

NEW MONEY ISSUE – BOOK-ENTRY ONLY

In the opinion of Bond Counsel, under existing law, and assuming continued compliance with various requirements of the Internal Revenue Code of 1986, as amended, interest on the 2012 Bonds will not be included in the gross income of holders of the 2012 Bonds for federal income tax purposes. While interest on the 2012 Bonds will not constitute a preference item for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations, interest on the 2012 Bonds will be included in the “adjusted current earnings” of corporate holders of the 2012 Bonds and therefore will be taken into account in computing the alternative minimum tax imposed on certain corporations. In the opinion of Bond Counsel, interest on the 2012 Bonds is exempt from Massachusetts personal income taxes, and the 2012 Bonds are exempt from Massachusetts personal property taxes. See “TAX EXEMPTION” herein.

THE COMMONWEALTH OF MASSACHUSETTS



\$419,260,000
Commonwealth Transportation Fund Revenue Bonds
(Accelerated Bridge Program)
2012 Series A



Dated: Date of Delivery

Due: June 1, as shown on
the inside cover hereof

The Commonwealth Transportation Fund Revenue Bonds (Accelerated Bridge Program) 2012 Series A (the “2012 Bonds”) will be issued by means of a book-entry only system evidencing ownership and transfer of the 2012 Bonds on the records of The Depository Trust Company (“DTC”) and its participants. Details of payment of the 2012 Bonds are more fully described in this Official Statement. The 2012 Bonds will bear interest from the date of delivery, and interest will be payable on December 1, 2012 and semiannually thereafter on June 1 and December 1. The 2012 Bonds are subject to redemption prior to maturity as more fully described herein.

The 2012 Bonds are special limited obligations of The Commonwealth of Massachusetts (the “Commonwealth”) payable from and secured solely by a pledge of Pledged Funds, as defined herein, all rights to receive Pledged Funds, and all Funds and Accounts, other than the Rebate Fund, held under the Trust Agreement dated as of December 1, 2010 (as supplemented, the “Trust Agreement”) between the Commonwealth and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), as supplemented by the Second Supplemental Trust Agreement between the Commonwealth and the Trustee dated as of May 1, 2012. Pledged Funds are moneys received or to be received by the Commonwealth from certain Motor Fuels Tax revenues, Registry Fees and certain other moneys, all as described herein. **The 2012 Bonds are not general obligations of the Commonwealth and are not secured by the full faith and credit of the Commonwealth. The 2012 Bonds are payable only from Pledged Funds and other moneys available to the owners of the 2012 Bonds under the Trust Agreement.**

The 2012 Bonds are offered when, as and if issued and received by the original purchasers and subject to the unqualified approving opinion as to legality of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C, Boston, Massachusetts, Bond Counsel. Public Resources Advisory Group is acting as financial advisor to the Commonwealth in connection with the issuance of the 2012 Bonds. The 2012 Bonds are expected to be available for delivery at DTC in New York, New York, or its custodial agent, on or about May 15, 2012.

May 8, 2012

THE COMMONWEALTH OF MASSACHUSETTS

\$419,260,000
Commonwealth Transportation Fund Revenue Bonds
(Accelerated Bridge Program)
2012 Series A

Dated: Date of Delivery

Due: June 1, as shown below

\$366,000,000 Serial Bonds

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP[†] Number[†]</u>
2013	\$ 6,780,000	2.00%	0.19%	57604TAE6
2014	8,475,000	5.00	0.31	57604TAF3
2015	8,700,000	5.00	0.48	57604TAG1
2016	9,260,000	5.00	0.64	57604TAH9
2017	9,840,000	5.00	0.81	57604TAJ5
2018	10,635,000	5.00	0.99	57604TAK2
2019	11,460,000	5.00	1.21	57604TAL0
2020	12,530,000	5.00	1.42	57604TAM8
2021	13,660,000	5.00	1.65	57604TAN6
2022	14,480,000	5.00	1.81 ^C	57604TAP1
2023	16,085,000	5.00	1.95 ^C	57604TAQ9
2024	12,680,000	5.00	2.07 ^C	57604TAR7
2025	12,940,000	5.00	2.19 ^C	57604TAS5
2026	13,190,000	4.00	2.61 ^C	57604TAT3
2027	13,405,000	4.50	2.55 ^C	57604TAU0
2028	13,600,000	4.00	2.87 ^C	57604TAV8
2029	13,775,000	3.00	3.10	57604TAW6
2030	13,935,000	4.00	3.05 ^C	57604TAX4
2031	14,075,000	4.00	3.17 ^C	57604TAY2
2032	14,175,000	4.50	2.95 ^C	57604TAZ9
2033	14,250,000	4.00	3.30 ^C	57604TBA3
3034	14,290,000	4.00	3.38 ^C	57604TBB1
2035	14,295,000	4.00	3.45 ^C	57604TBC9
2036	14,265,000	4.00	3.51 ^C	57604TBD7
2041	65,220,000	4.00	3.70 ^C	57604TBE5

