the Trustee the following certificates:

(1) a certificate of an Authorized Officer setting forth (i) that the Authority has determined to accept for inclusion in the Accepted Metropolitan Highway System such portion of the Metropolitan Highway System, (ii) that, in the determination of the Authority, such portion of the Metropolitan Highway System meets the standards for travel as specified in the Act, (iii) that there are no material unmet capital expenditures with respect to such portion of the Metropolitan Highway System and (iv) that the Authority has an Ownership Interest in such portion of the Metropolitan Highway System; and

(2) a certificate of the Authority that following the inclusion of such portion of the Metropolitan Highway System in the Accepted Metropolitan Highway System, the Authority will meet the test for incurring \$1 (one dollar) of Additional Senior Bonds and the Authority will be in compliance with the provisions under the heading "Tolls and Charges" below. (*Section 607*).

In the First Supplemental Trust Agreement, the Authority determined to accept the Parcel 7 Parking Garage for inclusion in the Accepted Metropolitan Highway System.

Operation and Maintenance of Projects

The Authority shall at all times operate or cause to be operated the Accepted Metropolitan Highway System, any Extension and any other Project, to the extent subject to the control of the Authority, properly and in a safe, sound and economical manner and shall maintain, preserve, reconstruct and keep the same or cause the same to be so maintained, preserved, reconstructed and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of such Projects may be properly and efficiently conducted. Neither the Revenues nor the amounts in the Operating Fund shall be applied to the payment of any operating or maintenance expenses other than as permitted by the terms of the Metropolitan Highway System Trust Agreement. (*Section 609*).

Tolls and Charges

The Authority shall at all times establish, levy, maintain and collect such tolls, rentals and other charges in connection with the Accepted Metropolitan Highway System, any Extension and other Projects as shall always be sufficient in the aggregate to provide Revenues in each Fiscal Year to satisfy the following requirements of paragraphs (1) and (2) below:

(1) Revenues for each Fiscal Year shall be at least sufficient for the payment of the sum of:

(a) Operating Expenses for such Fiscal Year;

(b) An amount equal to the Aggregate Debt Service for such Fiscal Year less the amount of Debt Service, if any, payable from Dedicated Payments and any other amounts applied to the reduction of Debt Service, as set forth in the definition of Senior Net Debt Service and Subordinated Net Debt Service, as applicable, and not otherwise included in the definition of Revenues;

(c) The amount, if any, to be paid during such Fiscal Year into the Senior Debt Service Reserve Fund (other than amounts required to be paid into such Fund out of the proceeds of Senior Bonds);

(d) The amount, if any, to be paid during such Fiscal Year into the Subordinated Debt Service Reserve Fund (other than amounts required to be paid into such Fund out of the proceeds of Subordinated Bonds);

(e) The Capital Reinvestment Requirement for such Fiscal Year; and

(f) To the extent not otherwise provided for, the amount which, together with any other lawfully available funds received by the Authority, shall be sufficient to provide for the payment of all other obligations of the Authority allocable to the Accepted Metropolitan Highway System, or any Extension.

(2) Net Revenues for such Fiscal Year shall equal at least the greater of (i) 1.20 times the Senior Net Debt Service for such Fiscal Year, (ii) 1.15 times the Combined Net Debt Service for such Fiscal Year and (iii) 1.00 times the Combined Net Debt Service plus the Capital Reinvestment Requirement for the Fiscal Year.

The Authority may, to the extent permitted by law, with respect to Accepted Metropolitan Highway System, any Extension or any portion of the Metropolitan Highway System which is not part of the Accepted Metropolitan Highway System, at any time convert to methods of toll collection other than those presently utilized, provided that it shall comply with the above; provided that prior to instituting any commuter discount program or toll suspension during holidays (other than the toll suspension on Wednesday, November 26 and Thursday, November 27, 1997 as required pursuant to Chapter 11 of the Acts of 1997 of the Commonwealth), the Authority shall deliver to the Trustee a certificate of an Independent Consultant estimating that in each of the Fiscal Years following the implementation of such discount program or toll suspension during which Senior Bonds will be Outstanding, Net Revenues will be at least equal to 1.20 times Senior Net Debt Service and 1.15 times Combined Net Debt Service; or (ii) a certificate of an Independent Consultant that (a) in each of the Fiscal Years following the implementation of the discount program or toll suspension preceding a particular future Fiscal Year designated for the purpose by the Authority, Net Revenues will be at least equal to 1.20 times the amount of Senior Net Debt Service and 1.15 times the amount of Combined Net Debt Service in each such Fiscal Year and (b) in such designated future Fiscal Year, Net Revenues will be at least equal to 1.20 times the maximum amount of Senior Net Debt Service and 1.15 times the maximum amount of Combined Net Debt Service in the then current or any subsequent Fiscal Year. For purposes of any projections in any such certificate, the Independent Consultant or the Authority may include estimated toll increases and Operating Expenses which are projected by the Authority to occur during the applicable period of projection, which projections are reasonable in the opinion of the Independent Consultant and projections of Debt Service and Revenues shall be consistent with the requirements of the covenant regarding projected calculations of Debt Service and Revenues under the Metropolitan Highway System Trust Agreement.

On or before the 180th and the 360th day of each Fiscal Year, the Authority shall determine whether the calculations required above (on an annualized basis) indicate that Revenues are reasonably expected to be at or above the required levels at such time. In the event that Revenues are not at or reasonably expected to be at or above the required levels, the Authority shall within 30 days retain an Independent Consultant for the purpose of estimating whether the Revenues in each of the two subsequent Fiscal Years will be sufficient, together with other moneys available therefor, to meet all requirements as specified above. Such review shall be evidenced by a certificate of an Independent Consultant which shall be filed with the Trustee on or before the 60th day after retention of the Independent Consultant and shall set forth a reasonably detailed statement of the actual and estimated Revenues, Operating Expenses, and other pertinent information for such year upon which such determination was made. If any such statement shows that such Revenues may not be sufficient to meet the requirements above, the Independent Consultant shall recommend and the Authority shall promptly fix and establish such tolls, rentals and other charges and take such other action as shall be necessary and sufficient to comply as nearly as practicable with the covenants above, as evidenced by a certificate of an Authorized Officer filed with the Trustee. Failure to comply with the above will not constitute a default if the Independent Consultant is of the opinion that a schedule of tolls, rentals and other charges which will comply with such covenants is impracticable at that time and the Authority establishes a schedule of tolls, rentals and other charges which is recommended by the Independent Consultant to comply as nearly as practicable with such covenants; for purposes of such opinion, "impracticable" shall mean that in the view of the Independent Consultant providing such opinion the level of tolls, rentals and other charges which will comply with such covenants would likely produce a lesser amount of collections than the level of tolls, rentals and other charges being recommended by such Independent Consultant.

In the event the Authority permits a reduction of more than ten percent (10%) per annum to occur in Turnpike Revenues resulting from a discretionary, permanent reduction or removal of tolls which goes into effect prior to December 31, 2016, the Authority shall not, prior to 2017, reallocate expenses in excess of \$100,000 per Fiscal Year from the Turnpike to the Accepted Metropolitan Highway System as Operating Expenses unless the Authority shall have delivered to the Trustee:

(1) A Certificate of an Authorized Officer estimating that for the prior Fiscal Year (assuming that such reduction in Turnpike Revenues and the maximum annual reallocation of expenses proposed to occur in any Fiscal Year prior to 2017 had occurred in such Fiscal Year) Net Revenues would have been at least equal to 1.40 times the amount of Senior Net Debt Service and 1.35 times the amount of Combined Net Debt Service; or

(2) A certificate of an Independent Consultant estimating that for each full Fiscal Year prior to 2017 following such reduction in Turnpike Revenues and proposed reallocation of expenses either (x) Net Revenues will be at least equal to 1.40 times the amount of Senior Net Debt Service and 1.35 times the amount of Combined Net Debt Service or (y) if regardless of such reallocation Net Revenues would have been less than the amounts described in clause (x), the ratios of Net Revenues to Senior Net Debt Service and Net Revenues to Combined Net Debt Service for each such Fiscal Year, respectively, will not decline from the ratios that would have been achieved in each such Fiscal Year had such reduction and reallocation not occurred as a result of additional Revenues made available or Operating Expense reductions implemented by the Authority in order to provide for such reduction and reallocation. (*Section 610*).

Extensions

The Authority may expend Revenues on the Operating Expenses or incur any Indebtedness to finance the Project Cost of:

(1) an Extension then subject to a toll, rent or other charge for the use thereof, upon the earliest of the date the Authority (a) acquires an Ownership Interest in, (b) incurs any Indebtedness with respect to or (c) enters in to a binding agreement for the acquisition, design, construction, improvement, reconstruction, renewal or rehabilitation with respect to such Extension; or

(2) an Extension not then, but expected to be, subject to a toll, rent or other charge for the use thereof, upon the earlier of (a) 12 months after the date the Authority acquires an Ownership Interest in, incurs any Indebtedness with respect to or enters into a binding agreement for the acquisition, design, construction, improvement, reconstruction, renewal or rehabilitation with respect to such Extension or (b) the Date of Completion of all work necessary to impose a toll, rent or other charge with respect to such Extension;

Each of the above dates is referred to as a "Determination Date."

Notwithstanding the foregoing, the Authority shall not expend any Revenues on the Operating Expenses or incur any Indebtedness to finance the Project Cost of any Extension unless there has been submitted to the Trustee the following certificates and opinion:

(1) A certificate of an Independent Consultant setting forth that, in the opinion of such Independent Consultant, for each of two successive 12-month periods, the earliest of which begins on a quarterly date not more than 60 days immediately following the Determination Date, the revenues to be derived from the operation of such Extension, including revenues to be derived from any Dedicated Payments which are dedicated at the time of, but not earlier than, the Determination Date, will exceed the sum of the projected operating expenses and the projected renewal and replacement costs, if any, for such Extension during such period;

(2) A certificate of an Independent Consultant setting forth (A) the projected total Revenues and Operating Expenses of the Authority for the two 12-month periods described in paragraph (1); provided that in such certificate (a) the Revenues and Operating Expenses, respectively, shall be increased by the projected revenues and Operating Expenses of such Extension for such 12-month period, (b) if on the Determination Date the toll rate for any classification of vehicles using any vehicular toll Project shall be less than it was during any part of the periods covered by such certificate, the Revenues for such part of such period shall be decreased by an amount equal to the difference in such toll rate multiplied by the number of such vehicles which used such Project during such part of such period, and (c) the Revenues shall be increased to reflect any toll increase scheduled to be imposed during such periods and any increase in the number of vehicles using the Accepted Metropolitan Highway System projected for such periods and (B) that for each such 12-month period the Net Revenues, as calculated pursuant to clause (A) of

this paragraph (2), are at least sufficient to comply with the requirement of the toll covenant described under the heading “Tolls and Charges” during each such period;

(3) A certificate of an Independent Consultant setting forth (A) the Revenues of the Authority for the two 12-month periods set forth in paragraph (1) calculated in the manner set forth in paragraph (2), (B) the sum of the amounts set forth in clauses (a) through (f), inclusive, of paragraph (1) under the heading “Tolls and Charges” above for each such 12-month period and (C) that for each such 12-month period the Revenues, as calculated pursuant to clause (A) of this paragraph (3), are at least equal to the amounts calculated pursuant to clause (B) of this paragraph (3).

(4) a certificate of the Authority that the Authority will meet the test for incurring \$1 (one dollar) of Additional Senior Bonds and the Authority will be in compliance with the toll covenant described under “Tolls and Charges” above. (*Section 611*).

Accounts and Reports

The Authority shall keep proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the Accepted Metropolitan Highway System, any Extensions and any other Project undertaken under the Metropolitan Highway System Trust Agreement, Funds established by the Metropolitan Highway System Trust Agreement, and which, together with all other books and papers of the Authority, including insurance policies, relating to such property and such Funds, shall at all times be subject to the inspection of the Trustee and the Owners of an aggregate of not less than twenty-five percent (25%) in principal amount of the Senior Bonds then Outstanding and/or the Owners of an aggregate of not less than twenty-five percent (25%) in principal amount of Subordinated Bonds Outstanding or their respective 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. Annually within thirty (30) days after receipt by the Authority of the report of such audit, a signed copy of such report shall be furnished to the Trustee.

The Authority shall annually, within one hundred twenty days (120) after the close of each Fiscal Year, deliver a Certificate of an Authorized Officer setting forth (i) a description in reasonable detail of the insurance then in effect pursuant to the requirements described under the heading “Insurance” below and that the Authority has complied in all material respects with the requirements described under said heading and (ii) whether or not to the knowledge of the signer, the Authority is in default with respect to any of the covenants, agreements or conditions on its part contained in the Metropolitan Highway System Trust Agreement and, if so, the nature of such default. (*Section 612*).

Insurance

The Authority shall maintain or cause to be maintained with responsible insurers all required and reasonably obtainable insurance in such amount or amounts, if any, as shall be recommended by the Insurance Consultant to provide, with respect to the Metropolitan Highway System, any Extension and its interest in any other Projects, against (i) loss or damage and loss of revenues and (ii) public liability to the extent necessary to protect the interest of the Authority and the Bondowners.

No provision under this heading shall be construed to prohibit the Authority from self-insuring against any risk at the recommendation or approval of the Insurance Consultant; provided, however, that the Authority shall provide adequate funding of such self-insurance if and to the extent recommended by the Insurance Consultant. (*Section 613*).

Independent Consultant

The Authority shall employ one or more independent consultants or consulting firms, financial or otherwise, independent engineers or engineering firms or corporations having favorable reputation for skill and experience in such work for the purposes of performing services of an Independent Consultant, intended under the Metropolitan Highway System Trust Agreement until the Bonds and the interest thereon shall have been paid or

provision for such payment shall have been made. In rendering any report, certificate or opinion required pursuant to the Metropolitan Highway System Trust Agreement, an Independent Consultant may rely upon information, certificates, opinions or reports required to be provided by others pursuant to the Metropolitan Highway System Trust Agreement, and upon other sources which an Independent Consultant considers reliable, and other considerations and assumptions as deemed appropriate by the Independent Consultant, respectively.

The Authority shall cause an Independent Consultant, among such other duties as may be imposed upon them by the Authority or by the Metropolitan Highway System Trust Agreement, to make an inspection of the Accepted Metropolitan Highway System and any Extension at least every three Fiscal Years, or more frequently, if required by law, on or before the first day of October in each Fiscal Year, to submit to the Authority a report setting forth (i) their findings whether the Accepted Metropolitan Highway System and any Extension have been maintained in safe and good repair, working order and condition and (ii) their recommendations as to the proper maintenance, repair and operation of the Accepted Metropolitan Highway System during the ensuing three Fiscal Years and an estimate of the amount of money necessary for such purposes.

The Authority shall, promptly after the receipt of each such report, file copies thereof with the Trustee. If any such report shall set forth that the Accepted Metropolitan Highway System or any Extension, or any part thereof, has not been maintained in safe and good repair, working order and condition, the Authority shall promptly restore the same to safe and good repair, working order and condition with all expedition practicable in accordance with the recommendations of an Independent Consultant. *(Section 614).*

Annual Budget

No later than the beginning of each Fiscal Year, the Authority shall prepare and file with the Trustee an Annual Budget for such Fiscal Year which shall set forth in reasonable detail the estimated Revenues and Operating Expenses, capital expenditures and other expenditures of the Authority for such Fiscal Year and shall establish the Capital Reinvestment Requirement for such Fiscal Year. Such Annual Budget also may set forth such additional material as the Authority may determine. Following the end of the first half of its Fiscal Year, the Authority shall review its estimates set forth in the Annual Budget for such Fiscal Year, and in the event such estimates do not substantially correspond with actual Revenues, Operating Expenses, capital expenditures or other requirements, or if there are at any time during any such Fiscal Year extraordinary receipts or payments of unusual costs, the Authority shall, to the extent necessary or appropriate to assure compliance with the requirement of the rate covenant summarized under the heading "Tolls and Charges," prepare an amended Annual Budget for the remainder of such Fiscal Year. The Authority also may at any time adopt an amended Annual Budget for the remainder of the then current Fiscal Year. Any amended Annual Budget shall be filed with the Trustee promptly upon its adoption. *(Section 615).*

Covenants Regarding Calculation of Projected Debt Service and Revenues

Anything in the Trust Agreement to the contrary notwithstanding, in making any calculation required under the Metropolitan Highway System Trust Agreement relating to certain Additional Bonds and the covenants described under the heading "Tolls and Charges" above:

1. Debt Service shall include:

(1) in the case of Projects funded from Bond proceeds which do or are projected to produce Revenues, the principal and Sinking Fund Installments of and interest on an aggregate principal amount of Bonds equal to the difference between (a) the total capital expenditures or costs projected to be made by the Authority from the proceeds of Bonds, and (b) the principal amount of Bonds issued to finance such expenditures or costs assuming that (i) such Bonds were issued on the date of calculation, (ii) no such Bond matures later than the maturity date calculated from the assumed date of issuance to the latest maturity date permitted under the Act, (iii) such Bonds bear interest at such rates as an Authorized Officer shall determine to be required to have sold such Bonds at a price equal to the principal amount thereof, (iv) interest on such Bonds is payable on interest payment dates of each year commencing on the first such date next succeeding the assumed date of issuance and (v) the principal, Sinking Fund Installments and interest

payable during any Fiscal Year after the assumed date of issuance is substantially equal to the principal, Sinking Fund Installments and interest payable during any other such Fiscal Year;

(2) the principal and Sinking Fund Installments of and interest on an aggregate principal amount of Bonds issued or expected to be issued in an amount sufficient to pay the principal of and interest on any Bond Anticipation Notes then Outstanding assuming with respect to such Bonds the assumptions set forth in the Metropolitan Highway System Trust Agreement;

(3) if at the time of calculation the Authority then has Outstanding any Variable Interest Rate Bonds secured by a Credit Facility the reimbursement obligation under which is payable on a subordinate basis to Debt Service on Bonds, Debt Service on such Variable Interest Rate Bonds assuming such Bonds bear interest at the Estimated Average Interest Rate; and

(4) if at the time of calculation the Authority then has Outstanding any Bank Bonds, Debt Service on such Bank Bonds assuming the principal amount of such Bonds is equal to the reimbursement obligation under the Credit Facility from which such Bonds are payable, the interest rate on such Bonds is the interest rate set forth in, or determined in the manner set forth in, such Credit Facility, and the principal of such Bonds will be payable at the time the reimbursement obligation comes due under such Credit Facility.

2. Projected Revenues shall not include:

(1) any operating assistance, subsidy and other similar funding from a governmental or other entity which may be pledged and designated as Supplemental Revenues after the date of adoption of the Metropolitan Highway System Trust Agreement unless such Supplemental Revenues have been received at the time of the projection or satisfy the conditions set forth in the Metropolitan Highway System Trust Agreement even though the Authority has not designated such Supplemental Revenues as Dedicated Payments. Any such Supplemental Revenues, together with any Dedicated Payments, may be projected to be available in accordance with the terms of any arrangements governing the same or, if applicable, the terms, if any, of each written confirmation from each Rating Agency received pursuant to the conditions set forth in the Metropolitan Highway System Trust Agreement (see "Dedicated Payments" above).

(2) any Revenues from leases, licenses or other similar agreements with third parties other than those required by the terms of written agreements which are in full force and effect; provided that in the case of any such agreements which expire during the period of the projection the Authority or an Independent Consultant may project continued Revenues (i) at the level in effect immediately prior to such expiration if the Authority certifies that it reasonably expects it will be able to achieve such Revenues under renewal or replacement agreements under then current market conditions or (ii) at such higher level as the Authority certifies that it expects and an Independent Consultant provides its opinion that the Authority's expectation is reasonable.

(Section 617).

Certain Lease Payments

Pursuant to the Metropolitan Highway System Trust Agreement, the rental payments under a certain Lease Agreement dated December 22, 1978, amended and restated as of January 1, 1980, as amended from time to time between the Authority and Urban Investment and Development Company (the "Copley Lease") are pledged as Revenues. Under the terms of the Copley Lease, certain amounts held in escrow for the benefit of the Authority in the principal amount of \$15,800,000 (the "Copley Lease Escrow") will become available to the Authority for any lawful purpose on and after February 15, 2002.

Unless the moneys in the Copley Lease Escrow are otherwise required to meet the Authority's obligations under the Metropolitan Highway System Trust Agreement, the Authority covenants to reinvest such moneys in Investment Obligations on or about February 15, 2002, in such manner as to provide, as nearly as practicable, level annual payments which will constitute Revenues in each of the Fiscal Years from and including 2003 through and including 2008. At all times, the Authority shall invest the Copley Lease Escrow in such manner, and make such

payments to the Internal Revenue Service on account of such investment income as may be required under the Code, if any, to preserve the exclusion from gross income for federal income tax purposes of the interest on the Initial Bonds and any Additional Bonds. (*Section 618*).

Tax Covenant

The Authority shall take, or require to be taken, such action as may from time to time be required to assure the continued exclusion from the federal gross income of holders of any Series of Bonds, the interest on which is not includable in the gross income of the holder thereof for Federal income tax purposes. The Authority shall not permit the investment or application of the proceeds of any Series of Bonds, the interest on which is not includable in the gross income of the holder thereof for Federal income tax purposes, including any funds considered proceeds within the meaning of section 148 of the Code, to be used to acquire any investment property the acquisition of which would cause such Bonds to be “arbitrage bonds” within the meaning of said section 148. (*Section 619*)

Trustee and Paying Agents

The Metropolitan Highway System Trust Agreement appoints United States Trust Company of New York, New York, New York as Trustee under the Metropolitan Highway System Trust Agreement. United States Trust Company of New York, New York, New York is appointed Paying Agent for the Initial Bonds and the 1999 Series A Bonds. The Authority shall appoint one or more Paying Agents for Additional Bonds of any Series in the Supplemental Trust Agreement authorizing such Bonds, and may at any time or from time to time appoint one or more other Paying Agents having the qualifications set forth in the Metropolitan Highway System Trust Agreement for a successor Paying Agent. The Trustee may be appointed as Paying Agent. The Trustee may at any time resign and be discharged of the duties and obligations created by the Metropolitan Highway System Trust Agreement by giving not less than 30 days written notice. The Trustee may be removed at any time by an instrument signed by the Owners of a majority in principal amount of the Senior Bonds and the Subordinated Bonds then Outstanding and the Trustee may also be removed at any time, other than during the continuance of an event of default under the Metropolitan Highway System Trust Agreement, by the Authority, by an instrument in writing signed and acknowledged by an Authorized Officer of the Authority. Any successor shall be a bank or trust company organized under the laws of any state of the United States or a national banking association having a capital and surplus aggregating at least \$50,000,000. (*Sections 701, 702, 707, 708, 709*).

Supplemental Trust Agreements

The Authority may adopt without the consent of the Trustee or Bondowners Supplemental Trust Agreements for, among other things:

- (1) To authorize Additional Bonds of a Series;
- (2) To designate or confirm the designation of any Project as part of the Accepted Metropolitan Highway System permitted under the Metropolitan Highway System Trust Agreement;
- (3) To pledge and designate any revenues of the Authority which are not Revenues as defined in the Metropolitan Highway System Trust Agreement as initially adopted as Supplemental Revenues or as Dedicated Payments and to reverse or modify any such pledge and designation of Dedicated Payments; provided that any such pledge and designation of Dedicated Payments, or reversal or modification thereof, shall be subject to the provisions of the Metropolitan Highway System Trust Agreement;
- (4) To establish for any Series of Additional Bonds a separate account in the Senior Debt Service Reserve Fund or Subordinated Debt Service Reserve Fund, as applicable, which shall be permitted to be applied solely to the payment of Senior Bonds or Subordinated Bonds, as applicable, of such Series provided that (i) the Bonds of such Series shall have no claim or lien on nor be payable from any other amounts in the Senior Debt Service Reserve Fund or Subordinated Debt Service Reserve Fund, as applicable, (ii) the Bonds of such Series shall be excluded from the calculation of the Senior Debt Service Reserve Requirement or Subordinated Debt Service Reserve Requirement, as applicable, and (iii) the amount required to be on deposit in such account shall be specified in the Supplemental Trust Agreement authorizing the Bonds of such Series; and

(5) To add to the Metropolitan Highway System Trust Agreement any provisions relating to the application of interest earnings in any Fund or account under the Metropolitan Highway System Trust Agreement required by law to preserve the exclusion from gross income for Federal income tax purposes of interest received on the Bonds then Outstanding or to be issued or the exemption of interest received on such Bonds from Commonwealth income taxation;

(6) To modify any of the provisions of the Metropolitan Highway System Trust Agreement in any respect whatsoever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Trust Agreement shall cease to be Outstanding and (ii) such Supplemental Trust Agreement shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Trust Agreement and of Bonds issued in exchange therefor or in place thereof.

The Authority may adopt with the consent of the Trustee a Supplemental Trust Agreement:

(1) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Metropolitan Highway System Trust Agreement;

(2) To insert such provisions clarifying matters or questions arising under the Metropolitan Highway System Trust Agreement as are necessary or desirable and are not contrary to or inconsistent with the Metropolitan Highway System Trust Agreement as theretofore in effect; or

(3) To make any other modification or amendment of the Metropolitan Highway System Trust Agreement which the Trustee shall in its sole discretion determine will not have a material adverse affect on the interest of Bondowners. (*Sections 801, 802*).

Amendments

Any modification or amendment of the Metropolitan Highway System Trust Agreement and of the rights and obligations of the Authority and of the Owners of the Bonds and coupons thereunder may be made by a Supplemental Trust Agreement, with the written consent given as provided in the Metropolitan Highway System Trust Agreement, (i) of the Owners of at least a majority in principal amount of the Senior Bonds Outstanding or, if no Senior Bonds are Outstanding, at least a majority in principal amount of the Subordinated Bonds Outstanding at the time such consent is given, and (ii) in case less than all of the Senior Bonds, or if no Senior Bonds are Outstanding, less than all of the Subordinated Bonds, then Outstanding are affected by the modification or amendment, of the Owners of at least a majority in principal amount of the Senior Bonds, or if no Senior Bonds are Outstanding, Subordinated Bonds, of each Series so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds remain Outstanding, the consent of the 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 heading. No such modification or amendment shall (a) permit a change in the terms of redemption or maturity of the principal of any Outstanding Senior Bond or any Outstanding Subordinated Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Bond, (b) permit the creation of any pledge, lien, charge or encumbrance of or upon any of the items purported to be pledged pursuant to the Metropolitan Highway System Trust Agreement, which pledge, lien, charge or encumbrance would be prior to, or of equal rank with, the pledge or source of payment for the Bonds created by the Metropolitan Highway System Trust Agreement, without the consent of the Owners of all Outstanding Bonds affected by such change, or deprive any Owner of any Outstanding Bond of the benefit of such pledge or source of payment for the Bonds, without the consent of such Owner, (c) create, with respect to the pledge of the Metropolitan Highway System Trust Agreement, a preference or priority of any Senior Bond over any other Senior Bond without the consent of each Owner of a Senior Bond affected by such change, (d) reduce the percentages or otherwise affect the classes of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or (e) change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. (*Section 902*).

Events of Default

Each of the following events are declared an “Event of Default” with respect to Senior Bonds and Subordinated Bonds under the Metropolitan Highway System Trust Agreement.

- (1) (1) Payment of the principal and redemption premium, if any, of any of the Bonds shall not be made when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or
- (2) Failure to pay the Tender Price of any Bond when due and payable; provided, however, that if a Liquidity Facility or Credit Facility is in effect and the Provider thereof defaults in its obligation to provide money to purchase any tendered Bond, no Event of Default under this subsection (2) shall be deemed to have occurred or to exist if the Tender Price of such Bond is paid within 365 days after the Tender Date; or
- (2) Payment of any installment of interest on any of the Bonds shall not be made within five (5) days after the same shall become due and payable; or
- (3) Any part of the Accepted Metropolitan Highway System or any Extension shall be destroyed or damaged to the extent of impairing its efficient operation and materially adversely affecting the Revenues and the Authority shall not have taken reasonable steps to promptly repair, replace, reconstruct, or provide a reasonable substitute for the damaged or destroyed part of the Accepted Metropolitan Highway System or Extensions (whether such failure promptly to repair, replace or reconstruct or provide a substitute for the same be due to the impracticability of such repair, replacement, reconstruction or substitution or to lack of funds therefor or for any other reason); or
- (4) an order or decree shall be entered, with the consent or acquiescence of the Authority, appointing a receiver or receivers of all or any portion of the Accepted Metropolitan Highway System or any Extension or of the tolls or other revenues thereof, or if such order or decree, having been entered without the consent or acquiescence of the Authority, shall not be vacated or discharged or stayed on appeal within sixty (60) days after the entry thereof; or
- (5) any proceeding shall be instituted, with the consent or acquiescence of the Authority, for the purpose of effecting a composition between the Authority and its creditors or for the purpose of adjusting the claims of such creditors, pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are under any circumstances payable from the revenues of the Accepted Metropolitan Highway System or any Extension; or
- (6) the Authority shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Metropolitan Highway System Trust Agreement on the part of the Authority to be performed, and such default shall continue for sixty (60) days after written notice specifying such default and requiring the same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding. (*Section 1001*).

Remedies

Upon the happening of any Event of Default, then and in every such case the Trustee may proceed, and upon the written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of Senior Bonds or Subordinated Bonds then Outstanding under the Metropolitan Highway System Trust Agreement shall proceed to protect and enforce its rights and the rights of the Bondowners under the laws of the Commonwealth or under the Metropolitan Highway System Trust Agreement by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board of officer having jurisdiction, either for the specific performance of any covenant or agreement contained in the Metropolitan Highway System Trust Agreement or in aid or execution of any power granted or for the enforcement of any proper legal or equitable

remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights. The Trustee shall not be required to take any remedial action (other than the giving of notice) unless indemnity satisfactory to the Trustee is furnished for any liability to be incurred thereby. (*Section 1002*).

Trustee for Subordinated Bondowners

During any period in which an Event of Default shall have occurred and is continuing if there are Outstanding Subordinated Bonds and Senior Bonds, the registered owners of the Subordinated Bonds shall be entitled to the appointment of a trustee to act on their behalf in any suit, action or proceeding and to otherwise exercise on their behalf any of their rights under the Metropolitan Highway System Trust Agreement; provided, however, that such trustee shall not be entitled to hold any Funds or Accounts which shall continue to be held under the Metropolitan Highway System Trust Agreement by the Trustee. During such period the Trustee shall then act exclusively on behalf of the registered owners of Senior Bonds Outstanding; provided, however, the Trustee shall continue to bear its fiduciary obligation to all Bondowners as provided in the Metropolitan Highway System Trust Agreement with respect to any Funds or Accounts or any other amounts held in trust. Any such trustee may be appointed with the consent of a majority in principal amount Outstanding of Subordinated Bonds. Notice of the appointment of any such trustee shall be given to the Trustee and the Authority promptly upon such appointment and to all registered owners of Subordinated Bonds. To the extent applicable, such trustee's duties shall be governed by Article VII of the Metropolitan Highway System Trust Agreement. (*Section 1003*).

Priority of Payments After Default

If the funds held by the Fiduciaries are insufficient for the payment of interest and principal or Redemption Price then due on the Bonds, such funds (excluding funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other moneys received or collected by the Fiduciaries after making provision for the payment of any expenses necessary in the opinion of the Trustee to preserve the continuity of the Revenues, or otherwise to protect the interests of the Owners of the Bonds, and for the payment of the charges and expenses and liabilities incurred and advances made by the Fiduciaries in the performance of their duties under the Metropolitan Highway System Trust Agreement, shall be in the following order: (i) to the payment to the persons entitled thereto of all installments of interest then due on any Senior Bonds in the order of the maturity of such installments; (ii) to the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Senior Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates; (iii) to the payment to the persons entitled thereto of all installments of interest then due on Subordinated Bonds in the order of the maturity of such installments; and (iv) to the payment to the persons entitled thereto of unpaid principal or Redemption Price of any Subordinated Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates. (*Section 1004*).

Defeasance

If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of all Bonds then Outstanding, the principal and interest and Redemption Price to become due thereon, at the times and in the manner stipulated therein and in the Metropolitan Highway System Trust Agreement, then, at the option of the Authority, expressed in an instrument in writing signed by an Authorized Officer and delivered to the Trustee, the covenants, agreements and other obligations of the Authority to the Bondowners shall be discharged and satisfied. In such event, the Fiduciaries shall pay over or deliver to the Authority all money, securities and funds held by them pursuant to the Metropolitan Highway System Trust Agreement which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption. If the Authority shall pay or cause to be paid, to the Owners of any Outstanding Bonds the principal or Redemption Price and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Metropolitan Highway System Trust Agreement, such Bonds shall cease to be entitled to any lien, benefit or security under the Metropolitan Highway System Trust Agreement, and all covenants, agreements and obligations of the Authority to the Owners of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied. Notwithstanding any other provisions of the Metropolitan Highway System Trust Agreement, certain provisions, including those related to the redemption of Bonds, execution and authentication of Bonds, negotiability, transfer and registry of Bonds, satisfaction of Sinking Fund Installments, appointment of Trustee and Paying Agents, appointment of successor

Trustee and Paying Agents and compensation of Fiduciaries, shall, within limits, survive the defeasance of the Bonds.

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

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

In the event that on any date as a result of any purchases, acquisitions and cancellations of Bonds, the total amount of moneys and Investment Obligations remaining on deposit with the Trustee is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of the remaining Bonds in order to defease such Bonds, the Trustee shall, if requested by the Authority, pay the amount of such excess to the Authority free and clear of any trust, lien, security, interest, pledge or assignment securing said Bonds or otherwise existing under the Metropolitan Highway System Trust Agreement. Except as otherwise provided under this heading, neither Investment Obligations nor moneys deposited with the Trustee pursuant to the provisions described under this heading nor principal or interest payments on any such Investment Obligations shall be

withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payment on such Investment Obligations deposited with the Trustee, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the Authority as received by the Trustee, free and clear of any trust, lien or pledge securing said Bonds or otherwise existing under the Metropolitan Highway System Trust Agreement, and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Investment Obligations maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the Authority, as received by the Trustee, free and clear of any trust, lien, security interest, pledge or assignment securing said Bonds or otherwise existing under the Metropolitan Highway System Trust Agreement. For purposes of determining whether Variable Interest Rate Bonds are defeased, the interest to come due on such Variable Interest Rate Bonds on or prior to the maturity or redemption date thereof, as the case may be, shall be calculated at the maximum rate permitted by the terms thereof; provided, however, in accordance with the Metropolitan Highway System Trust Agreement if such Variable Interest Rate Bonds have borne interest at less than such maximum rate for any period, the excess amount deposited with the Trustee in order to defease such Bonds for such period shall, if requested, by the Authority, be paid to the Authority free and clear of any trust, lien, security interest, pledge or assignment securing the Bonds or otherwise existing under the Metropolitan Highway System Trust Agreement.

For purposes of determining whether Variable Interest Rate Bonds are defeased, the interest to come due on such Variable Interest Rate Bonds on or prior to the maturity or redemption date thereof, as the case may be, shall be calculated at the maximum rate permitted by the terms thereof; provided, however, that in accordance with the Metropolitan Highway System Trust Agreement if such Variable Interest Rate Bonds have borne interest at less than such maximum rate for any period, the excess amount deposited with the Trustee in order to defease such Bonds for such period shall, if requested by the Authority, be paid to the Authority free and clear of any trust, lien, security interest, pledge or assignment securing the Bonds or otherwise existing under the Metropolitan Highway System Trust Agreement.

Put Bonds shall be deemed to have been defeased only if, in addition to satisfying the other requirements, there shall have been deposited with the Trustee moneys in an amount which shall be sufficient to pay when due the maximum amount of principal of and premium, if any, and interest on such Bonds which could become payable to the Owners of such Bonds upon the exercise of any options provided to the Owner of such Bonds unless the options originally exercisable by the Owner of a Put Bond are no longer exercisable. If any portion of the moneys deposited with the Trustee for the payment of the principal of and premium, if any, and interest on Put Bonds is not required for such purpose, the Trustee shall, if requested by the Authority, pay the amount of such excess to the Authority free and clear of any trust, lien, security interest, pledge or assignment securing said Bonds or otherwise existing under the Metropolitan Highway System Trust Agreement.

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

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

The Authority agrees that it will take no action in connection with any of the transactions referred to under this heading which will cause any Bonds to be "Arbitrage Bonds."

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

Anything in the Trust Agreement to the contrary notwithstanding, in case any 2010 Series A Bonds are to be defeased in accordance with the provisions described in this section, such 2010 Series A Bonds shall not be deemed to be defeased unless (i) the other applicable requirements described in this section shall have been satisfied and (ii) the Trustee shall have received written confirmation from S&P, if S&P then maintains a rating on the 2010 Series A Bonds, that the proposed defeasance will not in and of itself cause a reduction or withdrawal of the rating then in effect on such 2010 Series A Bonds. (*Section 1005*).

Bond Insurance

Certain of the Initial Bonds (the "Initial Insured Bonds") are insured as to the timely payment of principal and interest thereon under a financial guaranty insurance policy (the "Initial Insurance Policy") issued by MBIA Insurance Corporation (the "Initial Bond Insurer"). The Metropolitan Highway System Trust Agreement provides that the Initial Bond Insurer's consent is required for any Supplemental Trust Agreement requiring the consent of the Trustee or the consent of the Bondowners. The Initial Bond Insurer is deemed to be the Owner of the Initial Insured Bonds for the purpose of giving any approval or consent to the execution and delivery of any Supplemental Trust Agreement which requires the written approval or consent of the Owners of at least a majority in the aggregate principal amount of Bonds Outstanding. In the event of a claim against the Initial Insurance Policy, the Initial Bond Insurer shall be designated to act as agent for the Owners of the Initial Insured Bonds in any legal proceeding related to claims for the payment of principal and/or interest on such Bonds. (*Section 907 and Article XI*).

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**Proposed Form of Opinion
of
Bond Counsel**

[Date of Delivery]

Massachusetts Department of Transportation
Boston, Massachusetts

\$853,555,000
Massachusetts Department of Transportation
Metropolitan Highway System Revenue Bonds (Subordinated)
Commonwealth Contract Assistance Secured
Variable Rate Demand Obligations
2010 Series A-1, A-2, A-3, A-4, A-5, A-6 and A-7
and
2010 Series B
Dated Date of Delivery

We have acted as bond counsel to the Massachusetts Department of Transportation (the “Department”) in connection with the issuance by the Department of the above-referenced bonds (the “Bonds”) pursuant to Chapter 6C of the General Laws of The Commonwealth of Massachusetts, as amended (the “Act”), the Metropolitan Highway System Trust Agreement dated as of September 1, 1997 by and between the Massachusetts Turnpike Authority, predecessor to the Department, and The Bank of New York Mellon, as successor Trustee, as amended and supplemented to date (the “Trust Agreement”), and as further amended and supplemented by the Seventh Supplemental Metropolitan Highway System Trust Agreement dated as of March 1, 2010 by and between the Department and The Bank of New York Mellon, as Trustee (the “Seventh Supplemental Agreement” and together with the Trust Agreement, the “Agreement”). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the Department contained in the Agreement, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Department is duly created and validly existing under the Act as a body politic and corporate and a public instrumentality of The Commonwealth of Massachusetts (the “Commonwealth”) and has the right and power under the Act to adopt the Seventh Supplemental Agreement and to authorize, issue and deliver the Bonds.

2. The Seventh Supplemental Agreement has been duly and lawfully authorized, executed and delivered by the Department, is in full force and effect and is a valid and binding agreement of the Department enforceable in accordance with its terms.

3. The Bonds have been duly authorized, executed, issued and delivered by the Department in accordance with the Act and the Agreement and constitute valid and binding special obligations of the Department, which has no taxing power, enforceable in accordance with their terms and the terms of the Agreement and entitled to the benefits of the Act and the Agreement. The Bonds are secured by the Agreement and a pledge of the Revenues (as defined therein) received by or for the account of the Department and moneys on deposit in the funds and accounts pledged as security therefor under the Agreement. The Agreement creates the valid pledge and lien which it purports to create for the benefit of the holders of the Bonds, subject to the application of such pledged Revenues and moneys to the purposes and on the conditions permitted by the Trust Agreement.

4. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the Department with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The Department has covenanted to comply with all such requirements. Failure by the Department to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

5. Interest on the Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds 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 their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

EDWARDS ANGELL PALMER & DODGE LLP

Continuing Disclosure UndertakingsMassDOT Continuing Disclosure Agreement

Prior to the issuance of the Bonds, MassDOT and the Trustee will enter into a continuing disclosure agreement (the “MassDOT Disclosure Agreement”) setting forth the undertakings of MassDOT regarding continuing disclosure with respect to the Bonds. In the MassDOT Disclosure Agreement, MassDOT will undertake for the benefit of the registered owners and beneficial owners (the “owners”) of the Bonds to provide to the Municipal Securities Rulemaking Board (“MSRB”) through its Electronic Municipal Market Access (“EMMA”) system pursuant to Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), no later than 270 days after the end of each fiscal year of MassDOT, commencing with the fiscal year ending June 30, 2010 (i) the calculation for such fiscal year of Net Revenues times (a) Senior Net Debt Service, (b) Combined Net Debt Service and (c) Combined Net Debt Service plus the Capital Reinvestment Requirement for such fiscal year (all as such terms are defined or described in MassDOT’s Official Statement, dated March __, 2010, relating to the issuance of its Massachusetts Department of Transportation Metropolitan Highway System Revenue Bonds (Subordinated), Commonwealth Contract Assistance Secured, Variable Rate Demand Obligations 2010 Series A and 2010 Series B); (ii) the audited financial statements of MassDOT for such fiscal year; provided, however, that if audited financial statements of MassDOT are not then available, such audited financial statements shall be delivered to EMMA when they become available (but in no event later than 350 days after the end of such fiscal year); or (iii) notice of MassDOT’s failure, if any, to provide such information.

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

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

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

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

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

The Commonwealth Continuing Disclosure Agreement

Prior to the issuance of the Bonds, MassDOT and the Commonwealth, acting by and through the Treasurer and Receiver-General of the Commonwealth, will undertake for the benefit of the owners of the Bonds to provide to the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") system pursuant to Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), no later than 270 days after the end of each fiscal year of the Commonwealth, commencing with the fiscal year ending June 30, 2010, (i) the annual financial information described below relating to such fiscal year, together with audited financial statements of the Commonwealth for such fiscal year if audited financial statements are then available, provided, however, that if audited financial statements of the Commonwealth are not then available, such audited financial statements shall be delivered to EMMA when they become available (but in no event later than 350 days after the end of such fiscal year) or (ii) notice of the Commonwealth's failure, if any, to provide any such information. The annual financial information to be provided as aforesaid shall include financial information and operating data, in each case updated through the last day of such fiscal year unless otherwise noted, relating to the following information contained in the Commonwealth's Information Statement dated March 26, 2009 (the "Information Statement"), as it appears as Appendix A in the Official Statement dated May 20, 2009 of the Commonwealth with respect to its \$378,440,000 General Obligation Bonds, Consolidated Loan of 2009, Series B, its \$250,000,000 General Obligation Bonds, Consolidated Loan of 2009, Series C and its \$71,430,000 General Obligation Bonds, Consolidated Loan of 2009, Series D, and in each case substantially in the same level of detail as is found in the referenced section of the Information Statement, as described below. The Information Statement has been filed with EMMA as required by the Rule.

Financial Information and Operating Data Category	Reference to Information Statement for Level of Detail
1. Summary presentation on statutory accounting and five-year comparative basis of selected budgeted operating funds operations, concluding with prior fiscal year, plus estimates for current fiscal year	“SELECTED FINANCIAL DATA - Statutory Basis”
2. Summary presentation on GAAP and five-year comparative basis of governmental funds operations, concluding with prior fiscal year	“SELECTED FINANCIAL DATA - GAAP Basis”
3. Summary presentation of actual revenues in budgeted operating funds on five-year comparative basis, concluding with prior fiscal year, plus estimates for current fiscal year	“COMMONWEALTH REVENUES - Statutory Basis Distribution of Budgetary Revenues”
4. So long as Commonwealth statutes impose limits on tax revenues, information as to compliance therewith in the prior fiscal year	“COMMONWEALTH REVENUES - Limitations on Tax Revenues”
5. Summary presentation of budgeted expenditures by selected, then-current major categories on five-year comparative basis and estimated expenditures for current fiscal year	“COMMONWEALTH EXPENDITURES”
6. Summary presentation of the then-current, statutorily imposed funding schedule for future Commonwealth pension liabilities, if any	“COMMONWEALTH EXPENDITURES - Pension”
7. If and to the extent otherwise updated in the prior fiscal year, summary presentation of the size of the state workforce	“STATE WORKFORCE”
8. Five-year summary presentation of actual capital project expenditures	“COMMONWEALTH CAPITAL INVESTMENT PLAN - Capital Investment Plan”
9. Statement of Commonwealth debt and debt related to general obligation contract liabilities as of the end of the prior fiscal year	“LONG-TERM LIABILITIES - General Authority to Borrow - Commonwealth Debt and General Obligation Contract Assistance Liabilities”
10. Annual fiscal year debt service requirements for Commonwealth general obligation and special obligation bonds, beginning with the current fiscal year	“LONG-TERM LIABILITIES - Debt Service Requirements”
11. Annual fiscal year contract assistance requirements for Commonwealth general obligation contract assistance, beginning with the current fiscal year	“LONG-TERM LIABILITIES - General Obligation Contract Assistance Liabilities”
12. Annual fiscal year budgetary contractual assistance liabilities for Commonwealth, beginning with the current fiscal year	“LONG-TERM LIABILITIES - Budgetary Contractual Assistance Liabilities”
13. Five-year summary presentation of authorized but unissued general obligation debt	“LONG-TERM LIABILITIES - Authorized But Unissued Debt”

Financial Information and Operating Data Category	Reference to Information Statement for Level of Detail
14. So long as Commonwealth statutes impose a limit on the amount of outstanding “direct” bonds, information as to compliance therewith as of the end of the prior fiscal year	“LONG-TERM LIABILITIES - General Authority to Borrow”
15. Summary presentation of the then-current, Commonwealth interest rate swaps agreements	“LONG-TERM LIABILITIES - Interest Rate Swaps”

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 Commonwealth, which have been submitted to EMMA. The Commonwealth’s annual financial statements for each fiscal year shall consist of (i) combined financial statements prepared in accordance with a basis of accounting that demonstrates compliance with the Massachusetts General Laws and other applicable state finance laws, if any, in effect from time to time and (ii) general purpose financial statements prepared in accordance with generally accepted accounting principles in effect from time to time and audited by a firm of certified public accountants appointed by the Commonwealth.

The Commonwealth Disclosure Agreement also will provide that the Treasurer and Receiver-General of the Commonwealth on behalf of the Commonwealth, undertakes for the benefit of the registered owners and Beneficial Owners of the Bonds to provide in a timely manner to EMMA notice of any change in the credit rating of outstanding general obligation bonds of the Commonwealth.

To the extent permitted by law, the provisions of the Commonwealth Disclosure Agreement shall be enforceable against the Commonwealth in accordance with the terms thereof by any owner of a Bond, including any beneficial owner acting as a third-party beneficiary (upon proof of its status as a beneficial owner reasonably satisfactory to the Treasurer and Receiver-General). 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 Commonwealth and to compel the Commonwealth and any of its officers, agents or employees to perform and carry out their duties under such provisions of the Commonwealth Disclosure Agreement; provided, however, that the sole remedy in connection with violation of the Commonwealth Disclosure Agreement shall be limited to an action to compel specific performance of the obligations of the Commonwealth under the Commonwealth Disclosure Agreement and shall not include any rights to monetary damages. The Commonwealth 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. The Commonwealth Disclosure Agreement may be amended, changed or modified without the consent of, or notice to, any owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such Commonwealth Disclosure Agreement and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Commonwealth 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 Commonwealth Disclosure Agreement in a manner consistent with 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 Commonwealth (such as Commonwealth disclosure counsel or Commonwealth bond counsel) or by the vote or consent of owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment.

Certain Information Concerning the Banks

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

**TD BANK, N.A.
2010 Series A-1**

TD Bank, N.A. (the "Bank") is a national banking association organized under the laws of the United States, with its main office located in Wilmington, Delaware. The Bank is an indirect, wholly-owned subsidiary of The Toronto-Dominion Bank ("TD") and offers a full range of banking services and products to individuals, businesses and governments throughout its market areas, including commercial, consumer, trust, investment advisory and insurance agency services. The Bank operates banking offices in Connecticut, Delaware, the District of Columbia, Florida, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Vermont and Virginia. As of December 31, 2009, the Bank had consolidated assets of \$140.0 billion, consolidated deposits of \$111.6 billion and stockholder's equity of \$22.5 billion, based on regulatory accounting principles.

Additional information regarding the Bank and TD is available from the filings made by TD with the U.S. Securities and Exchange Commission (the "SEC"), which filings can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. In addition, the SEC maintains a website at <http://www.sec.gov>, which contains reports, proxy statements and other information regarding registrants that file such information electronically with the SEC.

The information concerning TD and the Bank contained herein is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents and financial statements referenced herein.

The Letter of Credit has been issued by the Bank and is the obligation of the Bank and not TD.

The Bank will provide copies of the publicly available portions of the most recent quarterly Call Report of the Bank delivered to the Comptroller of the Currency, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

TD Bank, N.A.
1701 Route 70 East
Cherry Hill, New Jersey 08034
Attn: Corporate and Public Affairs

Information regarding the financial condition and results of operations of the Bank is contained in the quarterly Call Reports of the Bank delivered to the Comptroller of the Currency and available online at <https://cdr.ffiec.gov/public>. General information regarding the Bank may be found in periodic filings made by TD with the SEC. TD is a foreign issuer that is permitted, under a multijurisdictional disclosure system adopted by the United States, to prepare certain filings with the SEC in accordance with the disclosure requirements of Canada, its home country. Canadian disclosure requirements are different from those of the United States. TD's financial statements are prepared in accordance with Canadian generally accepted accounting principles, and may be subject to Canadian auditing and auditor independence standards, and thus may not be comparable to financial statements of United States companies prepared in accordance with United States generally accepted accounting principles.

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

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION
2010 Series A-2 and A-7

JPMorgan Chase Bank, National Association (the “Series A-2 and A-7 Bank”) is a wholly owned bank subsidiary of JPMorgan Chase & Co., a Delaware corporation whose principal office is located in New York, New York. The Series A-2 and A-7 Bank offers a wide range of banking services to its customers, both domestically and internationally. It is chartered and its business is subject to examination and regulation by the Office of the Comptroller of the Currency.

As of December 31, 2009, JPMorgan Chase Bank, National Association, had total assets of \$1,628 billion, total net loans of \$531.2 billion, total deposits of \$1,024 billion, and total stockholder’s equity of \$128.3 billion. These figures are extracted from the Series A-2 and A-7 Bank’s unaudited Consolidated Reports of Condition and Income (the “Call Report”) as at December 31st, 2009, prepared in accordance with regulatory instructions that do not in all cases follow U.S. generally accepted accounting principles, which are filed with the Federal Deposit Insurance Corporation. The Call Report, including any update to the above quarterly figures, can be found at www.fdic.gov.

Additional information, including the most recent annual report on Form 10-K for the year ended December 31, 2009, of JPMorgan Chase & Co., the 2008 Annual Report of JPMorgan Chase & Co., and additional annual, quarterly and current reports filed with or furnished to the Securities and Exchange Commission (the “SEC”) by JPMorgan Chase & Co., as they become available, may be obtained without charge by each person to whom this Official Statement is delivered upon the written request of any such person to the Office of the Secretary, JPMorgan Chase & Co., 270 Park Avenue, New York, New York 10017 or at the SEC’s website at www.sec.gov.

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

BANK OF AMERICA, N.A.
2010 Series A-3 and A-6

Bank of America, N.A. (the “Series A-3 and A-6 Bank”) is a national banking association organized under the laws of the United States, with its principal executive offices located in Charlotte, North Carolina. The Series A-3 and A-6 Bank is a wholly-owned indirect subsidiary of Bank of America Corporation (the “Corporation”) and is engaged in a general consumer banking, commercial banking and trust business, offering a wide range of commercial, corporate, international, financial market, retail and fiduciary banking services. As of December 31, 2009, the Series A-3 and A-6 Bank had consolidated assets of \$1.465 trillion, consolidated deposits of \$1.003 trillion and stockholder’s equity of \$167 billion, based on regulatory accounting principles.

The Corporation is a bank holding company and a financial holding company, with its principal executive offices located in Charlotte, North Carolina. Additional information regarding the Corporation is set forth in its Annual Report on Form 10-K for the fiscal year ended December 31, 2009, together with its subsequent periodic and current reports filed with the Securities and Exchange Commission (the “SEC”).

Filings can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, United States, at prescribed rates. In addition, the SEC maintains a website at <http://www.sec.gov>, which contains reports, proxy statements and other information regarding registrants that file such information electronically with the SEC.

The information concerning the Corporation and the Series A-3 and A-6 Bank is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents and financial statements referenced herein.

The Letters of Credit for the 2010 Series A-3 Bonds and the 2010 Series A-6 Bonds have been issued by the Series A-3 and A-6 Bank. Moody's Investors Service, Inc. ("*Moody's*") currently rates the Series A-3 and A-6 Bank's long-term debt as "Aa3" and short-term debt as "P-1." The outlook is stable. Standard & Poor's currently rates the Bank's long-term debt as "A+" and its short-term debt as "A-1." The outlook is negative. Fitch Ratings, Inc. ("*Fitch*") currently rates long-term debt of the Series A-3 and A-6 Bank as "A+" and short-term debt as "F1+." The outlook is stable. Further information with respect to such ratings may be obtained from Moody's, Standard & Poor's and Fitch, respectively. No assurances can be given that the current ratings of the Series A-3 and A-6 Bank's instruments will be maintained.

The Series A-3 and A-6 Bank will provide copies of the most recent Bank of America Corporation Annual Report on Form 10-K, any subsequent reports on Form 10-Q, and any required reports on Form 8-K (in each case as filed with the SEC pursuant to the Exchange Act), and the publicly available portions of the most recent quarterly Call Report of the Series A-3 and A-6 Bank delivered to the Comptroller of the Currency, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

Bank of America Corporate Communications
100 North Tryon Street, 18th Floor
Charlotte, North Carolina 28255
Attention: Corporate Communication

PAYMENTS OF PRINCIPAL AND INTEREST ON THE 2010 SERIES A-3 BONDS AND THE 2010 SERIES A-6 BONDS WILL BE MADE FROM DRAWINGS UNDER THE RESPECTIVE LETTER OF CREDIT. PAYMENTS OF THE PURCHASE PRICE OF THE 2010 SERIES A-3 BONDS AND THE 2010 SERIES A-6 BONDS WILL BE MADE FROM DRAWINGS UNDER THE RESPECTIVE LETTER OF CREDIT IF REMARKETING PROCEEDS ARE NOT AVAILABLE. ALTHOUGH EACH SUCH LETTER OF CREDIT IS A BINDING OBLIGATION OF THE SERIES A-3 AND A-6 BANK, THE 2010 SERIES A-3 BONDS AND THE 2010 SERIES A-6 BONDS ARE NOT DEPOSITS OR OBLIGATIONS OF THE CORPORATION OR ANY OF ITS AFFILIATED BANKS AND ARE NOT GUARANTEED BY ANY OF THESE ENTITIES. THE BONDS ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY AND ARE SUBJECT TO CERTAIN INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED.

The delivery hereof shall not create any implication that there has been no change in the affairs of the Corporation or the Series A-3 and A-6 Bank since the date hereof, or that the information contained or referred to in this Appendix F is correct as of any time subsequent to its date.

BARCLAYS BANK PLC
Series A-4 and A-5

Barclays Bank PLC is a public limited company registered in England and Wales under number 1026167. The liability of the members of Barclays Bank PLC is limited. It has its registered head office at 1 Churchill Place, London, E14 5HP. Barclays Bank PLC was incorporated on 7 August 1925 under the Colonial Bank Act 1925 and on 4 October 1971 was registered as a company limited by shares under the Companies Act 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985, Barclays Bank was re-registered as a public limited company and its name was changed from "Barclays Bank International Limited" to "Barclays Bank PLC."

Barclays Bank PLC and its subsidiary undertakings (taken together, the “Group”) is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. The whole of the issued ordinary share capital of Barclays Bank PLC is beneficially owned by Barclays PLC, which is the ultimate holding company of the Group.

The short term unsecured obligations of Barclays Bank PLC are rated A-1+ by Standard & Poor’s, P-1 by Moody’s and F1+ by Fitch Ratings Limited and the long-term obligations of Barclays Bank PLC are rated AA- by Standard & Poor’s, Aa3 by Moody’s and AA- by Fitch Ratings Limited.

Based on the Group’s audited financial information for the year ended 31 December 2008, the Group had total assets of £2,053,029 million (2007: £1,227,583 million), total net loans and advances¹ of £509,522 million (2007: £385,518 million), total deposits² of £450,443 million (2007: £386,395 million), and total shareholders’ equity of £43,574 million (2007: £31,821 million) (including minority interests of £2,372 million (2007: £1,949 million)). The profit before tax of the Group for the year ended 31 December 2008 was £6,035 million (2007: £7,107 million) after impairment charges on loans and advances and other credit provisions of £5,419 million (2007: £2,795 million). The financial information in this paragraph is extracted from the audited Annual Report of the Group for the year ended 31 December 2008.

Based on the Group’s unaudited financial information for the year ended 31 December 2009, the Group had total assets of £1,379,148 million, total net loans and advances¹ of £461,359 million, total deposits² of £398,901 million, and total shareholders’ equity of £58,699 million (including non-controlling interests of £2,774 million). The profit before tax of the Group for the year ended 31 December 2009 was £11,616 million (£4,559 million excluding the sale of Barclays Global Investors) after impairment charges and other credit provisions of £8,071 million. The financial information in this paragraph is extracted from the unaudited Preliminary Results Announcement of the Group for the year ended 31 December 2009.

¹ Total net loans and advances include balances relating to both bank and customer accounts.

² Total deposits include deposits from bank and customer accounts.

**Definitions and Summary of
Certain Provisions of the Bonds
Relating to Variable Rate Demand Features,
the Reimbursement Agreements, the Standby Bond
Purchase Agreements
and the Letters of Credit**

**DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE BONDS RELATING TO
VARIABLE RATE DEMAND FEATURES, THE STANDBY BOND PURCHASE AGREEMENTS, THE
REIMBURSEMENT AGREEMENTS AND THE LETTERS OF CREDIT**

The following is a summary of certain provisions of the Series 2010 Bonds and the Seventh Supplemental Trust Agreement relating to the variable rate demand features, the Standby Bond Purchase Agreements, the Reimbursement Agreements and the Letters of Credit. The summary is not to be regarded as a full statement of the terms of the Series 2010 Bonds, the Seventh Supplemental Trust Agreement, the Standby Bond Purchase Agreements, the Reimbursement Agreements or the Letters of Credit and, accordingly, is qualified by reference to the Series 2010 Bonds, the Seventh Supplemental Trust Agreement, the Standby Bond Purchase Agreements, the Reimbursement Agreements and the Letters of Credit and is subject to the full text thereof.

Definitions

Alternate Credit Facility or Alternate Liquidity Facility means a letter of credit, insurance policy, line of credit, surety bond, standby purchase agreement or other security or liquidity instrument, as the case may be, issued in accordance with the terms of the Seventh Supplemental Trust Agreement as a replacement or substitute for any Series 2010 A Credit Facility or Series 2010 A Liquidity Facility, as applicable, then in effect; provided, however, that any amendment, extension, renewal or substitution of any Series 2010 A Credit Facility or Series 2010 A Liquidity Facility then in effect for the purpose of extending the expiration date of such Series 2010 A Credit Facility or Series 2010 A Liquidity Facility or modifying such Series 2010 A Credit Facility or Series 2010 A Liquidity Facility pursuant to its terms shall not be deemed to be an Alternate Credit Facility or Alternate Liquidity Facility for purposes of the Seventh Supplemental Trust Agreement.

Authorized Denominations means (a) with respect to 2010 Series A Bonds which are subject to a Long Term Interest Rate Period, \$5,000 or any integral multiple thereof, and (b) with respect to 2010 Series A Bonds which are not described in the preceding clause (a), \$100,000 or any integral multiple of \$5,000 in excess of \$100,000 and (c) with respect to the 2010 Series B Bonds, \$5,000 or any integral multiple thereof.

Available Moneys means, with respect to any series of 2010 Series A Bonds for which a Series 2010 A Credit Facility is in effect, (i) moneys drawn under the applicable Series 2010 A Credit Facility which at all times since their receipt by the Trustee or the Tender Agent were held in a separate segregated account or accounts or subaccount or subaccounts in which no moneys (other than those drawn under the applicable Series 2010 A Credit Facility) were at any time held, (ii) moneys which have been paid to the Trustee or the Tender Agent by the Department and have been on deposit with the Trustee or the Tender Agent for at least 124 days (or, if paid to the Trustee or the Tender Agent by an “affiliate,” as defined in Bankruptcy Code §101(2), of the Department 366 days) during and prior to which no Event of Bankruptcy shall have occurred, (iii) any other moneys, if, in the opinion of nationally recognized counsel experienced in bankruptcy matters (which opinion shall be acceptable to each Rating Agency then rating the 2010 Series A Bonds other than S&P), the application of such moneys will not constitute a voidable preference in the event of the occurrence of an Event of Bankruptcy, and (iv) investment earnings on any of the moneys described in clauses (i), (ii) and (iii) of this definition; otherwise, “Available Moneys” means any moneys deposited with the Trustee or the Tender Agent.

Bank or Banks means (i) with respect to the 2010 Series A-1 Bonds, TD Bank, N.A.; (ii) with respect to the 2010 Series A-2 Bonds, JPMorgan Chase Bank, N.A.; (iii) with respect to the 2010 Series A-3 Bonds, Bank of America, N.A.; (iv) with respect to the 2010 Series A-4 Bonds, Barclays Bank PLC; (v) with respect to the 2010

Series A-5 Bonds, Barclays Bank PLC; (vi) with respect to the 2010 Series A-6 Bonds, Bank of America, N.A.; and (vii) with respect to the 2010 Series A-7 Bonds, JPMorgan Chase Bank, N.A.

Bank Bond Interest Differential Amount means, as to any Bank Bond for any period for which interest on such Bank Bond has not been paid, the difference between the amount of accrued interest on such Bank Bond at the Bank Bond Rate during such period and the amount of accrued interest on such Bond included in the sales price therefor.

Bank Bond Rate means the interest rate, if any, specified in the applicable Series 2010 A Liquidity Facility or Credit Provider Agreement then in effect as the rate at which Bank Bonds shall bear interest, such rate not to exceed the Maximum Bank Bond Interest Rate; provided, however, that if no such rate is specified in the applicable Series 2010 A Liquidity Facility or Credit Provider Agreement then in effect, then Bank Bonds shall continue to bear interest and such interest shall accrue and be payable as specified in the Seventh Supplemental Trust Agreement as if such Bank Bonds were not Bank Bonds.

Bank Bonds means 2010 Series A Bonds purchased by the applicable Liquidity Provider or Credit Provider pursuant to a Series 2010 A Liquidity Facility or Series 2010 A Credit Facility during the period beginning on the date such 2010 Series A Bonds are purchased until the earlier of (i) the date on which such 2010 Series A Bonds are remarketed to a purchaser identified by the Remarketing Agent, or (ii) the date on which the Liquidity Provider or the Credit Provider elects pursuant to the Seventh Supplemental Trust Agreement not to sell such 2010 Series A Bonds to a purchaser identified by the Remarketing Agent.

Bankruptcy Code means Title 11 of the United States Code, as amended, and any successor statute.

Bond Interest Term means, with respect to any 2010 Series A Bond, each period established in accordance with the Seventh Supplemental Trust Agreement during which such 2010 Series A Bond bears interest at a Bond Interest Term Rate.

Bond Interest Term Rate means, with respect to each 2010 Series A Bond, a non-variable interest rate on such 2010 Series A Bond established periodically in accordance with the Seventh Supplemental Trust Agreement.

Bond Purchase Fund means each such trust fund established pursuant to the Seventh Supplemental Trust Agreement.

Borrower Bonds means any 2010 Series A Bonds held by the Tender Agent for and on behalf of the Department or any of its affiliates or any nominee for (or any Person who owns such 2010 Series A Bonds for the sole benefit of) the Department or any of its affiliates pursuant to the Seventh Supplemental Trust Agreement.

Business Day means (i) so long as any Letter of Credit or Standby Bond Purchase Agreement remains in effect, any day other than (a) a Saturday or Sunday or a day on which commercial banks located in New York, New York or the city where the Trustee is located are authorized or required to close, (b) a day on which the office of the applicable Bank at which drawings under the Letters of Credit or Standby Bond Purchase Agreements are to be honored is authorized or required to close, or (c) a day on which the New York Stock Exchange is closed, and (ii) otherwise, as set forth in the Metropolitan Highway System Trust Agreement.

Conversion means a conversion of any series of 2010 Series A Bonds from one Interest Rate Period to another Interest Rate Period (including the establishment of a new interest period within the Long Term Interest Rate Period) as provided in the Seventh Supplemental Trust Agreement.

Conversion Date means the effective date of a Conversion of the 2010 Series A Bonds.

Counsel means an attorney or a firm of attorneys admitted to practice law in the highest court of any state in the United States of America or in the District of Columbia.

Credit Facility Failure or Liquidity Facility Failure means, as applicable, a failure of the Credit Provider to honor a properly presented and conforming draw under the related Series 2010 A Credit Facility or a failure of the Liquidity Provider to purchase the applicable 2010 Series A Bonds in conformance with the requirements of the applicable Series 2010 A Liquidity Facility, or the filing or commencement of any receivership or insolvency proceedings by or against the Credit Provider or Liquidity Provider, as applicable, or the Credit Provider or Liquidity Provider, as applicable, shall declare a moratorium on the payment of its unsecured debt obligations or shall repudiate the applicable Series 2010 A Credit Facility or Series 2010 A Liquidity Facility, as applicable.

Credit Facility Purchase Account means the account with that name established within the Bond Purchase Fund pursuant to the Seventh Supplemental Trust Agreement.

Credit Provider means initially, with respect to the 2010 Series A-3 Bonds and the 2010 Series A-6 Bonds, the Bank set forth in the Seventh Supplemental Trust Agreement, as the provider of the initial Series 2010 A Credit Facility, and its successors and permitted assigns, and, upon the effectiveness of an Alternate Credit Facility for any series of 2010 Series A Bonds, the issuer of such Alternate Credit Facility.

Credit Provider Agreement means any agreement between the Department and a Credit Provider, pursuant to which a Series 2010 A Credit Facility is issued by the Credit Provider, as the same may be amended or supplemented, initially the Reimbursement Agreements.

Daily Interest Rate means a variable interest rate for the 2010 Series A Bonds established in accordance with the Seventh Supplemental Trust Agreement.

Daily Interest Rate Period means each period during which a Daily Interest Rate is in effect for the 2010 Series A Bonds.

Department means the Massachusetts Department of Transportation, as successor to the Authority, a body politic and corporate and a public instrumentality of the Commonwealth organized and existing under Chapter 6C of the Massachusetts General Laws, as amended and supplemented from time to time.

Department Purchase Account means each account with that name established within the Bond Purchase Fund pursuant to the Seventh Supplemental Trust Agreement.

DTC means The Depository Trust Company, New York, New York.

Electronic Means means facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

Event of Bankruptcy means any of the following events:

(i) the Department shall (a) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or the like of the Department or of all or any substantial part of its property, (b) commence a voluntary case under the Bankruptcy Code, or (c) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts; or

(ii) a proceeding or case shall be commenced, without the application or consent of the Department in any court of competent jurisdiction, seeking (a) the liquidation, reorganization, dissolution, winding-up, or composition or adjustment of debts, of the Department, (b) the appointment of a trustee, receiver, custodian, liquidator or the like of the Department or of all or any substantial part of their respective property, or (c) similar relief in respect of Department under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts.

Expiration Date means the termination date of any Series 2010 A Credit Facility or Series 2010 A Liquidity Facility then in effect, as extended from time to time in accordance with the terms thereof.

Favorable Opinion of Bond Counsel means, with respect to any action relating to the 2010 Series A Bonds, the occurrence of which requires such an opinion, a written legal opinion of Bond Counsel addressed to the Trustee, the Department and the Remarketing Agent, as applicable, to the effect that such action is permitted under the Seventh Supplemental Trust Agreement and will not impair the exclusion of interest on the 2010 Series A Bonds from gross income for purposes of federal income taxation or the exemption of interest on the 2010 Series A Bonds from personal income taxation under the laws of the Commonwealth (subject to customary exceptions).

Funding Amount means an amount equal to the difference between (1) the aggregate Tender Price of 2010 Series A Bonds with respect to which a notice was received pursuant to the Seventh Supplemental Trust Agreement and to be purchased pursuant to the Seventh Supplemental Trust Agreement, and (2) the Tender Price of 2010 Series A Bonds to be purchased pursuant to the Seventh Supplemental Trust Agreement that are remarketed by the Remarketing Agent and for which funds have been transferred by the Remarketing Agent to the Tender Agent.

Interest Accrual Date means:

- (a) for any Weekly Interest Rate Period, the first day thereof and, thereafter, each January 1 and July 1 during such Weekly Interest Rate Period;
- (b) for any Daily Interest Rate Period, the first day thereof and, thereafter, the first day of each month;
- (c) for any Long Term Interest Rate Period, the first day thereof and, thereafter, each Interest Payment Date during that Long Term Interest Rate Period, other than the last such Interest Payment Date; and
- (d) for each Bond Interest Term within a Short Term Interest Rate Period, the first day thereof.

Interest Payment Date means:

- (a) for any Weekly Interest Rate Period, January 1 and July 1, commencing July 1, 2010, or if such day is not a Business Day, the next succeeding Business Day;
- (b) for any Daily Interest Rate Period, the fifth Business Day of the next succeeding calendar month;
- (c) for any Long Term Interest Rate Period, each January 1 and July 1, or if any January 1 or July 1 is not a Business Day, the next succeeding Business Day;
- (d) for any Bond Interest Term, the day next succeeding the last day of that Bond Interest Term;
- (e) for each Interest Rate Period, the day next succeeding the last day such Interest Rate Period is in effect; and
- (f) for Bank Bonds, as set forth in the applicable Series 2010 A Liquidity Facility or the Credit Provider Agreement.

Interest Rate Period means each Daily Interest Rate Period, Weekly Interest Rate Period, Short Term Interest Rate Period or Long Term Interest Rate Period.

Letters of Credit means, collectively, the \$98,888,828 irrevocable letter of credit issued by Bank of America, N.A., with respect to the 2010 Series A-3 Bonds and the \$98,888,828 irrevocable letter of credit issued by Bank of America, N.A., with respect to the 2010 Series A-6 Bonds, each for the benefit of the Trustee.

Liquidity Facility Purchase Account means each account with that name established within the Bond Purchase Fund pursuant to the Seventh Supplemental Trust Agreement.

Liquidity Provider means initially, with respect to the 2010 Series A-1 Bonds, the 2010 Series A-2 Bonds, the 2010 Series A-4 Bonds, the 2010 Series A-5 Bonds and the 2010 Series A-7 Bonds, each Bank set forth in the Seventh Supplemental Trust Agreement, as the provider of the applicable Series 2010 A Liquidity Facility, and its respective successors and permitted assigns, and, upon the effective date of an Alternate Liquidity Facility for any series of 2010 Series A Bonds, the bank or banks or other financial institution or financial institutions or other Person or Persons issuing such Alternate Liquidity Facility, their respective successors and assigns. If any Alternate Liquidity Facility is issued by more than one bank, financial institution or other Person, notices required to be given to the Liquidity Provider may be given to the bank, financial institution or other Person under such Alternate Liquidity Facility appointed to act as agent for all such banks, financial institutions or other Persons. References in the Seventh Supplemental Trust Agreement to "Liquidity Provider" shall be deemed to apply to the respective Liquidity Provider at any time to any of the 2010 Series A Bonds.

Long Term Interest Rate means a term, non-variable interest rate established in accordance with the Seventh Supplemental Trust Agreement.

Long Term Interest Rate Period means each period during which a Long Term Interest Rate is in effect.

Mandatory Standby Tender means the mandatory tender of the applicable 2010 Series A Bonds pursuant to the Seventh Supplemental Trust Agreement upon receipt by the Trustee of written notice from the applicable Liquidity Provider that an event with respect to such Series 2010 A Liquidity Facility has occurred which requires or gives the Liquidity Provider the option to terminate such Series 2010 A Liquidity Facility upon notice. Mandatory Standby Tender shall not include circumstances where the Liquidity Provider may suspend or terminate its obligations to purchase the applicable 2010 Series A Bonds without notice, in which case there will be no mandatory tender.

Maximum Bank Bond Interest Rate means the lesser of (a) the rate of 20% per annum and (b) the Maximum Lawful Rate.

Maximum Bond Interest Rate means the lesser of 12% per annum and the Maximum Lawful Rate.

Maximum Lawful Rate means the maximum rate of interest on the relevant obligation permitted by applicable law.

Participant means, with respect to DTC or another Securities Depository, a member of or participant in DTC or such other Securities Depository, respectively.

Paying Agent means, initially, The Bank of New York Mellon, and any successor paying agent, provided that so long as a Series 2010 A Credit Facility or a Series 2010 A Liquidity Facility is in effect, the paying agent shall be the same Person as the Tender Agent.

Payment Date means each Interest Payment Date or any other date on which any principal of, premium, if any, or interest on any 2010 Series A Bond is due and payable for any reason, including without limitation upon any redemption of Bonds pursuant to the Seventh Supplemental Trust Agreement.

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

Refunding Trust Agreement means the Refunding Trust Agreement dated as of March 1, 2010 by and between the Department and The Bank of New York Mellon, as refunding trustee.

Reimbursement Agreements means, with respect to the 2010 Series A-3 Bonds and the 2010 Series A-6 Bonds, the reimbursement agreements set forth in Schedule A to the Seventh Supplemental Trust Agreement.

Remarketing Account means each account with that name established within the Bond Purchase Fund pursuant to the Seventh Supplemental Trust Agreement.

Remarketing Agent means each Person qualified under the Seventh Supplemental Trust Agreement to act as Remarketing Agent for the 2010 Series A Bonds and appointed by the Department from time to time.

Remarketing Agreement means a Remarketing Agreement between the Department and the Remarketing Agent whereby the Remarketing Agent undertakes to perform the duties of the Remarketing Agent under the Seventh Supplemental Trust Agreement, as amended from time to time.

Request means a request by the Tender Agent under a Series 2010 A Credit Facility or Series 2010 A Liquidity Facility for the payment of the Tender Price of Bonds in accordance with the terms of the Seventh Supplemental Trust Agreement.

Securities Act means the Securities Act of 1933, as amended, and any successor thereto.

Securities Depository means DTC or, if applicable, any successor securities depository.

Series 2010 Bonds means, collectively, the 2010 Series A Bonds and the 2010 Series B Bonds.

Series 2010 A Credit Facility means (i) initially, the Letters of Credit, and all amendments, extensions, renewals or substitutions thereof pursuant to their terms, and upon the effectiveness of any Alternate Credit Facility, such Alternate Credit Facility, and (ii) any other direct-pay letter of credit, insurance policy, surety bond, line of

credit or other instrument then in effect which secures or guarantees the payment of principal of and purchase price and interest on any series of 2010 Series A Bonds.

Series 2010 A Liquidity Facility means (i) initially, the Standby Bond Purchase Agreements, and (ii) any other letter of credit, standby bond purchase agreement, line of credit, loan, guaranty or similar agreement to provide liquidity support to pay the Tender Price of any series of the 2010 Series A Bonds tendered for purchase in accordance with the provisions of the Seventh Supplemental Trust Agreement and any Alternate Liquidity Facility delivered pursuant to the Seventh Supplemental Trust Agreement and with terms that are not inconsistent with the terms of the Seventh Supplemental Trust Agreement.

Seventh Supplemental Trust Agreement shall mean the Seventh Supplemental Metropolitan Highway System Trust Agreement by and between the Department and the Trustee, dated as of March 1, 2010, which supplements and amends the Metropolitan Highway System Trust Agreement.

Short Term Interest Rate Period means each period, consisting of Bond Interest Terms, during which the 2010 Series A Bonds bear interest at one or more Bond Interest Term Rates.

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

Standby Bond Purchase Agreements means, with respect to the 2010 Series A-1 Bonds, the 2010 Series A-2 Bonds, the 2010 Series A-4 Bonds, the 2010 Series A-5 Bonds and the 2010 Series A-7 Bonds, the standby bond purchase agreements set forth in Schedule A to the Seventh Supplemental Trust Agreement.

Tender Agent means each Person qualified under the Seventh Supplemental Trust Agreement to act as Tender Agent with respect to the 2010 Series A Bonds and so appointed by the Department and so acting from time to time, and its successors.

Tender Date means the date on which 2010 Series A Bonds are required to be purchased pursuant to the Seventh Supplemental Trust Agreement.

Tender Price means the purchase price to be paid to the Owners of 2010 Series A Bonds purchased pursuant to the Seventh Supplemental Trust Agreement, which shall be equal to the principal amount thereof tendered for purchase, without premium, plus accrued interest from the immediately preceding Interest Accrual Date to the Tender Date (if the Tender Date is not an Interest Accrual Date); provided, however, that in the case of a Conversion or attempted Conversion from a Long Term Interest Rate Period on a date on which the 2010 Series A Bonds being converted would otherwise be subject to optional redemption pursuant to the Seventh Supplemental Trust Agreement if such Conversion did not occur, the Tender Price shall also include the optional redemption premium, if any, provided for such date under the Seventh Supplemental Trust Agreement.

Trust Indenture Act means the Trust Indenture Act of 1939, as amended, and any successor thereto.

2010 Series A Bonds means, collectively, the 2010 Series A-1 Bonds, the 2010 Series A-2 Bonds, the 2010 Series A-3 Bonds, the 2010 Series A-4 Bonds, the 2010 Series A-5 Bonds, the 2010 Series A-6 Bonds and the 2010 Series A-7 Bonds, each issued pursuant to the Seventh Supplemental Trust Agreement.

2010 Series A-1 Bonds means \$43,625,000 Metropolitan Highway System Revenue Bonds (Subordinated), Commonwealth Contract Assistance Secured, Variable Rate Demand Obligations, 2010 Series A-1 dated the date of delivery thereof.

2010 Series A-2 Bonds means \$83,100,000 Metropolitan Highway System Revenue Bonds (Subordinated), Commonwealth Contract Assistance Secured, Variable Rate Demand Obligations, 2010 Series A-2 dated the date of delivery thereof.

2010 Series A-3 Bonds means \$92,845,000 Metropolitan Highway System Revenue Bonds (Subordinated), Commonwealth Contract Assistance Secured, Variable Rate Demand Obligations, 2010 Series A-3 dated the date of delivery thereof.

2010 Series A-4 Bonds means \$92,845,000 Metropolitan Highway System Revenue Bonds (Subordinated), Commonwealth Contract Assistance Secured, Variable Rate Demand Obligations, 2010 Series A-4 dated the date of delivery thereof.

2010 Series A-5 Bonds means \$92,845,000 Metropolitan Highway System Revenue Bonds (Subordinated), Commonwealth Contract Assistance Secured, Variable Rate Demand Obligations, 2010 Series A-5 dated the date of delivery thereof.

2010 Series A-6 Bonds means \$92,845,000 Metropolitan Highway System Revenue Bonds (Subordinated), Commonwealth Contract Assistance Secured, Variable Rate Demand Obligations, 2010 Series A-6 dated the date of delivery thereof.

2010 Series A-7 Bonds means \$94,230,000 Metropolitan Highway System Revenue Bonds (Subordinated), Commonwealth Contract Assistance Secured, Variable Rate Demand Obligations, 2010 Series A-7 dated the date of delivery thereof.

2010 Series A Debt Service Reserve Requirement means (i) on the date of issuance of the 2010 Series A Bonds, \$36,013,968 and (ii) thereafter, an amount equal to 6.08% of the notional amount outstanding from time to time of the UBS Subordinated Swap Agreement.

2010 Series B Bonds means \$261,220,000 Metropolitan Highway System Revenue Bonds (Subordinated), Commonwealth Contract Assistance Secured, 2010 Series B dated the date of delivery thereof.

UBS Subordinated Swap Agreement means the ISDA Master Agreement dated as of May 22, 2001 and the Amended and Restated Schedule dated as of October 20, 2009, each by and between UBS AG and Massachusetts Turnpike Authority, as predecessor to the Department, and all Confirmations exchanged between the parties confirming the Transactions thereunder relating solely to Subordinated Bonds.

Undelivered Bond means any 2010 Series A Bond which constitutes an Undelivered Bond under the provisions of the Seventh Supplemental Trust Agreement.

Underwriter means, collectively or individually, as the context requires, Citigroup Global Markets Inc, J.P. Morgan Securities Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Barclays Capital, Inc.

Weekly Interest Rate means a variable interest rate for the 2010 Series A Bonds established in accordance with the Seventh Supplemental Trust Agreement.

Weekly Interest Rate Period means each period during which a Weekly Interest Rate is in effect for the 2010 Series A Bonds. (Section 101 of the Seventh Supplemental Trust Agreement)

Interest Rate Periods

The terms of the 2010 Series A Bonds shall be divided into consecutive Interest Rate Periods during each of which the 2010 Series A Bonds shall bear interest at the Daily Interest Rate, Weekly Interest Rate, Bond Interest Term Rates or Long Term Interest Rate. However, at any given time, all 2010 Series A Bonds shall bear interest at a Daily Interest Rate, a Weekly Interest Rate or a Long Term Interest Rate or at Bond Interest Term Rates. Each sub-series of 2010 Series A Bonds may bear interest in an Interest Rate Period different from that of the other sub-series of 2010 Series A Bonds provided that, except when bearing interest at Bond Interest Term Rates, all 2010 Series A Bonds of a single sub-series shall bear the same interest rate at any one time. (Section 204 of the Seventh Supplemental Trust Agreement)

Determination of Interest Rates

Weekly Interest Rate. During each Weekly Interest Rate Period, the 2010 Series A Bonds shall bear interest at the Weekly Interest Rate, which shall be determined by the Remarketing Agent by 5:00 p.m. on Tuesday of each week during the Weekly Interest Rate Period, or if such day is not a Business Day, then on the next succeeding Business Day. The first Weekly Interest Rate for each Weekly Interest Rate Period shall be determined on or prior to the first day of such Weekly Interest Rate Period and shall apply to the period commencing on the first day of such Weekly Interest Rate Period and ending on and including the next succeeding Tuesday. Thereafter, each Weekly Interest Rate shall apply to the period commencing on and including Wednesday and ending on and including the next succeeding Tuesday, unless such Weekly Interest Rate Period ends on a day other than Tuesday, in which event the last Weekly Interest Rate for such Weekly Interest Rate Period shall apply to the period commencing on and including the Wednesday preceding the last day of such Weekly Interest Rate Period and

ending on and including the last day of such Weekly Interest Rate Period. Each Weekly Interest Rate with respect to the 2010 Series A Bonds shall be the rate of interest per annum determined by the Remarketing Agent (based on an examination of tax exempt obligations comparable, in the judgment of the Remarketing Agent, to the 2010 Series A Bonds and known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by the 2010 Series A Bonds, would enable the Remarketing Agent to sell all of the 2010 Series A Bonds on the effective date of that rate at a price (without regard to accrued interest) equal to the principal amount thereof.

Daily Interest Rate. During each Daily Interest Rate Period, the 2010 Series A Bonds shall bear interest at the Daily Interest Rate, which shall be determined by the Remarketing Agent on each Business Day for such Business Day. The Daily Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent (based on an examination of tax exempt obligations comparable, in the judgment of the Remarketing Agent, to the 2010 Series A Bonds and known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) on or before 9:30 a.m. on a Business Day to be the minimum interest rate which, if borne by such 2010 Series A Bonds, would enable the Remarketing Agent to sell all of such 2010 Series A Bonds on such Business Day at a price (without regard to accrued interest) equal to the principal amount thereof. The Daily Interest Rate for any day which is not a Business Day shall be the same as the Daily Interest Rate for the immediately preceding Business Day.

Long Term Interest Rate. During each Long Term Interest Rate Period, the 2010 Series A Bonds shall bear interest at a Long Term Interest Rate. The Long Term Interest Rate for each Long Term Interest Period shall be determined by the Remarketing Agent on a Business Day no later than the effective date of such Long Term Interest Rate Period. The Long Term Interest Rate shall be the rate of interest per annum determined by the Remarketing Agent (based on an examination of tax exempt obligations comparable, in the judgment of the Remarketing Agent, to the 2010 Series A Bonds and known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate at which the Remarketing Agent will agree to purchase such 2010 Series A Bonds on such effective date for resale at a price (without regard to accrued interest) equal to the principal amount thereof; provided, however, in the case of a Long-Term Interest Rate Period effective to the maturity date, the Long-Term Interest Rate may be the rate of interest determined by the Remarketing Agent, with the consent of the Department, which will enable the Remarketing Agent to resell the 2010 Series A Bonds at a price (without regard to accrued interest) which will result in the lowest net interest cost for the 2010 Series A Bonds, after taking into account any premium or discount at which the 2010 Series A Bonds are to be sold.

Bond Interest Term Rate. During each Short Term Interest Rate Period, each 2010 Series A Bond shall bear interest during each Bond Interest Term at the Bond Interest Term Rate for that 2010 Series A Bond. The Bond Interest Term and the Bond Interest Term Rate for each 2010 Series A Bond need not be the same for any two 2010 Series A Bonds, even if determined on the same date. Each Bond Interest Term and Bond Interest Term Rate shall be determined by the Remarketing Agent no later than the first day of each Bond Interest Term. Except for any 2010 Series A Bond purchased on behalf of the Department and remaining unsold by the Remarketing Agent at the close of business on the first day of the Bond Interest Term, each Bond Interest Term shall be for a period of days within the range or ranges announced by the Remarketing Agent as possible Bond Interest Terms no later than 9:00 a.m. on the first day of each Bond Interest Term. Each Bond Interest Term shall be a period of not more than 180 days, determined by the Remarketing Agent in its reasonable judgment to be the period which, together with all other Bond Interest Terms for all 2010 Series A Bonds bearing interest at Bond Interest Term Rates then Outstanding, will result in the lowest overall interest expense on such 2010 Series A Bonds.

The Bond Interest Term Rate for each Bond Interest Term for each 2010 Series A Bond in a Short Term Interest Rate Period shall be the rate of interest per annum determined by the Remarketing Agent (based on an examination of tax exempt obligations comparable, in the reasonable judgment of such Remarketing Agent, to the 2010 Series A Bonds and known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by such 2010 Series A Bond for such Bond Interest Term, would enable the Remarketing Agent to sell such 2010 Series A Bond on the effective date of such Bond Interest Term at a price equal to the principal amount thereof. (Section 204 of the Seventh Supplemental Trust Agreement)

Notice of Interest Rate

The Remarketing Agent shall determine the rate of interest for 2010 Series A Bonds during each Interest Rate Period and each Bond Interest Term relating thereto and the Bond Interest Terms for 2010 Series A Bonds during each Short Term Interest Rate Period relating thereto as provided in the Seventh Supplemental Trust Agreement and shall furnish to the Trustee and the Department no later than the Business Day next succeeding the date of determination each rate of interest and Bond Interest Term so determined by telephone or telecopy, promptly confirmed in writing; provided that during a Daily Interest Rate Period such information need be provided only once a week. In lieu of the notification provided in the preceding sentence, the Remarketing Agent may make such information available by readily accessible electronic means. (Section 318 of the Seventh Supplemental Trust Agreement)

Conversion

At the direction of the Department from time to time, any series of the 2010 Series A Bonds may be converted, in whole, from an Interest Rate Period to another Interest Rate Period.

Conversion to Weekly Interest Rate. The Department may, by written direction to the Trustee, the Tender Agent (if any), the Liquidity Provider (if any), the Credit Provider (if any) and the Remarketing Agent (if any), elect that the 2010 Series A Bonds shall bear interest at a Weekly Interest Rate. The direction of the Department shall specify (A) the proposed effective date of the Conversion to a Weekly Interest Rate, which shall be (1) in each case, a Business Day not earlier than the 10th day following the second Business Day after receipt by the Trustee of such direction, (2) in the case of a Conversion from a Long Term Interest Rate Period, the day immediately following the last day of the then current Long Term Interest Rate Period or a day on which the 2010 Series A Bonds would otherwise be subject to optional redemption pursuant to the Seventh Supplemental Trust Agreement if such Conversion did not occur and (3) in the case of a Conversion from a Short Term Interest Rate Period, the day immediately following the last day of the Short Term Interest Rate Period determined in accordance with the Seventh Supplemental Trust Agreement, and (B) the Tender Date for the 2010 Series A Bonds to be purchased, which shall be the proposed effective date of the Conversion to a Weekly Interest Rate.

The Trustee shall give notice by first class mail of a Conversion to a Weekly Interest Rate Period to the Owners of the 2010 Series A Bonds not less than 10 days prior to the proposed effective date of such Weekly Interest Rate Period. Such notice shall state (A) that the interest rate shall be converted to a Weekly Interest Rate unless the Department rescinds its election to convert the interest rate to a Weekly Interest Rate as provided in the Seventh Supplemental Trust Agreement; (B) the proposed effective date of the Weekly Interest Rate Period; (C) that the 2010 Series A Bonds are subject to mandatory tender for purchase on the proposed effective date and setting forth the Tender Price and the place of delivery for purchase of the 2010 Series A Bonds; and (D) the information set forth in the notice of mandatory tender as described under the heading "Mandatory Tender" below.

Conversion to Daily Interest Rate. The Department may, by written direction to the Trustee, the Tender Agent (if any), the Liquidity Provider (if any), the Credit Provider (if any) and the Remarketing Agent (if any), elect that the 2010 Series A Bonds shall bear interest at a Daily Interest Rate. The direction of the Department shall specify (A) the proposed effective date of such Conversion to a Daily Interest Rate, which shall be (1) in each case, a Business Day not earlier than the 10th day following the second Business Day after receipt by the Trustee of such direction, (2) in the case of a Conversion from a Long Term Interest Rate Period, the day immediately following the last day of the then current Long Term Interest Rate Period or a day on which the 2010 Series A Bonds would otherwise be subject to optional redemption pursuant the Seventh Supplemental Trust Agreement if such Conversion did not occur and (3) in the case of a Conversion from a Short Term Interest Rate Period, the day immediately following the last day of the Short Term Interest Rate Period determined in accordance with the Seventh Supplemental Trust Agreement, and (B) the Tender Date for the 2010 Series A Bonds to be purchased, which shall be the proposed effective date of the Conversion to a Daily Interest Rate.

The Trustee shall give notice by first class mail of a Conversion to a Daily Interest Rate Period to the Owners of the 2010 Series A Bonds not less than 10 days prior to the proposed effective date of such Daily Interest Rate Period. Such notice shall state (A) that the interest rate shall be converted to a Daily Interest Rate unless the Department rescinds its election to convert the interest rate to a Daily Interest Rate as provided in the Seventh Supplemental Trust Agreement; (B) the proposed effective date of the Daily Interest Rate Period; (C) that the 2010 Series A Bonds are subject to mandatory tender for purchase on the proposed effective date and setting forth the

Tender Price and the place of delivery for purchase of such 2010 Series A Bonds and (D) the information set forth in the notice of mandatory tender as described under the heading “Mandatory Tender” below.

Conversion to Long Term Interest Rate. The Department by written direction to the Trustee, the Tender Agent (if any), the Liquidity Provider (if any), the Credit Provider (if any) and the Remarketing Agent (if any), may elect that the 2010 Series A Bonds shall bear, or continue to bear, interest at a Long Term Interest Rate. The direction of the Department (1) shall specify the duration of the Long Term Interest Rate Period; (2) shall specify the proposed effective date of the Long Term Interest Rate Period, which date shall be (x) in each case, a Business Day not earlier than the 10th day following the second Business Day after receipt by the Trustee of such direction and (y) in the case of a Conversion from a Short Term Interest Rate Period, the day immediately following the last day of the Short Term Interest Rate Period determined in accordance with the Seventh Supplemental Trust Agreement; (3) shall specify the last day of the Long Term Interest Rate Period (which last day shall be either the day immediately prior to the maturity date, or a day which both immediately precedes a Business Day and is at least 181 days after the effective date thereof); and (4) shall specify a Tender Date on which Owners of the 2010 Series A Bonds are required to deliver their Bonds to be purchased.

If, by the second Business Day preceding the 9th day prior to the last day of any Long Term Interest Rate Period with respect to the 2010 Series A Bonds, the Trustee has not received notice of the Department’s election that, during the next succeeding Interest Rate Period, such 2010 Series A Bonds shall bear interest at a Weekly Interest Rate, a Daily Interest Rate, a Long Term Interest Rate or at Bond Interest Term Rates, the next succeeding Interest Rate Period shall be a Weekly Interest Rate Period until such time as the interest rate shall be adjusted to a Daily Interest Rate or Long Term Interest Rate or Bond Interest Term Rates as provided in the Seventh Supplemental Trust Agreement, and the 2010 Series A Bonds shall be subject to mandatory purchase as provided in the Seventh Supplemental Trust Agreement on the first day of such Weekly Interest Rate Period.

The Trustee shall give notice by first class mail of a Conversion to a (or the establishment of another) Long Term Interest Rate Period to the Owners of the 2010 Series A Bonds not less than 10 days prior to the effective date of the Long Term Interest Rate Period. Such notice shall state (A) that the interest rate shall be converted to, or continue to be, a Long Term Interest Rate unless (1) the Department rescinds its election to convert the interest rate to a Long Term Interest Rate as provided in the Seventh Supplemental Trust Agreement or (2) all the 2010 Series A Bonds are not remarketed at a Long Term Interest Rate; (B) the proposed effective date, duration and last day of the Long Term Interest Rate Period; (C) that the 2010 Series A Bonds are subject to mandatory tender for purchase on such proposed effective date and setting forth the Tender Price and the place of delivery for purchase of the 2010 Series A Bonds; and (D) the information set forth in the notice of mandatory tender as described under the heading “Mandatory Tender” below.

Conversion to Bond Interest Term Rate. The Department may, by written direction to the Trustee, the Tender Agent (if any), the Liquidity Provider (if any), the Credit Provider (if any), and the Remarketing Agent (if any), elect that the 2010 Series A Bonds shall bear interest at Bond Interest Term Rates. The direction of the Department shall specify (A) the proposed effective date of the Short Term Interest Rate Period (during which the 2010 Series A Bonds shall bear interest at Bond Interest Term Rates), which shall be (1) in each case, a Business Day not earlier than the 10th day following the second Business Day after receipt by the Trustee of such direction and (2) in the case of a Conversion from a Long Term Interest Rate Period, the day immediately following the last day of such Long Term Interest Rate Period or a day on which the 2010 Series A Bonds would otherwise be subject to optional redemption pursuant to the Seventh Supplemental Trust Agreement if such Conversion did not occur, and (B) the Tender Date for the 2010 Series A Bonds to be purchased, which shall be the proposed effective date of the Short Term Interest Rate Period.

The Trustee shall give notice by first class mail of a Conversion to a Short Term Interest Rate Period to the Owners of the 2010 Series A Bonds not less than 10 days prior to the proposed effective date of such Short Term Interest Rate Period. Such notice shall state (A) that the 2010 Series A Bonds shall bear interest at Bond Interest Term Rates unless the Department rescinds its election to convert the interest rate to Bond Interest Term Rates as provided in the Seventh Supplemental Trust Agreement; (B) the proposed effective date of the Short Term Interest Rate Period; (C) that the 2010 Series A Bonds are subject to mandatory tender for purchase on the proposed effective date of the Short Term Interest Rate Period and setting forth the applicable Tender Price and the place of

delivery for purchase of such 2010 Series A Bonds; and (D) the information set forth in the notice of mandatory tender as described under the heading “Mandatory Tender” below.

Maximum Bond Interest Rate to Apply Under Certain Circumstances. Notwithstanding anything in the Seventh Supplemental Trust Agreement to the contrary, if the 2010 Series A Bonds are bearing interest at a Weekly Interest Rate, a Daily Interest Rate or Bond Interest Term Rates and the Remarketing Agent resigns and no successor has been appointed as of the effective date of such resignation, then the 2010 Series A Bonds shall bear interest at the Maximum Bond Interest Rate until a successor Remarketing Agent has been appointed and begins determining the Weekly Interest Rate, Daily Interest Rate or Bond Interest Term Rates. Notwithstanding anything in the Seventh Supplemental Trust Agreement to the contrary, if a Series 2010 A Liquidity Facility is required to be maintained pursuant to the Seventh Supplemental Trust Agreement and no Series 2010 A Liquidity Facility or Series 2010 A Credit Facility is in effect, then the 2010 Series A Bonds shall bear interest at the Maximum Bond Interest Rate until an Alternate Liquidity Facility is delivered to the Tender Agent and accepted pursuant to the Seventh Supplemental Trust Agreement or a Series 2010 A Credit Facility is delivered to the Trustee and accepted pursuant to Seventh Supplemental Trust Agreement. (Section 204 of the Seventh Supplemental Trust Agreement)

Other Conditions to Conversion

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

- (i) With respect to the new Interest Rate Period, there shall be in effect a Series 2010 A Liquidity Facility or a Series 2010 A Credit Facility if and as required under the Seventh Supplemental Trust Agreement.
- (ii) The Trustee shall have received a Favorable Opinion of Bond Counsel with respect to such Conversion dated the effective date of such Conversion.
- (iii) In the case of any Conversion with respect to which there shall be no Series 2010 A Liquidity Facility or Series 2010 A Credit Facility in effect to provide funds for the purchase of the applicable 2010 Series A Bonds on the Conversion Date, the remarketing proceeds available on the Conversion Date shall not be less than the amount required to purchase all of the applicable 2010 Series A Bonds at the Tender Price (not including any premium).
- (iv) Such Conversion is not prohibited by the related Series 2010 A Credit Facility or Series 2010 A Liquidity Facility.

In the event that any condition to the Conversion of any series of 2010 Series A Bonds shall not have been satisfied as provided in this section or otherwise under the Seventh Supplemental Trust Agreement, then the applicable 2010 Series A Bonds shall bear interest at a Weekly Interest Rate commencing on the date which would have been the effective date of the Conversion unless the applicable 2010 Series A Bonds were in a Daily Interest Rate Period immediately prior to such proposed Conversion. If the 2010 Series A Bonds proposed to be converted were in a Daily Interest Rate Period immediately prior to such proposed Conversion, then such 2010 Series A Bonds shall continue to bear interest at the Daily Interest Rate as in effect immediately prior to such proposed Conversion. The applicable 2010 Series A Bonds shall continue to be subject to mandatory tender for purchase on the date which would have been the effective date of the Conversion as provided in the Seventh Supplemental Trust Agreement. (Section 205 of the Seventh Supplemental Trust Agreement)

Optional Tender

During Weekly Interest Rate Period. During any Weekly Interest Rate Period, any 2010 Series A Bond (other than a Bank Bond or Borrower Bond) bearing interest at a Weekly Interest Rate shall be purchased in an Authorized Denomination (provided that the amount of any such 2010 Series A Bond not to be purchased shall also be in an Authorized Denomination) from its Bondowner at the option of the Bondowner on any Business Day at a purchase price equal to the Tender Price, payable in immediately available funds, upon delivery to the Tender Agent and to the Trustee and with a copy to the Remarketing Agent of an irrevocable written notice which states the series and principal amount of such 2010 Series A Bond, the principal amount thereof to be purchased and the date on

which the same shall be purchased, which date shall be a Business Day not prior to the seventh day after the date of the delivery of such notice to the Tender Agent, the Trustee and the Remarketing Agent. Any notice delivered to the Tender Agent after 4:00 p.m. shall be deemed to have been received on the next succeeding Business Day. Bank Bonds and Borrower Bonds may not be tendered for purchase at the option of the Owner thereof. For payment of the Tender Price on the Tender Date, such 2010 Series A Bond must be delivered at or prior to 10:00 a.m. on the Tender Date to the Tender Agent accompanied by an instrument of transfer, in form satisfactory to the Tender Agent executed in blank by the Bondowner or its duly authorized attorney, with such signature guaranteed by a commercial bank, trust company, or member firm of the New York Stock Exchange.

During Daily Interest Rate Period. During any Daily Interest Rate Period, any 2010 Series A Bond (other than a Bank Bond) bearing interest at a Daily Interest Rate shall be purchased in an Authorized Denomination (provided that the amount of any such 2010 Series A Bond not to be purchased shall also be in an Authorized Denomination) from its Bondowner at the option of the Bondowner on any Business Day at a purchase price equal to the Tender Price, payable in immediately available funds, upon delivery to the Tender Agent and to the Trustee and with a copy to the Remarketing Agent, by no later than 11:00 a.m. on such Business Day, of an irrevocable written notice or an irrevocable telephonic notice, promptly confirmed by telecopy or other writing, which states the series and principal amount of such 2010 Series A Bonds to be purchased on such Business Day. Bank Bonds may not be tendered for purchase at the option of the Owner thereof. For payment of the Tender Price on the Tender Date, such 2010 Series A Bonds must be delivered, at or prior to 12:00 noon, on the Tender Date, to the Tender Agent, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the Bondowner thereof or its duly authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange. (Section 305 of the Seventh Supplemental Trust Agreement)

Mandatory Tender

Mandatory Tender for Purchase on Day Next Succeeding Last Day of Each Bond Interest Term. On the first day following the last day of each Bond Interest Term unless such day is the first day of a new Interest Rate Period (in which case a 2010 Series A Bond shall be subject to mandatory purchase pursuant to the following paragraph), a 2010 Series A Bond shall be subject to mandatory tender for purchase at the Tender Price, payable by wire transfer in immediately available funds, if such 2010 Series A Bond is delivered to the Tender Agent on or prior to 12:00 noon on the Tender Date, or if delivered after 12:00 noon, on the next succeeding Business Day. Interest shall cease to accrue on such 2010 Series A Bond on the last day of each Bond Interest Term. The Tender Price shall be payable only upon surrender of such 2010 Series A Bond to the Tender Agent, accompanied by an instrument of transfer, in form satisfactory to the Tender Agent, executed in blank by the Bondowner or its duly authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

Mandatory Tender for Purchase on First Day of Each Interest Rate Period. The 2010 Series A Bonds shall be subject to mandatory tender for purchase on the first day of each Interest Rate Period (or on the day which would have been the first day of an Interest Rate Period had the Department not rescinded its election to make a Conversion or had one of the conditions necessary for a Conversion not occurred which resulted in the interest rate on such 2010 Series A Bonds not being converted) at the Tender Price, payable in immediately available funds. The 2010 Series A Bonds shall be subject to mandatory tender for purchase pursuant to the provisions described in this paragraph on the first day following the last day of each Long-Term Interest Rate Period (because such day will be, or would have been, the first day of a new Interest Rate Period). For payment of the Tender Price on the Tender Date, a 2010 Series A Bond must be delivered at or prior to 10:00 a.m. on the Tender Date. If delivered after that time, the Tender Price shall be paid on the next succeeding Business Day. The Tender Price shall be payable only upon surrender of such 2010 Series A Bond to the Tender Agent, accompanied by an instrument of transfer, in form satisfactory to the Tender Agent, executed in blank by the Bondowner or its duly authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

Mandatory Tender for Purchase upon Termination, Replacement or Expiration of Series 2010 A Credit Facility or Series 2010 A Liquidity Facility; Mandatory Standby Tender. If at any time the Trustee gives notice, in accordance with the Seventh Supplemental Trust Agreement, that 2010 Series A Bonds tendered for purchase shall, on the date specified in such notice, cease to be subject to purchase pursuant to the related Series 2010 A Credit Facility or Series 2010 A Liquidity Facility then in effect as a result of (i) the termination, replacement or expiration of the term, as extended, of such Series 2010 A Credit Facility or Series 2010 A Liquidity Facility, including but not

limited to termination at the option of the Department in accordance with the terms of such Series 2010 A Credit Facility or Series 2010 A Liquidity Facility, or (ii) the occurrence of a Mandatory Standby Tender, then the 2010 Series A Bonds shall be subject to mandatory tender for purchase at the Tender Price, payable in immediately available funds. The mandatory purchase of 2010 Series A Bonds pursuant to the provisions described in this paragraph shall occur: (1) on the fifth Business Day preceding any such expiration or termination of such Series 2010 A Credit Facility or Series 2010 A Liquidity Facility without replacement by an Alternate Liquidity Facility, a Series 2010 A Credit Facility, an Alternate Credit Facility or a Series 2010 A Liquidity Facility or no later than one Business Day prior to any termination of a Series 2010 A Liquidity Facility as a result of a Mandatory Standby Tender, and (2) on the proposed date of the replacement of a Series 2010 A Liquidity Facility or a Series 2010 A Credit Facility, in any case where an Alternate Liquidity Facility is to be delivered to the Tender Agent pursuant to the Seventh Supplemental Trust Agreement or a Series 2010 A Credit Facility or an Alternate Credit Facility is to be delivered to the Trustee pursuant to the Seventh Supplemental Trust Agreement. In the case of any replacement of an existing Series 2010 A Liquidity Facility or Series 2010 A Credit Facility, the existing Series 2010 A Liquidity Facility or Series 2010 A Credit Facility will be drawn upon to pay the Tender Price, if necessary, rather than the Alternate Liquidity Facility or the Alternate Credit Facility. No mandatory tender pursuant to the provisions described in this paragraph will be effected upon the replacement of a Series 2010 A Liquidity Facility or a Series 2010 A Credit Facility in the case where the related Liquidity Provider or the Credit Provider has failed to honor a properly presented and conforming drawing or demand for purchase under the related facility. The assignment of any Series 2010 A Liquidity Facility or Series 2010 A Credit Facility which relieves the Liquidity Provider or the Credit Provider of its obligation to purchase the related 2010 Series A Bonds shall be considered a replacement for the purposes of the provisions described in this paragraph.

For payment of the Tender Price on the Tender Date, a 2010 Series A Bond must be delivered at or prior to 10:00 a.m. on the Tender Date. If delivered after that time, the Tender Price shall be paid on the next succeeding Business Day. The Tender Price shall be payable only upon surrender of such 2010 Series A Bond to the Tender Agent at its principal office for delivery of 2010 Series A Bonds, accompanied by an instrument of transfer, in form satisfactory to the Tender Agent, executed in blank by the Owner or its duly authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange. If, as a result of any Mandatory Standby Tender or expiration, termination with notice or replacement of a Series 2010 A Liquidity Facility or a Series 2010 A Credit Facility, any 2010 Series A Bond is no longer subject to purchase pursuant to a Series 2010 A Liquidity Facility or a Series 2010 A Credit Facility, the Tender Agent (upon receipt from the Owner thereof in exchange for payment of the Tender Price thereof) shall present such 2010 Series A Bond to the Trustee for notation of such fact thereon.

Mandatory Tender for Purchase at the Direction of the Department or the Credit Provider.

(i) During any Daily Interest Rate Period or Weekly Interest Rate Period, the 2010 Series A Bonds are subject to mandatory tender for purchase on any Business Day designated by the Department, with the written consent of the Remarketing Agent and the related Liquidity Provider or the Credit Provider, if any, at the Tender Price, payable in immediately available funds. Such purchase date shall be a Business Day not earlier than the 10th day following the second Business Day after receipt by the Trustee of such designation.

(ii) Any series of 2010 Series A Bonds for which a Series 2010 A Credit Facility is in effect is subject to mandatory tender for purchase at the Tender Price, payable in immediately available funds, on the fourth Business Day after receipt by the Trustee of a written notice from the Credit Provider of a non-reinstatement of the Series 2010 A Credit Facility or that an “Event of Default” under the Credit Provider Agreement has occurred and is continuing, and a written request from the Credit Provider that all of such 2010 Series A Bonds be required to be tendered for purchase.

(iii) For payment of the Tender Price on the Tender Date, 2010 Series A Bonds must be delivered at or prior to 10:00 a.m. on the Tender Date. If delivered after that time, the Tender Price shall be paid on the next succeeding Business Day. The Tender Price shall be payable only upon surrender of such 2010 Series A Bonds to the Tender Agent at its principal office for delivery of 2010 Series A Bonds, accompanied by an instrument of transfer, in form satisfactory to the Tender Agent, executed in blank by the Bondowner or its duly authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

Notice of Mandatory Tender for Purchase. In connection with any mandatory tender for purchase of 2010 Series A Bonds in accordance with the provisions described in the second and third subsections of this section, the Trustee shall give the notice required by this paragraph. In connection with any mandatory tender for purchase of 2010 Series A Bonds in accordance with the provisions described in clause (i) of the preceding subsection, the Trustee shall give notice of a mandatory tender for purchase by first-class mail to the Owners, with a copy to the Department, the Tender Agent, the Remarketing Agent and the Liquidity Provider or the Credit Provider, not less than 10 days prior to the Tender Date. In connection with any mandatory tender for purchase of 2010 Series A Bonds in accordance with the provisions described in clause (ii) of the preceding subsection, the Trustee shall give notice of a mandatory tender for purchase by first-class mail to the Owners, with a copy to the Department, the Tender Agent and the Remarketing Agent, not less than three days prior to the Tender Date. Such notice shall state (i) in the case of a mandatory tender for purchase pursuant to the second subsection of this section, the type of Interest Rate Period to commence on such mandatory purchase date; (ii) in the case of a mandatory tender for purchase pursuant to the third subsection of this section, that the Series 2010 A Credit Facility or Series 2010 A Liquidity Facility will expire, terminate or be replaced and that the Tender Price of the affected 2010 Series A Bonds will no longer be payable from the Series 2010 A Credit Facility or Series 2010 A Liquidity Facility then in effect and that any rating applicable to such 2010 Series A Bonds may be reduced or withdrawn; (iii) that the Tender Price of any 2010 Series A Bond subject to mandatory tender for purchase shall be payable only upon surrender of that 2010 Series A Bond to the Tender Agent at its principal office for delivery of 2010 Series A Bonds, accompanied by an instrument of transfer, in form satisfactory to the Tender Agent, executed in blank by the Bondowner or its duly authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange; (iv) that, provided that moneys sufficient to effect such purchase shall have been provided through the remarketing of such 2010 Series A Bonds by the Remarketing Agent, through the Series 2010 A Liquidity Facility or funds provided by the Department, all 2010 Series A Bonds subject to mandatory tender for purchase shall be purchased on the mandatory Tender Date; and (v) that if any Owner of a 2010 Series A Bond subject to mandatory tender for purchase does not surrender that 2010 Series A Bond to the Tender Agent for purchase on the mandatory Tender Date, then that 2010 Series A Bond shall be deemed to be an Undelivered Bond, that no interest shall accrue on that 2010 Series A Bond on and after the mandatory Tender Date and that the Owner shall have no rights under the Seventh Supplemental Trust Agreement other than to receive payment of the Tender Price. (Section 305 of the Seventh Supplemental Trust Agreement)

Delivery of 2010 Series A Bonds

2010 Series A Bonds purchased with money derived from the remarketing of the 2010 Series A Bonds shall be made available by the Tender Agent to the Remarketing Agent for delivery to the purchasers thereof against payment therefor.

2010 Series A Bonds purchased with money furnished by a Liquidity Provider shall be registered in the name of the Liquidity Provider or Credit Provider, as applicable, and delivered in certificated form to the Liquidity Provider or the Credit Provider as soon as practical following their purchase or held by the Tender Agent as agent for the Liquidity Provider or the Credit Provider, as directed by the Liquidity Provider or the Credit Provider; provided, however, if a book-entry system is in effect with respect to the 2010 Series A Bonds, the Tender Agent and the Trustee shall follow any procedures required by the Securities Depository relating to Bank Bonds (including but not limited to the April 4, 2008 notice from DTC entitled "Variable Rate Demand Obligation Failed Remarketings and the Issuance of Bank Bonds").

2010 Series A Bonds purchased with money furnished by the Department shall be held in escrow by the Tender Agent for the account of the Department until the Tender Agent receives further instructions from the Department regarding disposition of those Borrower Bonds.

2010 Series A Bonds delivered as provided in this section shall be registered in the manner directed by the recipient thereof.

When any Bank Bonds are remarketed, the Tender Agent shall not release 2010 Series A Bonds so remarketed to the Remarketing Agent until the Tender Agent has received and paid to the applicable Liquidity Provider or the Credit Provider the proceeds of such remarketing and (unless the Series 2010 A Liquidity Facility or the Series 2010 A Credit Facility is no longer to remain in effect) the applicable Series 2010 A Liquidity Facility or the Series 2010 A Credit Facility has been reinstated in an amount equal to the principal and corresponding interest

coverage of the Bank Bonds so remarketed and the Tender Agent has received written notice of such reinstatement. (Section 319 of the Seventh Supplemental Trust Agreement)

Tender Agent

By acceptance of its appointment under the Seventh Supplemental Trust Agreement, the Tender Agent agrees:

- (i) to hold all money in the Bond Purchase Fund and each of the accounts therein in trust for the benefit of the Owners who are required to tender 2010 Series A Bonds for purchase and to apply such moneys in accordance with the Seventh Supplemental Trust Agreement;
- (ii) to hold all 2010 Series A Bonds delivered to it pursuant to the Seventh Supplemental Trust Agreement as agent and bailee of, and in escrow for the benefit of, the respective Owners which have delivered such 2010 Series A Bonds until money representing the Tender Price of such 2010 Series A Bonds shall have been delivered to or for the account of or to the order of such Owners;
- (iii) to hold all 2010 Series A Bonds registered in the name of the new Owners thereof which have been delivered to it by the Trustee for delivery to the Remarketing Agent in accordance with the Seventh Supplemental Trust Agreement;
- (iv) to hold Bank Bonds for the account of the applicable Liquidity Provider or Credit Provider as stated in the Seventh Supplemental Trust Agreement and 2010 Series A Bonds for the account of the Department as stated in the Seventh Supplemental Trust Agreement; and
- (v) to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Trustee, the Department, the Liquidity Provider, the Credit Provider and the Remarketing Agent at all reasonable times.

Determination by Tender Agent; Notice of Tender. For purposes of the Seventh Supplemental Trust Agreement, the Tender Agent shall determine timely and proper delivery of 2010 Series A Bonds pursuant to the Seventh Supplemental Trust Agreement and the proper endorsement of 2010 Series A Bonds delivered. That determination shall be binding on the Owners of those 2010 Series A Bonds, the Department, the applicable Liquidity Provider, the applicable Credit Provider and the Remarketing Agent, absent manifest error.

In the case of a 2010 Series A Bond bearing interest at a Weekly Interest Rate, as soon as practicable upon receipt from a Bondowner or Participant of a notice pursuant to the provisions described in the first subsection under the heading “Optional Tender” above, but not later than 12:00 Noon, New York, New York time, on the day following receipt of such notice, the Tender Agent shall notify the Remarketing Agent, the applicable Liquidity Provider or the Credit Provider, the Trustee, and the Department by telephone, promptly confirmed in writing, or by telecopy, of receipt of such notice, the name of such Bondowner or Participant, the principal amount of 2010 Series A Bonds to be purchased and the date on which such 2010 Series A Bonds are to be purchased in accordance therewith.

In the case of a 2010 Series A Bond bearing interest at a Daily Interest Rate, as soon as practicable upon receipt from a Bondowner or Participant of a notice pursuant to the provisions described in the second subsection under the heading “Optional Tender” above, but not later than 11:15 a.m., New York, New York time, on the day of receipt of such notice, the Tender Agent shall notify the Remarketing Agent, the Liquidity Provider or the Credit Provider, the Trustee, and the Department by telephone, promptly confirmed in writing, or by telecopy, of receipt of such notice, the name of such Bondowner or Participant, the principal amount of 2010 Series A Bonds to be purchased and the date on which such 2010 Series A Bonds are to be purchased in accordance therewith.

The Tender Agent shall notify the Remarketing Agent of a mandatory tender for purchase pursuant to the provisions described in the first subsection under the heading “Mandatory Tender” above not later than 3:00 p.m., New York, New York time, on the last Business Day prior to the Tender Date, and of a mandatory tender for purchase pursuant the provisions described in the second, third and fourth subsections under the heading “Mandatory Tender” above not later than 11:00 a.m., New York, New York time, on the last Business Day prior to the Tender Date.

Purchase of 2010 Series A Bonds; Sources and Deposits of Tender Price. 2010 Series A Bonds required to be purchased in accordance with the Seventh Supplemental Trust Agreement shall be purchased from the Owners thereof, on the Tender Date and at the Tender Price. Funds for the payment of the Tender Price shall be received by the Tender Agent from the following sources and used in the order of priority indicated:

- (i) proceeds of the sale of 2010 Series A Bonds remarketed pursuant to the Seventh Supplemental Trust Agreement and the Remarketing Agreement and furnished to the Tender Agent by the Remarketing Agent for deposit into the Remarketing Account of the Bond Purchase Fund;
- (ii) money furnished by a Liquidity Provider or Credit Provider to the Tender Agent for deposit into the applicable Liquidity Facility Purchase Account of the Bond Purchase Fund from Requests on the Series 2010 A Liquidity Facility, if any, or the Credit Facility Purchase Account of the Bond Purchase Fund from a draw on the Series 2010 A Credit Facility, if any (provided that moneys from Requests on the Series 2010 A Liquidity Facility or draws on the Series 2010 A Credit Facility shall not be used to purchase Bank Bonds or Borrower Bonds); and
- (iii) money, if any, furnished by the Department to the Tender Agent for deposit into the Department Purchase Account of the Bond Purchase Fund for the purchase of 2010 Series A Bonds by the Department.

Money held in the Bond Purchase Fund shall be held uninvested by the Tender Agent.

Undelivered Bonds; Tender Price. If any Owner of a 2010 Series A Bond who has given notice of tender of purchase pursuant to the Seventh Supplemental Trust Agreement or any Owner of a 2010 Series A Bond subject to mandatory tender for purchase pursuant to the Seventh Supplemental Trust Agreement, shall fail to deliver that 2010 Series A Bond to the Tender Agent at the place and on the Tender Date and at the time specified, or shall fail to deliver that 2010 Series A Bond properly endorsed, that 2010 Series A Bond shall constitute an Undelivered Bond. If funds in the amount of the Tender Price of the Undelivered Bond are available for payment to the Owner thereof on the Tender Date and at the time specified, then from and after the Tender Date and time of that required delivery (A) the Undelivered Bond shall be deemed to be purchased and shall no longer be deemed to be Outstanding under the Seventh Supplemental Trust Agreement; (B) interest shall no longer accrue on the Undelivered Bond; and (C) funds in the amount of the Tender Price of the Undelivered Bond shall be held uninvested by the Tender Agent for the benefit of the Owner thereof (provided that the Owner shall have no right to any investment proceeds derived from such funds), to be paid on delivery (and proper endorsement) of the Undelivered Bond to the Tender Agent at its principal office for delivery of 2010 Series A Bonds. Any money which the Tender Agent segregates and holds in trust for the payment of the Tender Price of any 2010 Series A Bond which remains unclaimed for five years after the date of purchase shall be paid to the Department. After the payment of such unclaimed money to the Department, the former Owner of such 2010 Series A Bond shall look only to the Department for the payment thereof. The Department shall not be liable for any interest on unclaimed money and shall not be regarded as a trustee of such money. (Sections 315 and 317 of the Seventh Supplemental Trust Agreement)

Remarketing Agent

The Remarketing Agent shall signify its acceptance of the duties and obligations imposed upon it under the Seventh Supplemental Trust Agreement by a written instrument of acceptance (which may be the Remarketing Agreement) delivered to the Department, the Trustee, the Tender Agent, and the Liquidity Provider or the Credit Provider, under which the Remarketing Agent shall agree, particularly, to keep such books and records related to the remarketing of the 2010 Series A Bonds as shall be consistent with prudent industry practice and to make such books and records related to the remarketing of the 2010 Series A Bonds available for inspection by the Department, the Trustee, and the Tender Agent and the Liquidity Provider and Credit Provider at all reasonable times. Promptly upon receipt of such acceptance by a Remarketing Agent, the Trustee shall give notice by first-class mail to the Owners of the 2010 Series A Bonds of the appointment of such Remarketing Agent, except the initial Remarketing Agent(s).

Upon receipt of a notice of tender from the Tender Agent pursuant to the Seventh Supplemental Trust Agreement (other than a Mandatory Standby Tender), the Remarketing Agent shall offer for sale and use its best efforts to sell such 2010 Series A Bonds (including Bank Bonds) on the same date designated for purchase thereof in accordance with the Seventh Supplemental Trust Agreement and, if not remarketed on such date, thereafter until sold, at a price equal to par plus accrued interest, at the interest rate necessary to facilitate remarketing, up to the

Maximum Bond Interest Rate. 2010 Series A Bonds subject to a Mandatory Standby Tender shall not be remarketed unless such 2010 Series A Bonds are converted to a Long Term Interest Rate Period to their maturity date, or unless (i) an Alternate Liquidity Facility or a Series 2010 A Credit Facility is in full force and effect, (ii) the Liquidity Provider has reinstated the Series 2010 A Liquidity Facility with respect to which such Mandatory Standby Tender was declared and such Series 2010 A Liquidity Facility is in full force and effect, or (iii) the Remarketing Agent agrees, in its sole discretion, but with the consent of the Department, to remarket the 2010 Series A Bonds. 2010 Series A Bonds shall not be remarketed to the Department. 2010 Series A Bonds shall not be remarketed unless a Series 2010 A Liquidity Facility or a Series 2010 A Credit Facility is in place when required under the Seventh Supplemental Trust Agreement unless the Remarketing Agent agrees, in its sole discretion, but with the consent of the Department, to remarket the Bonds. Notwithstanding anything to the contrary provided in the Seventh Supplemental Trust Agreement, the 2010 Series A Bonds shall not be remarketed following a Mandatory Purchase Date occurring at the Credit Provider's direction pursuant to the Seventh Supplemental Trust Agreement unless and until the Remarketing Agent has received the written consent of the Credit Provider to such remarketing. Notwithstanding anything to the contrary provided in the Seventh Supplemental Trust Agreement, the Department, with the written consent of the applicable Liquidity Provider or the Credit Provider, if any, may direct the Remarketing Agent to suspend its efforts to remarket 2010 Series A Bonds to be purchased pursuant to the Seventh Supplemental Trust Agreement and, upon receipt of such a written direction and consent, the Remarketing Agent shall immediately suspend its remarketing efforts for the period of time specified in such direction.

The Remarketing Agent shall give notice by Electronic Means to the Trustee and the Tender Agent of the aggregate principal amount of 2010 Series A Bonds tendered for purchase which have not been remarketed. By 11:45 a.m., New York, New York time, on the Tender Date, the Remarketing Agent shall cause the Tender Price of the 2010 Series A Bonds to be delivered to the Tender Agent for deposit into the Remarketing Account of the Bond Purchase Fund and shall give notice by Electronic Means to the Trustee and the Tender Agent on each date on which 2010 Series A Bonds have been purchased pursuant to the provisions described in clause (i) under the subsection "Purchase of 2010 Series A Bonds; Sources and Deposits of Tender Price" above, specifying the principal amount of such 2010 Series A Bonds, if any, sold by it pursuant to the Seventh Supplemental Trust Agreement along with a list of the purchasers showing the names and denominations in which such Bonds shall be registered, and the addresses and social security or taxpayer identification numbers of such purchasers. Upon receipt from the Remarketing Agent of such information, the Trustee shall prepare 2010 Series A Bonds in accordance with such information received from the Remarketing Agent for registration of transfer and redelivery to the Remarketing Agent. Promptly upon receipt of such latter notice from the Remarketing Agent, the Tender Agent shall notify the Liquidity Provider or the Credit Provider and the Department as to the projected Funding Amount, if any. (Sections 315 and 318 of the Seventh Supplemental Trust Agreement)

Series 2010 A Liquidity Facility

A Series 2010 A Liquidity Facility, in an amount equal to the sum of each series of Outstanding 2010 Series A Bonds plus interest calculated at the Maximum Bond Interest Rate for 35 days if the 2010 Series A Bonds bear interest at the Weekly Interest Rate, 40 days if the 2010 Series A Bonds bear interest at the Daily Interest Rate, 181 days if the Series 2010 Bonds bear interest at the Bond Interest Term Rates, or such other amount as may be required by each Rating Agency before such Rating Agency will issue a short-term rating on the 2010 Series A Bonds, shall be maintained by the Department for 2010 Series A Bonds bearing interest at the Weekly Interest Rate, the Daily Interest Rate or Bond Interest Term Rates and, if and to the extent that the Department shall elect, for 2010 Series A Bonds bearing interest at the Long-Term Interest Rate.

Requests to Pay Tender Price. If there is not a sufficient amount of money available to pay the Tender Price pursuant to the Seventh Supplemental Trust Agreement, then the Tender Agent shall (i) notify the Department and the Trustee by telephone, promptly confirmed in writing, as to the aggregate Tender Price of 2010 Series A Bonds to be purchased and as to the Funding Amount, and (ii) make a Request or Requests under the Series 2010 A Liquidity Facility in accordance with its terms to receive immediately available funds not later than 2:00 p.m., New York, New York time on the Tender Date sufficient to pay the balance of the Tender Price. The Tender Agent will deposit the proceeds of such Request or Requests in the Liquidity Facility Purchase Account pursuant to the Seventh Supplemental Trust Agreement pending application of that money to the payment of the Tender Price. In determining the amount of the Tender Price then due, the Tender Agent shall not take into consideration any Bank Bonds or Borrower Bonds. No Requests shall be made under a Series 2010 A Liquidity Facility to pay the Tender Price of Bank Bonds or Borrower Bonds or, to the best knowledge of the Tender Agent, 2010 Series A Bonds registered in the name of any nominees for (or any Person who owns such 2010 Series A Bonds for the sole benefit

of) any of the foregoing. Bank Bonds and Borrower Bonds may not be tendered for purchase at the option of the holders thereof.

Surrender of Series 2010 A Liquidity Facility. If an Alternate Liquidity Facility is delivered to the Tender Agent and accepted pursuant to the Seventh Supplemental Trust Agreement or a Series 2010 A Credit Facility is delivered to the Trustee and accepted pursuant to the Seventh Supplemental Trust Agreement, then the Tender Agent shall surrender the applicable Series 2010 A Liquidity Facility previously held for cancellation, provided that no Series 2010 A Liquidity Facility shall be surrendered until after the date on which applicable 2010 Series A Bonds required to be purchased as a result of termination, replacement, expiration, or the occurrence of a Mandatory Standby Tender have been purchased or deemed purchased in accordance with the Seventh Supplemental Trust Agreement. If a Series 2010 A Liquidity Facility automatically terminates or is no longer required to be maintained under the Seventh Supplemental Trust Agreement, the Tender Agent shall surrender such Series 2010 A Liquidity Facility to the issuer thereof for cancellation in accordance with the terms of the Series 2010 A Liquidity Facility. Upon the defeasance of the 2010 Series A Bonds pursuant to the Seventh Supplemental Trust Agreement and if, at such time, the 2010 Series A Bonds are no longer subject to tender for purchase, the Tender Agent shall surrender the Series 2010 A Liquidity Facility, if any, to the Liquidity Provider for cancellation in accordance with the terms of that Series 2010 A Liquidity Facility. The Tender Agent shall comply with the procedures set forth in each Series 2010 A Liquidity Facility relating to the termination thereof and shall deliver any certificates reducing the stated amount of the Series 2010 A Liquidity Facility in accordance with the provisions thereof. (Section 307 of the Seventh Supplemental Trust Agreement)

Alternate Liquidity Facility

Delivery by Department of Alternate Liquidity Facility. Prior to the expiration or termination of a Series 2010 A Liquidity Facility or a Series 2010 A Credit Facility in accordance with the terms of that Series 2010 A Liquidity Facility or Series 2010 A Credit Facility, the Department may provide for the delivery to the Tender Agent of an Alternate Liquidity Facility which has a term of at least 364 days. Any Alternate Liquidity Facility delivered to the Tender Agent shall be delivered and become effective not later than 10 days prior to the date on which the former Series 2010 A Liquidity Facility or Series 2010 A Credit Facility, if any, terminates or expires and shall contain administrative provisions reasonably acceptable to the Tender Agent and the Remarketing Agent; provided, however, during any Short-Term Interest Rate Period, no Alternate Liquidity Facility shall be delivered or become effective except on a day that would otherwise be an Interest Payment Date for all of the 2010 Series A Bonds; provided, further, no Alternate Liquidity Facility shall be delivered or become effective on any day during a Long-Term Interest Rate Period except the first day of such Long-Term Interest Rate Period. On or prior to the date of the delivery of the Alternate Liquidity Facility to the Tender Agent, the Department shall furnish to the Tender Agent the documents specified in the Seventh Supplemental Trust Agreement.

Acceptance by Tender Agent of Alternate Liquidity Facility. If at any time there is delivered to the Tender Agent (i) an Alternate Liquidity Facility covering any sub-series of the 2010 Series A Bonds, (ii) the information, opinions and data required by the Seventh Supplemental Trust Agreement, and (iii) all information required to give the notice of mandatory tender for purchase of the 2010 Series A Bonds, then the Tender Agent shall accept such Alternate Liquidity Facility. If a Series 2010 A Liquidity Facility is then in effect, the Tender Agent shall surrender the Series 2010 A Liquidity Facility pursuant to the Seventh Supplemental Trust Agreement. If a Series 2010 A Credit Facility is then in effect, the Tender Agent shall surrender the Series 2010 A Credit Facility pursuant to the Seventh Supplemental Trust Agreement. (Section 308 of the Seventh Supplemental Trust Agreement)

Rights and Duties under Series 2010 A Liquidity Facility

The Tender Agent, by accepting its appointment as such, agrees without further direction, to make Requests under each Series 2010 A Liquidity Facility then in effect, if any, for the payment or purchase of 2010 Series A Bonds in accordance with the terms and conditions set forth in the Seventh Supplemental Trust Agreement and that Series 2010 A Liquidity Facility at the times, in the manner and for the purposes set forth in the Seventh Supplemental Trust Agreement and therein. (Section 309 of the Seventh Supplemental Trust Agreement)

Notice of Expiration, Termination, or Proposed Replacement of Series 2010 A Liquidity Facility

The Trustee shall give notice, as provided in the Seventh Supplemental Trust Agreement, to the Owners of the 2010 Series A Bonds secured by a Series 2010 A Liquidity Facility of the expiration or termination of such Series 2010 A Liquidity Facility in accordance with its terms, the proposed replacement of such Series 2010 A

Liquidity Facility, or any Mandatory Standby Tender under such Series 2010 A Liquidity Facility. If there should occur any event resulting in the immediate termination or suspension of the obligation of the Liquidity Provider to purchase 2010 Series A Bonds under the terms of any Series 2010 A Liquidity Facility, then the Trustee shall as soon as practicably possible thereafter notify the Remarketing Agent and the Owners of all the affected 2010 Series A Bonds then outstanding that: (i) the Series 2010 A Liquidity Facility has been terminated or suspended, as the case may be; (ii) the Tender Agent will no longer be able to purchase such 2010 Series A Bonds with moneys available under the Series 2010 A Liquidity Facility; and (iii) the Liquidity Provider is under no obligation to purchase such 2010 Series A Bonds or to otherwise advance moneys to fund the purchase of 2010 Series A Bonds. (Section 310 of the Seventh Supplemental Trust Agreement)

Series 2010 A Credit Facility

While the 2010 Series A Bonds bear interest at the Weekly Interest Rate, the Daily Interest Rate or Bond Interest Term Rates and, if and to the extent that the Department shall elect, the Long-Term Interest Rate, the Department may maintain a Series 2010 A Credit Facility in lieu of a Series 2010 A Liquidity Facility.

If a Series 2010 A Credit Facility for the 2010 Series A Bonds is in effect, the Trustee shall, on or before each Interest Payment Date and each other date on which a payment of principal is due either at maturity or as a result of any mandatory or optional redemption of such 2010 Series A Bonds or otherwise, make a drawing under such Series 2010 A Credit Facility, in accordance with the terms of the Series 2010 A Credit Facility, no later than the time provided in such Series 2010 A Credit Facility for presentations of drawings in order to receive payment in immediately available funds by 2:30 p.m. on such date, equal to the interest on 2010 Series A Bonds then payable from such Series 2010 A Credit Facility due on such date (other than such interest representing a portion of the Tender Price of any 2010 Series A Bonds required to be purchased on such date and other than any interest due on Bank Bonds) and shall use such drawing to pay such interest due on the related 2010 Series A Bonds on such date. In determining the amount of any such interest then due, the Trustee shall not take into consideration any interest due on any 2010 Series A Bond for any period when such 2010 Series A Bond is a Bank Bond or for any Borrower Bonds, and no drawings under such Series 2010 A Credit Facility shall be made, or be used, to pay interest on any 2010 Series A Bond for any period when such 2010 Series A Bond is a Bank Bond or for any Borrower Bonds.

If a Series 2010 A Credit Facility for the 2010 Series A Bonds is in effect, on or before each date on which a payment of principal or redemption premium (if covered by such Series 2010 A Credit Facility) is due either at maturity or as a result of any mandatory or optional redemption of such 2010 Series A Bonds or otherwise (in each case, other than an amount representing the principal portion of the Tender Price of any such 2010 Series A Bonds required to be purchased on such date and other than any principal due on Bank Bonds or Borrower Bonds), the Trustee shall make a drawing under such Series 2010 A Credit Facility, in accordance with the terms of such Series 2010 A Credit Facility, no later than the time provided in such Series 2010 A Credit Facility for presentations of drawings in order to receive payment in immediately available funds by 2:30 p.m. on the date such principal or redemption premium (if covered by such Series 2010 A Credit Facility) is payable, equal to the amount of such principal or redemption premium payment and to use such drawing to make such payment. In determining the amount of such principal and redemption premium then due, the Trustee shall not take into consideration any principal or redemption premium required on Bank Bonds or for any Borrower Bonds, and no drawings under such Series 2010 A Credit Facility shall be made or be used to pay any principal of or redemption premium on Bank Bonds or for any Borrower Bonds.

If a Series 2010 A Credit Facility for the 2010 Series A Bonds is in effect, and if by 11:45 a.m., New York, New York time, on a Tender Date on which 2010 Series A Bonds are required to be purchased pursuant to the Seventh Supplemental Trust Agreement there is not a sufficient amount of money available to pay the Tender Price pursuant to the Seventh Supplemental Trust Agreement, then by 12:00 p.m., New York, New York time on such Tender Date (i) the Tender Agent shall notify the Department and the Trustee by telephone, promptly confirmed in writing, as to the aggregate Tender Price of 2010 Series A Bonds to be purchased and as to the Funding Amount, and (ii) the Trustee shall make a drawing under such Series 2010 A Credit Facility, in accordance with the terms of the Series 2010 A Credit Facility, no later than the time provided in such Series 2010 A Credit Facility for presentation of drawings in order to receive payment in immediately available funds by 2:00 p.m. on the Tender Date sufficient to pay the balance of the Tender Price. In determining the amount of the Tender Price then due, the Tender Agent shall not take into consideration any Bank Bonds or any Borrower Bonds, and no drawings under the

Series 2010 A Credit Facility shall be made or be used to pay the Tender Price of any Bank Bonds or of any Borrower Bonds.

The Trustee shall give notice to the Owners of the 2010 Series A Bonds on or before the 10th day preceding the expiration or termination of a Series 2010 A Credit Facility in accordance with its terms or the proposed replacement of such Series 2010 A Credit Facility. Such notice shall comply with the requirements of the Seventh Supplemental Trust Agreement.

The Trustee shall promptly notify the Department and Remarketing Agent if the Credit Provider has failed to transfer all or any portion funds in accordance with the Series 2010 A Credit Facility upon a properly presented and conforming drawing. In such event, the Trustee shall pay the amount of any deficiency of interest and principal or redemption premium, if any, then due and payable on the applicable Series 2010 A Bonds from the Subordinated Debt Service Fund. (Section 311 of the Seventh Supplemental Trust Agreement)

Alternate Credit Facility; Delivery of Series 2010 A Credit Facility to Replace Series 2010 A Liquidity Facility; Surrender of Series 2010 A Credit Facility.

Prior to the expiration or termination of a Series 2010 A Credit Facility in accordance with the terms of that Series 2010 A Credit Facility, the Department may provide for the delivery to the Trustee of an Alternate Credit Facility which has a term of at least 364 days. Any Alternate Credit Facility delivered to the Trustee pursuant to the Seventh Supplemental Trust Agreement shall be delivered and become effective not later than 10 days prior to the date on which the former Series 2010 A Credit Facility terminates or expires and shall contain administrative provisions reasonably acceptable to the Trustee and the Remarketing Agent; provided, however, during any Short-Term Interest Rate Period, no Alternate Credit Facility shall be delivered or become effective except on a day that would otherwise be an Interest Payment Date for all of the 2010 Series A Bonds; provided, further, no Alternate Credit Facility shall be delivered or become effective on any day during a Long-Term Interest Rate Period except the first day of such Long-Term Interest Rate Period. If there is delivered to the Trustee an Alternate Credit Facility covering the 2010 Series A Bonds, together with items specified in the Seventh Supplemental Trust Agreement, then the Trustee shall accept such Alternate Credit Facility.

If a Series 2010 A Liquidity Facility is in effect with respect to the 2010 Series A Bonds, a Series 2010 A Credit Facility covering the 2010 Series A Bonds may be delivered to the Trustee if all of the conditions set forth in the Seventh Supplemental Trust Agreement regarding the delivery of an Alternate Credit Facility for the 2010 Series A Bonds are satisfied.

If an Alternate Credit Facility is delivered to the Trustee and accepted pursuant to the Seventh Supplemental Trust Agreement, an Alternate Liquidity Facility is delivered to the Tender Agent and accepted pursuant to the Seventh Supplemental Trust Agreement, then the Trustee shall surrender the existing Series 2010 A Credit Facility for cancellation, provided that no Series 2010 A Credit Facility shall be surrendered until after the date on which 2010 Series A Bonds required to be purchased pursuant to the Seventh Supplemental Trust Agreement have been purchased or deemed purchased in accordance with the Seventh Supplemental Trust Agreement. If a Series 2010 A Credit Facility terminates or is no longer required to be maintained under the Seventh Supplemental Trust Agreement, the Trustee shall surrender such Series 2010 A Credit Facility to the Credit Provider for cancellation in accordance with the terms of the Series 2010 A Credit Facility. Upon the defeasance of the 2010 Series A Bonds pursuant to the Seventh Supplemental Trust Agreement and if, at such time, the 2010 Series A Bonds are no longer subject to tender for purchase, the Trustee shall surrender the Series 2010 A Credit Facility, if any, to the Credit Provider for cancellation in accordance with the terms of the Series 2010 A Credit Facility. (Section 312 of the Seventh Supplemental Trust Agreement)

Rights and Duties Under Series 2010 A Credit Facility

If a Series 2010 A Credit Facility is in effect, the Trustee shall, without further direction, draw amounts under the Series 2010 A Credit Facility in accordance with the terms and conditions set forth in the Seventh Supplemental Trust Agreement at the times, in the manner and for the purposes set forth in the Seventh Supplemental Trust Agreement and such Series 2010 A Credit Facility. So long as the Series 2010 A Credit Facility remains in effect with respect to any 2010 Series A Bonds, the Trustee may not waive an Event of Default with respect to the 2010 Series A Bonds unless a Credit Facility Failure shall have occurred and be continuing. The Trustee in its name or in the name of the Department may enforce all rights of the Trustee and of the Department

and all obligations of the Credit Provider (including the obligation of the Credit Provider to honor drawings properly presented and conforming in accordance with the terms and conditions of the Series 2010 A Credit Facility) under and pursuant to the Series 2010 A Credit Facility, for the benefit of the Owners of the 2010 Series A Bonds. (Section 313 of the Seventh Supplemental Trust Agreement)

Subrogation Rights of Credit Provider and Liquidity Provider

To the extent any amount of principal or interest or Tender Price owed with respect to any 2010 Series A Bond is paid with amounts drawn under the applicable Series 2010 A Credit Facility or the Series 2010 A Liquidity Facility, then if and to the extent the affected Credit Provider or Liquidity Provider is not reimbursed for such amount by the Department, the affected Credit Provider or Liquidity Provider shall succeed to and be subrogated to the rights of the holder of such 2010 Series A Bond to the extent of such payment.

Unless a Credit Facility Failure shall have occurred and be continuing, the Credit Provider shall be deemed to be the holder of the applicable 2010 Series A Bonds for the purpose of exercising any voting right or privilege, giving any consent or direction or taking any other action that the holders of the applicable 2010 Series A Bonds are entitled to take pursuant to the Trust Agreement. Unless a Liquidity Facility Failure shall have occurred and be continuing, the Liquidity Provider shall be deemed to be the holder of the applicable 2010 Series A Bonds for the purpose of exercising any voting right or privilege, giving any consent or direction or taking any other action that the holders of the applicable 2010 Series A Bonds are entitled to take pursuant to the Trust Agreement while any 2010 Series A Bonds are Bank Bonds. (Section 325 of the Seventh Supplemental Trust Agreement)

Amendments

General. Except as provided below, the Seventh Supplemental Trust Agreement may be amended or supplemented in accordance with the provisions of the Trust Agreement (as defined in Appendix C to this Official Statement).

Amendment Upon Mandatory Tender. Provisions of the Seventh Supplemental Trust Agreement may also be amended by the Department without Bondowner consent, but only with respect to the applicable series of the 2010 Series A Bonds, on the date of any mandatory tender of the 2010 Series A Bonds, provided that notice of any such amendment is included in the notice of mandatory tender for purchase described in the Seventh Supplemental Trust Agreement, and provided further that the Department shall have received written confirmation from each Rating Agency then rating the 2010 Series A Bonds that such amendment will not in and of itself cause a reduction or withdrawal of the rating then in effect on the 2010 Series A Bonds.

During Daily Interest Rate Period or Weekly Interest Rate Period. Except as set forth below, while any series of 2010 Series A Bonds are in the Daily Interest Rate Period or Weekly Interest Rate Period, the Department may amend provisions of the Seventh Supplemental Trust Agreement concerning such series 2010 Series A Bonds in such Interest Rate Periods by obtaining the consent of a majority of registered owners of the series of 2010 Series A Bonds in such Interest Rate Periods. The Department may also amend the definition of Maximum Bond Interest Rate, without Bondowner consent (but with at least 20 days' notice to the Bondowners if the amendment is to reduce the Maximum Bond Interest Rate), provided that, if a Series 2010 A Credit Facility (with a liquidity component) or a Series 2010 A Liquidity Facility is then in effect, it entitles the Trustee to draw upon or demand and receive in immediately available funds an amount equal to the principal amount of the 2010 Series A Bonds then outstanding plus a number of days of accrued interest at such amended Maximum Bond Interest Rate at least equal to the number of days required to be covered under the Seventh Supplemental Trust Agreement, and provided further that if the amendment is to increase the Maximum Bond Interest Rate, the Department shall have received written confirmation from each Rating Agency then rating the 2010 Series A Bonds that such increase will not in and of itself cause a reduction or withdrawal of the rating then in effect on the 2010 Series A Bonds. (Section 612 of the Seventh Supplemental Trust Agreement)

STANDBY BOND PURCHASE AGREEMENTS

GENERAL

The following description is a summary of certain provisions of the Standby Bond Purchase Agreements. Such summary does not purport to be a complete description or restatement of the material provisions of each Standby Bond Purchase Agreement. Investors should obtain and review a copy of the respective Standby Bond Purchase Agreement in order to understand all of the terms of that document.

Each Standby Bond Purchase Agreement provides that the respective Bank shall purchase the applicable 2010 Series A Bonds tendered or deemed tendered from time to time pursuant to an optional tender or mandatory purchase by owners thereof in accordance with the terms of the Supplemental Agreement (as defined in the respective Standby Bond Purchase Agreement), in each case, to the extent the related Remarketing Agent is unable to remarket such 2010 Series A Bonds. Each Standby Bond Purchase Agreement will expire on the date set forth in the table above, unless extended or terminated pursuant to its respective terms.

Under certain circumstances described below, the obligation of the Bank to purchase the applicable 2010 Series A Bonds tendered or deemed tendered by the owners thereof pursuant to an optional tender or mandatory purchase may be suspended or terminated without notice. In such event, sufficient funds may not be available to purchase the applicable 2010 Series A Bonds tendered or deemed tendered by the owners thereof pursuant to an optional tender or mandatory purchase.

PURCHASE OF TENDERED BONDS BY THE BANK

Each Bank agrees, on the terms and subject to the satisfaction of the conditions contained in the respective Standby Bond Purchase Agreement, to purchase Tendered Bonds (as defined in the respective Standby Bond Purchase Agreement), for the respective Bank's own account, from time to time during the Purchase Period (as defined in the respective Standby Bond Purchase Agreement,) at the Purchase Price (as defined in the respective Standby Bond Purchase Agreement), which Tendered Bonds are tendered pursuant to (i) an Optional Tender (as defined in the respective Standby Bond Purchase Agreement), or (ii) a Mandatory Purchase (as defined in the respective Standby Bond Purchase Agreement), and which, in either case, the applicable Remarketing Agent has been unable to remarket. The aggregate principal amount (or portion thereof) of any Tendered Bond purchased by the respective Bank on any Purchase Date shall be an authorized denomination applicable to Eligible Bonds (as defined in the respective Standby Bond Purchase Agreement) pursuant to the Supplemental Agreement, and the aggregate principal amount of all Tendered Bonds purchased on any Purchase Date (as defined in the respective Standby Bond Purchase Agreement) shall not exceed the Available Principal Commitment (as defined in the respective Standby Bond Purchase Agreement) (calculated without giving effect to any purchase of Tendered Bonds by the respective Bank on such date) at 10:00 a.m. on such date. The Interest Component (as defined in the respective Standby Bond Purchase Agreement) purchased on any Purchase Date shall not exceed the lesser of (i) the Available Interest Commitment (as defined in the respective Standby Bond Purchase Agreement) on such date or (ii) the actual aggregate amount of interest accrued on each such Tendered Bond, other than Defaulted Interest, to such Purchase Date (calculated, in each case, without giving effect to any purchase of Tendered Bonds by the respective Bank on such date) at 10:00 a.m. on such date; *provided, however*, that in the event the Purchase Date is also an Interest Payment Date (as defined in the respective Standby Bond Purchase Agreement) for the Tendered Bonds to be purchased, no accrued interest on such Tendered Bonds shall be included in the Purchase Price. Any 2010 Series A Bonds so purchased shall thereupon constitute Purchased Bonds and shall, from the date of such purchase and while they are Purchased Bonds, bear interest at the Purchased Bond Rate (as defined in the respective Standby Bond Purchase Agreement) and have other characteristics of Purchased Bonds as set forth in the respective Standby Bond Purchase Agreement and in the Supplemental Agreement.

EVENTS OF TERMINATION

The occurrence of any of the following events, among others, shall constitute an Event of Termination under the respective Standby Bond Purchase Agreement. Reference is made to the applicable Standby Bond Purchase Agreement for a complete listing of all Events of Termination:

(a) MassDOT shall fail to pay when due and payable (whether by scheduled maturity, required prepayment, or otherwise) any principal of, or interest on, any Bond or Purchased Bond (as defined in the respective Standby Bond Purchase Agreement); or

(b) MassDOT shall fail to pay when due and payable any Debt (as defined in the respective Standby Bond Purchase Agreement) of MassDOT secured by a lien on payments under the Contract for Financial Assistance (as defined in the respective Standby Bond Purchase Agreement) that is senior to or on a parity with the applicable 2010 Series A Bonds, and such failure shall continue beyond any applicable period of grace specified in any underlying resolution, indenture, contract or instrument providing for the creation of or concerning such indebtedness; or

(c) (i) MassDOT or the Commonwealth shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or (1) with respect to MassDOT, its Debts, or (2) with respect to the Commonwealth, its general obligation indebtedness, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or MassDOT or the Commonwealth shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against MassDOT or the Commonwealth any case, proceeding or other action of a nature referred to in clause (i) above which (x) results in an order for such relief or in the appointment of a receiver or similar official or (y) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (iii) there shall be commenced against MassDOT or the Commonwealth, any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (iv) MassDOT or the Commonwealth shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) MassDOT or the Commonwealth shall be or acknowledge in writing that it is insolvent as defined in 11 USC Section 101(32); or (vi) MassDOT or the Commonwealth or any Governmental Authority (as defined in the respective Standby Bond Purchase Agreement) having jurisdiction over MassDOT or the Commonwealth imposes a valid and binding debt moratorium with respect to repayment when due and payable of the principal of or interest on (A) with respect to MassDOT, the Series 2010 A Bonds or any other Subordinated Bonds (as defined in the respective Standby Bond Purchase Agreement), and (B) with respect to the Commonwealth, any general obligation indebtedness; or

(d) (i) Any provision of the respective Standby Bond Purchase Agreement, the applicable 2010 Series A Bonds, the Trust Agreement or the Supplemental Agreement requiring MassDOT to make payments of principal or interest on 2010 Series A Bonds or Purchased Bonds shall at any time for any reason cease to be valid and binding on, or fully enforceable against, MassDOT as determined by any court or Governmental Authority having appropriate jurisdiction in a final nonappealable judgment, or (ii)(a) the validity or enforceability of any provision of the respective Standby Bond Purchase Agreement, the applicable subseries of the 2010 Series A Bonds, the Trust Agreement or the Supplemental Agreement requiring MassDOT to make payments of principal or interest on the applicable subseries of the 2010 Series A Bonds or Purchased Bonds shall be contested in writing by an Authorized Officer (as defined in the respective Standby Bond Purchase Agreement) of MassDOT or (b) any Governmental Authority having appropriate jurisdiction over MassDOT shall make a finding or ruling or shall enact or adopt legislation or issue an executive order or enter a judgment or decree pursuant to which any material provision of the respective Standby Bond Purchase Agreement, the applicable subseries of the 2010 Series A Bonds, the Trust Agreement or the Supplemental Agreement requiring MassDOT to make payments of principal or interest on the applicable subseries of the 2010 Series A Bonds or Purchased Bonds shall be null and void, invalid or unenforceable, or (c) an Authorized Officer of MassDOT shall repudiate in writing any or further liability or obligation (1) under the respective Standby Bond Purchase Agreement, the applicable subseries of the 2010 Series A Bonds, the Trust Agreement, the Supplemental Agreement or any other Related Document (as defined in the respective Standby Bond Purchase Agreement), in each case with respect to

payment of principal of or interest on the applicable subseries of the 2010A Bonds or any other Subordinated Bonds (as defined in the respective Standby Bond Purchase Agreement), or (2) with respect to any Debt of MassDOT secured by a lien on the payments under the Contract for Financial Assistance that is senior to or on a parity with the applicable 2010 Series A Bonds; or

(e) the long-term unenhanced rating by Moody's, Fitch and S&P on (i) the applicable subseries of the 2010 Series A Bonds, (ii) any indebtedness of MassDOT secured by a lien on the payments under the Contract for Financial Assistance that is senior to or on a parity with the 2010 Series A Bonds, or (iii) any general obligation indebtedness of the Commonwealth secured by the full faith and credit of the Commonwealth, in each case, shall be withdrawn or suspended for credit related reasons or reduced below "Baa3" (or its equivalent), "BBB-" (or its equivalent) and "BBB-" (or its equivalent), respectively; or

(f) (i) The Commonwealth shall fail to make any payment required to be made by the Commonwealth under the Contract for Financial Assistance when the same is required to be made thereunder, (ii) any provision of the Contract for Financial Assistance, the Trust Agreement or the Supplemental Agreement relating to the payments to be made by the Commonwealth pursuant to the Contract for Financial Assistance, or designating such payments as Dedicated Payments under the Trust Agreement to be deposited in the Subordinated Debt Service Fund (as defined in the Trust Agreement), or relating to the pledge of and lien on the payments to be made by the Commonwealth under the Contract for Financial Assistance shall at any time for any reason cease to be valid and binding on, or fully enforceable against, the Commonwealth and MassDOT, as applicable, as determined by any court or Governmental Authority having appropriate jurisdiction in a final nonappealable judgment, (iii) any provision of the Contract for Financial Assistance, the Trust Agreement or the Supplemental Agreement relating to the payments to be made by the Commonwealth pursuant to the Contract for Financial Assistance, or designating such payments as Dedicated Payments under the Trust Agreement to be deposited in the Subordinated Debt Service Fund, or relating to the pledge of and lien on the payments to be made by the Commonwealth under the Contract for Financial Assistance shall at any time for any reason be terminated or otherwise modified by the Legislature of the Commonwealth or by any court or Governmental Authority having appropriate jurisdiction in a final non-appealable judgment, which termination or other modification reduces the amount of any payment under the Contract for Financial Assistance below the amount necessary to provide for the timely payment of the applicable subseries of the 2010 Series A Bonds, or (iv) the Commonwealth repudiates, in writing, in a judicial or administrative proceeding that it has any further liability or obligation under the Contract for Financial Assistance, shall have taken or permitted to be taken any action, or has duly enacted any statute, which causes the Contract for Financial Assistance to no longer be a valid and binding obligation of the Commonwealth, or contests, in a judicial or administrative proceeding, the validity or enforceability of any material provision of the Contract for Financial Assistance relating to or otherwise affecting the Commonwealth's obligation to make payments thereunder; or

(g) (i) The Commonwealth shall fail to pay when due and payable any general obligation indebtedness of the Commonwealth, and such failure shall continue beyond any applicable period of grace specified in any underlying resolution, indenture, contract or instrument providing for the creation of or concerning such general obligation indebtedness, or (ii) pursuant to the provisions of any resolution, indenture, contract or instrument providing for the creation of or concerning any general obligation indebtedness of the Commonwealth, such indebtedness matures, or such indebtedness is or may be accelerated, or such indebtedness may be required to be prepaid prior to the stated maturity thereof, in each case as a result of the occurrence of any default in the payment of the principal of or interest on such indebtedness by the Commonwealth under such resolution, indenture, contract or instrument and the continuance of such default beyond any applicable period of grace set forth therein.

EVENTS OF DEFAULT

The occurrence of any of the following events, among others, shall constitute an Event of Default under the respective Standby Bond Purchase Agreement. Reference is made to the respective Standby Bond Purchase Agreement for a complete listing of all Events of Default;

(a) MassDOT shall fail to pay any other amount payable by MassDOT under the respective Standby Bond Purchase Agreement or the Fee Letter (as defined in the respective Standby Bond Purchase Agreement) (not otherwise referred to in paragraph (a) under the subheading “*Events of Termination*” above); or

(b) any representation or warranty made by MassDOT to the applicable Bank in the respective Standby Bond Purchase Agreement, any Related Document or in any certificate or statement delivered thereunder shall be incorrect or untrue in any material respect when made or deemed to have been made; or

(c) MassDOT shall default in the due performance or observance of certain covenants set forth in the respective Standby Bond Purchase Agreement; or

(d) MassDOT shall default in any material respect in the due performance or observance of any other term, covenant or agreement contained or incorporated by reference in the Standby Bond Purchase Agreement (other than those referred to in paragraph (a) under the subheading “*Events of Termination*” above and paragraph (a), (b) and (c) under the subheading “*Events of Default*” above) and such default shall remain unremedied for a period of thirty (30) days after the occurrence thereof; or

(e) any “Event of Default” under the Trust Agreement or Supplemental Agreement or any “Event of Default” which is not cured within any applicable cure period under any of the other Related Documents shall occur, or any event of default shall have occurred and be continuing under or with respect to any other agreement providing credit enhancement or liquidity support for any other subseries of the MassDOT’s Metropolitan Highway System Reserve Bonds (Subordinated), Commonwealth Contract Assistance Secured, Variable Rate Demand Obligations 2010 Series A; or

(f) any provision of the respective Standby Bond Purchase Agreement, the applicable 2010 Series A Bonds, the Trust Agreement, the Supplemental Agreement or any other Related Document, other than a provision described in paragraph (d)(i) under the subheading “*Events of Termination*” above, shall at any time for any reason cease to be valid and binding on MassDOT or the Commonwealth, as applicable, or shall be declared in a final nonappealable judgment by any court of Governmental Authority having jurisdiction over MassDOT or the Commonwealth, as applicable, to be null and void, invalid, or unenforceable, or the validity or enforceability thereof shall be contested in writing by an Authorized Officer of MassDOT or an official of the Commonwealth, as applicable, or MassDOT or the Commonwealth, as applicable, or any agent or trustee on behalf of MassDOT or the Commonwealth, as applicable, shall deny it has any further liability under any of the Related Documents; or

(g) (i) the long-term unenhanced rating by any of Moody’s, Fitch or S&P on the 2010 Series A Bonds is withdrawn, suspended, or reduced below “A3” (or its equivalent), “A-” (or its equivalent) or “A-” (or its equivalent), respectively, or (ii) the long-term unenhanced rating by any of Moody’s, Fitch or S&P on any general obligation indebtedness of the Commonwealth is withdrawn, suspended, or reduced below “A2” (or its equivalent), “A” (or its equivalent) or “A” (or its equivalent), respectively; or

(h) (i) MassDOT shall fail to pay when due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) any indebtedness of MassDOT, including obligations owing pursuant to any Swap Contract (as defined in the related Standby Bond Purchase Agreement) (and not otherwise referred to in clause (b) of the Events of Termination set forth above), or default under any mortgage, agreement or other instrument under or pursuant to which such indebtedness is incurred or issued, and continuance of such default beyond the period of grace, if any, allowed with respect thereto, or the occurrence of any act or omission by MassDOT under any such mortgage, agreement or other instrument which results in such indebtedness becoming, or being capable of becoming, immediately due and payable (or, with respect to any Swap Contract, which results in such Swap Contract being terminated early or being capable of being terminated early); or (ii) the Commonwealth shall fail to pay when due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) any general obligation indebtedness of the Commonwealth aggregating in excess of \$10,000,000, including obligations owing pursuant to any Swap Contract (and not otherwise referred to in

clause (g) of the Events of Termination set forth above), or default under any mortgage, agreement or other instrument under or pursuant to which such general obligation indebtedness is incurred or issued, and continuance of such default beyond the period of grace, if any, allowed with respect thereto, or the occurrence of any act or omission by the Commonwealth under any such mortgage, agreement or other instrument which results in such general obligation indebtedness becoming, or being capable of becoming, immediately due and payable (or, with respect to any Swap Contract, which results in such Swap Contract being terminated early or being capable of being terminated early); or

(i) any law, order, administrative directive or other pronouncement by any Governmental Authority, or amendment or modification thereto, shall be enacted, given, made or otherwise become effective, which, in the sole discretion of the applicable Bank, has a material adverse effect on the ability of MassDOT to meet its obligations with respect to the 2010 Series A Bonds, the Purchased Bonds, or any other obligation of MassDOT under the related Standby Bond Purchase Agreement; or

(j) the Maximum Lawful Rate (as defined in the respective Standby Bond Purchase Agreement) shall at any time be reduced below the Maximum Lawful Rate in effect on the Effective Date (as defined in the respective Standby Bond Purchase Agreement); or

(k) any Governmental Authority shall declare a financial emergency with respect to MassDOT, which, in the sole discretion of the applicable Bank, has a material adverse effect on the ability of MassDOT to meet its obligations with respect to the 2010 Series A Bonds, the Purchased Bonds, or any other obligation of MassDOT under the related Standby Bond Purchase Agreement; or

(l) any material fraud, in the reasonable judgment of the applicable Bank, shall be perpetrated by or against MassDOT or with respect to the System (as defined in the respective Standby Bond Purchase Agreement); or

(m) (i) a final, nonappealable judgment, levy, writ of attachment or order for the payment of money in excess of \$5,000,000, payable from Revenues (as defined in the related Standby Bond Purchase Agreement) which shall be rendered against MassDOT with respect to which, in the reasonable opinion of the applicable Bank, adequate cash reserves have not been established, or other means of satisfying or otherwise funding the judgment have not been undertaken, satisfactory to the applicable Bank and such judgment or order shall continue unsatisfied and unstayed for a period of sixty (60) days, or (ii) a final, nonappealable judgment, levy, writ of attachment or order for the payment of money in excess of \$5,000,000, payable as a general obligation of the Commonwealth which shall be rendered against the Commonwealth with respect to which, in the reasonable opinion of the applicable Bank, adequate cash reserves have not been established, or other means of satisfying or otherwise funding the judgment have not been undertaken, satisfactory to the applicable Bank and such judgment or order shall continue unsatisfied and unstayed for a period of sixty (60) days.

REMEDIES

If any Events of Termination or Events of Default shall have occurred:

(a) Upon the occurrence of an Event of Termination as specified in paragraph (a), (b), (c), (d)(i), (e), (f)(i), (f)(ii), (f)(iii) or (g) under the subheading “*Events of Termination*” above, the Available Commitment shall immediately be reduced to zero, in which case the obligations of the applicable Bank under the respective Standby Bond Purchase Agreement shall immediately terminate and expire without the requirement of notice by the applicable Bank. After such termination or expiration, the applicable Bank shall deliver, within two (2) Business Days, to MassDOT and the Tender Agent (as defined in the respective Standby Bond Purchase Agreement) written notice of such termination or expiration; *provided*, that the applicable Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure to provide such written notice shall have no effect on the validity or enforceability of such termination or expiration.

(b) In the case of any Event of Default, the applicable Bank may give written notice of such Event of Default and termination of the respective Standby Bond Purchase Agreement (a “*Notice of Termination*”)

and request a Default Tender (as defined in the respective Standby Bond Purchase Agreement), to the Tender Agent and MassDOT specifying the date on which the Available Commitment and the Purchase Period shall terminate, which date shall not be earlier than the thirtieth (30th) day (or if such day is not a Business Day, the next following Business Day) after such Notice of Termination is received by the Tender Agent. On such date the Available Commitment shall terminate and the Bank shall be under no obligation hereunder to purchase the applicable subseries of 2010 Series A Bonds.

(c) Upon the occurrence of an Event of Termination in paragraph (d)(ii) or (f)(iv) under the subheading “*Events of Termination*” above, the obligations of the applicable Bank under the respective Standby Bond Purchase Agreement shall be immediately and automatically suspended from the time of the occurrence of such Event of Default, and in the event any provision of the respective Standby Bond Purchase Agreement, the 2010 Series A Bonds, the Trust Agreement or the Supplemental Agreement relating to the ability or obligation of MassDOT to make payments of principal or interest on the applicable subseries of 2010 Series A Bonds (including Purchased Bonds) is declared to be null and void, or it is determined that MassDOT has no liability under the Standby Bond Purchase Agreement, the 2010 Series A Bonds, the Trust Agreement or the Supplemental Agreement, in case by a court or other Governmental Authority with competent jurisdiction, then the obligations of the applicable Bank under the respective Standby Bond Purchase Agreement will terminate in accordance with paragraph (a) hereof; *provided, however*, that if such provisions are upheld in their entirety, then the applicable Bank’s obligations under the respective Standby Bond Purchase Agreement shall be automatically reinstated and the terms of the respective Standby Bond Purchase Agreement will continue in full force and effect (unless such Standby Bond Purchase Agreement shall have otherwise expired or been terminated in accordance with its terms) as if there had been no such suspension. If the Event of Termination which gave rise to the suspension of the obligations of the applicable Bank under the respective Standby Bond Purchase Agreement has not been cured or does not cease to exist prior to the date six months after the date of such occurrence, the obligations of the applicable Bank under the respective Standby Bond Purchase Agreement shall be terminated upon written notice from the applicable Bank, to MassDOT, and thereafter the applicable Bank shall have no further obligations hereunder.

(d) Upon the occurrence of a Potential Event of Termination described in paragraph (c)(ii) or (c)(iii) under the subheading “*Events of Termination*” above, the obligation of the applicable Bank to purchase the applicable subseries of the 2010 Series A Bonds under the respective Standby Bond Purchase Agreement shall be immediately suspended until the proceeding referred to therein is terminated prior to the court entering an order granting the relief sought in such proceeding. In the event such proceeding is terminated prior to the expiration of the grace period set forth therein, the obligations of the applicable Bank to purchase the applicable subseries of 2010 Series A Bonds under the respective Standby Bond Purchase Agreement shall be reinstated and the terms of the respective Standby Bond Purchase Agreement will continue in full force and effect (unless the obligations of the applicable Bank to purchase the applicable subseries of the 2010 Series A Bonds under the respective Standby Bond Purchase Agreement shall have otherwise terminated in accordance with the terms thereof) as if there had been no such suspension. Upon the lapse of the grace period set forth in paragraphs (c)(ii) and (c)(iii) under the subheading “*Events of Termination*” above, or upon the court entering an order granting the relief sought in such proceeding, the obligations of the respective Bank under the respective Standby Bond Purchase Agreement will terminate in accordance with paragraph (a) under this subheading “*Remedies*.”

(e) In addition to the rights and remedies set forth in paragraph (a), (b), (c) and (d) hereof, in the case of any Event of Termination specified under the subheading “*Events of Termination*” above or in the case of any Event of Default specified under the subheading “*Events of Default*” above, upon the election of the applicable Bank: (i) all amounts owed to the applicable Bank under the respective Standby Bond Purchase Agreement, including amounts expended with respect to Purchased Bonds, and under the applicable Fee Letter, shall bear interest at the Default Rate (as defined in the respective Standby Bond Purchase Agreement) until paid, (ii) all amounts payable under the respective Standby Bond Purchase Agreement, including amounts expended with respect to Purchased Bonds (but excluding the Purchased Bonds themselves), and under the applicable Fee Letter, shall upon notice to MassDOT become immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by MassDOT (*provided* that the obligations of MassDOT under the respective Standby Bond Purchase Agreement, including amounts expended with respect to Purchased Bonds (but excluding the Purchased Bonds themselves), and under the applicable Fee Letter, shall be and become automatically and immediately due and payable without such notice upon the occurrence of any paragraph (c) under the subheading “*Event of Termination*” above); and (iii) the applicable Bank shall have all the rights and

remedies available to it under the respective Standby Bond Purchase Agreement, the Related Documents or otherwise pursuant to law or equity; *provided, however,* that the applicable Bank shall not have the right to terminate its obligation to purchase the applicable subseries of the 2010 Series A Bonds or to declare any amount due hereunder due and payable except as expressly provided herein.

LETTERS OF CREDIT AND REIMBURSEMENT AGREEMENTS

The Letters of Credit will be issued pursuant to two separate Reimbursement Agreements. The following summarizes certain provisions of each Letter of Credit and the applicable Reimbursement Agreement. Reference is made to the entire documents for the complete provisions thereof. Capitalized terms used below without definition shall have the meanings ascribed to them in the applicable Reimbursement Agreement. Investors should obtain and review a copy of the respective Letter of Credit and Reimbursement Agreement in order to understand all of the terms of those documents.

The Letters of Credit

Each Letter of Credit will be the irrevocable transferable obligation of the LOC Bank to pay the Trustee, upon request in accordance with the terms thereof, an amount sufficient to pay the outstanding principal amount of the applicable 2010 Series A Bonds, plus 198 days of interest thereon at a rate of twelve percent (12%) per annum, calculated on a year of 365 days for the actual number days elapsed. The Trustee, upon compliance with the terms of the applicable Letter of Credit, is authorized to draw up to an amount sufficient (i) to pay accrued interest on the applicable 2010 Series A Bonds as provided in the Supplemental Agreement (an “Interest Drawing”), (ii) to pay the principal amount of and accrued interest on the applicable 2010 Series A Bonds in respect of any redemption of such 2010 Series A Bonds as provided in the Supplemental Agreement (a “Redemption Drawing”), (iii) to allow the Trustee to pay the purchase price (including accrued interest to the purchase date) of the applicable 2010 Series A Bonds tendered for purchase as provided for in the Supplemental Agreement (a “Liquidity Drawing”), or (iv) to pay the principal amount of the applicable 2010 Series A Bonds at maturity (a “Stated Maturity Drawing”). No Drawings (as defined in the applicable Letter of Credit) shall be made under the applicable Letter of Credit for (i) the applicable 2010 Series A Bonds bearing interest at a rate other than the Weekly Interest Rate (“Converted Bonds”), (ii) the applicable 2010 Series A Bonds purchased with the proceeds of a Liquidity Drawing and registered in the name of the LOC Bank or its nominee (the “Bank Bonds”) or (iii) the applicable 2010 Series A Bonds owned by or on behalf of MassDOT (“Department Bonds” and, together with the Converted Bonds and the Bank Bonds, collectively referred to herein as the “Ineligible Bonds”).

Each Letter of Credit will terminate on the earliest of (i) the corresponding date set forth on page (i) of this Official Statement (such date, as it may be extended from time to time in accordance with the applicable Letter of Credit, the “Stated Expiration Date”), (ii) the earlier of (A) the date which is fifteen (15) days following the date on which all of the applicable 2010 Series A Bonds bear an interest rate other than the Weekly Interest Rate, as such date is specified in a certificate from the Trustee to the LOC Bank or (B) the date on which the LOC Bank honors a drawing under the applicable Letter of Credit on or prior to the Conversion Date, (iii) the date of receipt by the LOC Bank of notice from the Trustee that (A) no Bonds remain Outstanding or (B) all drawings required to be made under the Supplemental Agreement have been made and honored under the applicable Letter of Credit or (C) an Alternate Credit Facility (as defined in the applicable Reimbursement Agreement) has been provided, (iv) the date on which an Stated Maturity Drawing is honored by the LOC Bank, and (v) the date which is ten (10) days following receipt by the Trustee of a written notice from the LOC Bank specifying the occurrence of an Event of Default under the applicable Reimbursement Agreement and directing the Trustee to cause a mandatory tender of the applicable subseries of the 2010 Series A Bonds.

The obligation of the LOC Bank under the applicable Letter of Credit will be reduced to the extent of any drawing thereunder, subject to reinstatement as described below. With respect to any Interest Drawing, the obligation of the LOC Bank to honor demands for payment under the applicable Letter of Credit with respect to the payment of interest on the Bonds will be automatically reinstated at 9:00 A.M., New York time, on the fifth (5th) calendar day from the date of the payment by the LOC Bank of such Interest Drawing unless Trustee shall have received written notice by 5:00 P.M. New York time, on the fourth (4th) calendar day from the date of the payment by the LOC Bank of such Interest Drawing that the LOC Bank has not been reimbursed in full for any such Interest Drawing or any other Event of Default has occurred and as a result thereof the applicable Letter of Credit will not be so reinstated and the LOC Bank will direct the Trustee to cause the mandatory tender of the applicable subseries of the 2010 Series A Bonds. With respect to any Liquidity Drawing, upon a remarketing of the applicable subseries of the 2010 Series A Bonds (or portions thereof) previously purchased with the proceeds of a Liquidity Drawing, the LOC Bank’s obligation to honor drawings thereunder will be automatically reinstated in the amount indicated in a certificate concurrently upon receipt by the LOC Bank of such certificate and the Trustee’s receipt of funds.

The “*Available Amount*” means the Original Stated Amount (as defined in the applicable Letter of Credit) (i) less the amount of all prior reductions pursuant to Interest Drawings, Redemption Drawings, or Liquidity Drawings, (ii) less the amount of any reduction thereof pursuant to a reduction certificate, (iii) plus the amount of all reinstatements as above provided.

The Reimbursement Agreements

Under each Reimbursement Agreement, MassDOT agrees to reimburse the LOC Bank for each drawing (other than liquidity drawings made available to MassDOT pursuant to the applicable Reimbursement Agreement for the purchase of the applicable subseries of 2010 Series A Bonds, subject to satisfaction of certain conditions precedent (each a “*Liquidity Advance*”) made under the applicable Letter of Credit immediately upon payment by the LOC Bank of each such drawing and on the date of each such payment. MassDOT promises to repay to the LOC Bank for each Liquidity Advance upon the earliest to occur of (i) the date on which the Letter of Credit is replaced by an Alternate Credit Facility (as defined in the applicable Reimbursement Agreement), (ii) the date on which any of the applicable 2010 Series A Bonds purchased with funds disbursed under the applicable Letter of Credit in connection with such Liquidity Drawing are redeemed, prepaid or canceled pursuant to the Supplemental Agreement, (iii) the date on which any of the applicable subseries of 2010 Series A Bonds purchased with funds disbursed under the applicable Letter of Credit in connection with such Liquidity Advance are remarketed pursuant to the Supplemental Agreement, (iv) the date which is the Conversion Date, and (v) the related Amortization Commencement Date (as defined in the applicable Reimbursement Agreement), but only if the Amortization Conditions (as defined in the applicable Reimbursement Agreement) are not satisfied on such Amortization Commencement Date. MassDOT’s obligations to repay each Liquidity Advance and to pay interest thereon as hereinafter provided will be evidenced and secured by the related Purchased Bonds.

Events of Default

The occurrence and continuance of any of the following events shall be an “Event of Default” under each Reimbursement Agreement:

(a) MassDOT shall fail to pay when due and payable (whether by scheduled maturity, required prepayment, or otherwise) any Obligation (as defined in the applicable Reimbursement Agreement), any amounts payable by MassDOT under the Fee Letter (as defined in the applicable Reimbursement Agreement), or any principal of, or interest on, the applicable 2010 Series A Bonds or Purchased Bond (as defined in the applicable Reimbursement Agreement) or any other amount required to be paid by MassDOT under the applicable Reimbursement Agreement; or

(b) (i) MassDOT shall fail to pay when due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) any indebtedness of the Department, including obligations owing pursuant to any Swap Contract (as defined in the applicable Reimbursement Agreement), or default under any mortgage, agreement or other instrument under or pursuant to which such indebtedness is incurred or issued, and continuance of such default beyond the period of grace, if any, allowed with respect thereto, or the occurrence of any act or omission by MassDOT under any such mortgage, agreement or other instrument which results in such indebtedness becoming, or being capable of becoming, immediately due and payable (or, with respect to any Swap Contract, which results in such Swap Contract being terminated early or being capable of being terminated early); or (ii) the Commonwealth shall fail to pay when due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) any general obligation indebtedness of the Commonwealth aggregating in excess of \$10,000,000, including obligations owing pursuant to any Swap Contract, or default under any mortgage, agreement or other instrument under or pursuant to which such general obligation indebtedness is incurred or issued, and continuance of such default beyond the period of grace, if any, allowed with respect thereto, or the occurrence of any act or omission by the Commonwealth under any such mortgage, agreement or other instrument which results in such general obligation indebtedness becoming, or being capable of becoming, immediately due and payable (or, with respect to any Swap Contract, which results in such Swap Contract being terminated early or being capable of being terminated early); or

(c) (i) MassDOT or the Commonwealth shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or (1) with respect to MassDOT, its Debts (as defined in the applicable Reimbursement Agreement), or (2) with respect to the Commonwealth, its general obligation indebtedness, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or MassDOT or the Commonwealth shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against MassDOT or the Commonwealth any case, proceeding or other action of a nature referred to in clause (i) above which (x) results in an order for such relief or in the appointment of a receiver or similar official or (y) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (iii) there shall be commenced against MassDOT or the Commonwealth, any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (iv) MassDOT or the Commonwealth shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) MassDOT or the Commonwealth shall generally not, or shall be unable to, or so admit in writing its inability to, pay its debts; or (vi) MassDOT or the Commonwealth or any Governmental Authority (as defined in the applicable Reimbursement Agreement) having jurisdiction over MassDOT or the Commonwealth imposes a debt moratorium with respect to repayment when due and payable of the principal of or interest on any indebtedness of MassDOT or the Commonwealth; or

(d) (i) the long-term unenhanced rating by any of Moody's, Fitch or S&P on the applicable 2010 Series A Bonds is withdrawn, suspended, or reduced below "A3" (or its equivalent), "A-" (or its equivalent) or "A-" (or its equivalent), respectively, or (ii) the long-term unenhanced rating by any of Moody's, Fitch or S&P on any general obligation indebtedness of the Commonwealth is withdrawn, suspended, or reduced below "A2" (or its equivalent), "A" (or its equivalent) or "A" (or its equivalent), respectively; or

(e) a final, nonappealable judgment, levy, writ of attachment or order for the payment of money in excess of \$5,000,000, payable from Revenues (as defined in the applicable Reimbursement Agreement) shall be rendered against MassDOT with respect to which, in the reasonable opinion of the LOC Bank, adequate cash reserves have not been established, or other means of satisfying or otherwise funding the judgment have not been undertaken, satisfactory to the LOC Bank and such judgment or order shall continue unsatisfied and unstayed for a period of sixty (60) days, or (ii) a final, nonappealable judgment, levy, writ of attachment or order for the payment of money in excess of \$5,000,000, payable as a general obligation of the Commonwealth which shall be rendered against the Commonwealth with respect to which, in the reasonable opinion of the LOC Bank, adequate cash reserves have not been established, or other means of satisfying or otherwise funding the judgment have not been undertaken, satisfactory to the LOC Bank and such judgment or order shall continue unsatisfied and unstayed for a period of sixty (60) days; or

(f) (i) the Commonwealth shall fail to make any payment required to be made by the Commonwealth under the Contract for Financial Assistance (as defined in the applicable Reimbursement Agreement) when the same is required to be made thereunder, (ii) any provision of the Contract for Financial Assistance, the Trust Agreement or the Supplemental Agreement relating to the payments to be made by the Commonwealth pursuant to the Contract for Financial Assistance, or designating such payments as Dedicated Payments (as defined in the applicable Reimbursement Agreement) under the Trust Agreement to be deposited in the Subordinated Debt Service Fund (as defined in the applicable Reimbursement Agreement), or relating to the pledge of and lien on the payments to be made by the Commonwealth under the Contract for Financial Assistance shall at any time for any reason cease to be valid and binding on, or fully enforceable against, the Commonwealth and MassDOT, as applicable, as determined by any court or Governmental Authority having appropriate jurisdiction in a final nonappealable judgment, (iii) any provision of the Contract for Financial Assistance, the Trust Agreement or the Supplemental Agreement

relating to the payments to be made by the Commonwealth pursuant to the Contract for Financial Assistance, or designating such payments as Dedicated Payments under the Trust Agreement to be deposited in the Subordinated Debt Service Fund, or relating to the pledge of and lien on the payments to be made by the Commonwealth under the Contract for Financial Assistance shall at any time for any reason be terminated or otherwise modified by the Legislature of the Commonwealth or by any court or Governmental Authority having appropriate jurisdiction in a final non-appealable judgment, which termination or other modification reduces the amount of any payment under the Contract for Financial Assistance below the amount necessary to provide for the timely payment of the applicable 2010 Series A Bonds, or (iv) the Commonwealth repudiates, in writing, in a judicial or administrative proceeding that it has any further liability or obligation under the Contract for Financial Assistance, shall have taken or permitted to be taken any action, or has duly enacted any statute, which causes the Contract for Financial Assistance to no longer be a valid and binding obligation of the Commonwealth, or contests, in a judicial or administrative proceeding, the validity or enforceability of any material provision of the Contract for Financial Assistance relating to or otherwise affecting the Commonwealth's obligation to make payments thereunder; or

(g) (i) the Commonwealth shall fail to pay when due and payable any general obligation indebtedness of the Commonwealth, and such failure shall continue beyond any applicable period of grace specified in any underlying resolution, indenture, contract or instrument providing for the creation of or concerning such general obligation indebtedness, or (ii) pursuant to the provisions of any resolution, indenture, contract or instrument providing for the creation of or concerning any general obligation indebtedness of the Commonwealth, such indebtedness matures, or such indebtedness is or may be accelerated, or such indebtedness may be required to be prepaid prior to the stated maturity thereof, in each case, as a result of the occurrence of any default in the payment of the principal of or interest on such indebtedness by the Commonwealth under such resolution, indenture, contract or instrument and the continuance of such default beyond any applicable period of grace set forth therein.

(h) any representation or warranty made by MassDOT to the LOC Bank in the applicable Reimbursement Agreement, any Related Document (as defined in the applicable Reimbursement Agreement) or in any certificate or statement delivered under the applicable Reimbursement Agreement shall be incorrect or untrue in any material respect when made or deemed to have been made; or

(i) MassDOT shall default in the due performance or observance of certain covenants set forth in the applicable Reimbursement Agreement; or

(j) MassDOT shall default in any material respect in the due performance or observance of any other term, covenant or agreement contained or incorporated by reference in the applicable Reimbursement Agreement and such default shall remain unremedied for a period of thirty (30) days or more; or

(k) any "Event of Default" under the Trust Agreement or any "Event of Default" which is not cured within any applicable cure period under any of the other Related Documents shall occur, or any event of default shall have occurred and be continuing under or with respect to any other agreement providing credit enhancement or liquidity support for any other subseries of MassDOT's Metropolitan Highway System Revenue Bonds (Subordinated), Commonwealth Control Assistance secured, Variable Rate Demand Obligations 2010 Series A; or

(l) any provision of the applicable Reimbursement Agreement, the applicable 2010 Series A Bonds, the Trust Agreement, the Supplemental Agreement or any other Related Document, shall at any time for any reason cease to be valid and binding on or fully enforceable against, MassDOT or the Commonwealth, as applicable, or shall be declared in a final nonappealable judgment by any court or Governmental Authority having jurisdiction over MassDOT or the Commonwealth, as applicable, to be null and void, invalid, or unenforceable, or the validity or enforceability thereof shall be contested in writing by an Authorized Officer of MassDOT or an official of the Commonwealth, as applicable, or MassDOT or the Commonwealth, as applicable, or any agent or trustee on behalf of MassDOT or the

Commonwealth, as applicable, shall deny it has any further liability under the applicable Reimbursement Agreement or any of the other Related Documents; or

(m) any law, order, administrative directive or other pronouncement by any Governmental Authority, or amendment or modification thereto, shall be enacted, given, made or otherwise become effective, which, in the sole discretion of the LOC Bank, has a material adverse effect on the ability of MassDOT to meet its obligations with respect to the applicable 2010 Series A Bonds, the Purchased Bonds, or any other obligation of MassDOT under the applicable Reimbursement Agreement; or

(n) the Maximum Lawful Rate (as defined in the applicable Reimbursement Agreement) shall at any time be reduced below the Maximum Lawful Rate in effect on the Effective Date (as defined in the applicable Reimbursement Agreement); or

(o) any Governmental Authority shall declare a financial emergency with respect to MassDOT, which, in the sole discretion of the LOC Bank, has a material adverse effect on the ability of MassDOT to meet its obligations with respect to the applicable 2010 Series A Bonds, the Purchased Bonds, or any other obligation of MassDOT under the applicable Reimbursement Agreement; or

(p) any material fraud, in the reasonable judgment of the LOC Bank, shall be perpetrated by or against MassDOT or with respect to the System (as defined in the applicable Reimbursement Agreement).

Remedies

If an Event of Default shall have occurred under the applicable Reimbursement Agreement, the LOC Bank may exercise any one or more of the following rights and remedies in addition to any other remedies provided in the applicable Reimbursement Agreement or by law provided:

(a) by notice to MassDOT require that MassDOT immediately prepay to the LOC Bank in immediately available funds an amount equal to the Stated Amount (as defined in the applicable Reimbursement Agreement) (such amounts to be held by the LOC Bank as collateral security for the Obligations), *provided, however*, that in the case of an Event of Default described in paragraph (c) under the subheading “*Events of Default*” above such prepayment obligation shall automatically become immediately due and payable without any notice;

(b) declare all Obligations to be, and such amounts shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by MassDOT, *provided* that upon the occurrence of an Event of Default described in paragraph (c) under the subheading “*Events of Default*” hereof such acceleration shall automatically occur without notice;

(c) give notice of the occurrence of an Event of Default to the Trustee, directing the Trustee to cause a mandatory tender of the Bonds, thereby causing the applicable Letter of Credit to expire ten (10) days thereafter;

(d) pursue any rights and remedies it may have under the Related Documents; or

(e) pursue any other action available at law or in equity.

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BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each series of the Bonds in the aggregate principal amount of such maturity and will be deposited with DTC. Transfers of ownership will be effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. Interest and principal due on the Bonds will be paid to DTC or its nominee as registered owner of the Bonds. As long as the book-entry-only system remains in effect, DTC or its nominee will be recognized as the owner of the Bonds for all purposes, including notices and voting. The Issuer will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

Unless otherwise noted, the description which follows of the procedures and record-keeping with respect to beneficial ownership interests in the Bonds, payment of interest and other payments on the Bonds to DTC Participants or Beneficial Owners of the Bonds, confirmation and transfer of beneficial ownership interests in the Bonds and other bond-related transactions by and between DTC, the DTC Participants and Beneficial Owners of the Bonds is based solely on information furnished by DTC to the Issuer for inclusion in this Official Statement. Accordingly, the Issuer and the Underwriters do not and cannot make any representations concerning these matters.

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

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

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

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

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

Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Issuer or Issuing and Paying Agent 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 Issuer, 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 Issuer 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.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the applicable Remarketing Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the applicable Remarketing Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the applicable Remarketing Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be required to be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but none of the Issuer or the Underwriters takes responsibility for the accuracy thereof.

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APPENDIX I

Table of Refunded Subordinated Bonds

Maturity Date	Par Amount	Coupon	Call Date	Call Price	CUSIP
1997 Series B (Subordinated)					
1/1/2011	\$ 3,020,000	5.000%	5/14/2010	100%	576018AP0
1/1/2012	3,170,000	5.000	5/14/2010	100	567018AQ8
1/1/2013	3,330,000	5.000	5/14/2010	100	576018AR6
1/1/2017	23,345,000	5.250	5/14/2010	100	576018AS4
1/1/2023	32,215,000	5.125	5/14/2010	100	576018AT2
1/1/2029	43,625,000	5.250	5/14/2010	100	576018AU9
1/1/2037	83,100,000	5.125	5/14/2010	100	576018AV7
SubTotal	\$191,805,000				
Maturity Date	Par Amount	Coupon	Call Date	Call Price	CUSIP
1999 Series A (Subordinated)					
1/1/2011	\$2,390,000	4.600%	5/14/2010	100%	576018CU7
1/1/2011	4,920,000	5.125	5/14/2010	100	576018DG7
1/1/2015	1,130,000	4.875	5/14/2010	100	576018CV5
1/1/2015	24,850,000	5.250	5/14/2010	100	576018DH5
1/1/2016	495,000	4.950	5/14/2010	100	576018DJ1
1/1/2017	2,000,000	5.000	5/14/2010	100	576018DK8
1/1/2018	1,665,000	5.050	5/14/2010	100	576018DL6
1/1/2019	2,000,000	5.000	5/14/2010	100	576018DM4
1/1/2029	166,625,000	5.250	5/14/2010	100	576018CW3
1/1/2034	117,965,000	4.750	5/14/2010	100	576018DN2
1/1/2039	402,170,000	5.000	5/14/2010	100	576018CX1
SubTotal	\$726,210,000				
TOTAL	\$918,015,000				

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