\$53,260,000 3.75% Term Bonds Due June 1, 2040 at a Yield of 3.70%^C - CUSIP Number[†]: 57604TBF2

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

^C Priced at the stated yield to the June 1, 2021 optional redemption date at a redemption price of 100%. See "The 2012 Bonds – Redemption" herein.

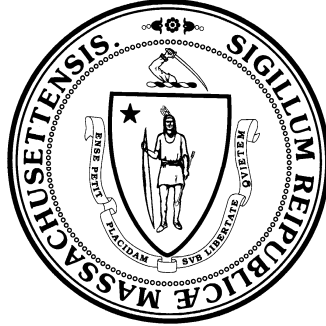
No dealer, broker, salesperson or other person has been authorized by The Commonwealth of Massachusetts (the "Commonwealth") or the original purchasers of the 2012 Bonds to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing. This Official Statement does not constitute an offer to sell or a solicitation of any offer to buy nor shall there be any sale of the 2012 Bonds offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein or included by reference herein has been furnished by the Commonwealth and includes information obtained from other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the original purchasers of the 2012 Bonds or, as to information from other sources, the Commonwealth. The information and expressions of opinion herein or included by reference herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Commonwealth, or its agencies, authorities or political subdivisions, since the date hereof, except as expressly set forth herein.

This Official Statement contains 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, including, in particular, the current adverse global financial market and economic conditions, 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.

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THE COMMONWEALTH OF MASSACHUSETTS



CONSTITUTIONAL OFFICERS

Deval L. Patrick..... Governor
Timothy P. Murray Lieutenant Governor
William F. Galvin..... Secretary of the Commonwealth
Martha Coakley..... Attorney General
Steven Grossman..... Treasurer and Receiver-General
Suzanne M. Bump..... Auditor

LEGISLATIVE OFFICERS

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

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Summary Statement

The following summary is a general description of the terms of the 2012 Bonds and is qualified in its entirety by reference to the detailed information appearing elsewhere in the Official Statement, including the Appendices hereto, and to each of the documents referenced herein. Prospective investors should read this Official Statement in its entirety prior to making an investment decision.

- Overview:Pursuant to (i) Section 20 of Chapter 29 of the General Laws, as amended from time to time (the “Special Obligation Act”) and (ii) Chapter 233 of the Acts of 2008 (the “Accelerated Bridge Program Act”), as it may be amended from time to time, The Commonwealth of Massachusetts (the “Commonwealth”) is issuing its \$419,260,000 Commonwealth Transportation Fund Revenue Bonds (Accelerated Bridge Program), 2012 Series A, the proceeds of which will be used to fund additional costs of the Accelerated Bridge Program. See *Security and Sources of Payment for the Bonds — Additional Bonds and Debt Service Coverage – Future Issuance of Bonds*.
- Accelerated Bridge Program:.....Pursuant to the Accelerated Bridge Program Act, the Commonwealth commenced a program in 2010 to finance the accelerated capital improvement of bridges and related infrastructure (the “Accelerated Bridge Program”). The Accelerated Bridge Program Act authorized the issuance of up to \$1.876 billion in special obligation bonds of the Commonwealth secured by revenues in the Commonwealth Transportation Fund to finance design, construction, reconstruction and repair of or improvements to bridges and approaches and up to \$1.108 billion of federal highway grant anticipation notes, which are secured by reimbursements received or to be received by the Commonwealth, acting through Massachusetts Department of Transportation, from the federal government pursuant to the federal-aid highway program and any other monies from time to time deposited in the Federal Highway Grant Anticipation Trust Fund of the Commonwealth for such purposes. See *Introduction – Accelerated Bridge Program*.
- Trust Agreement:The 2012 Bonds are being issued pursuant to the Trust Agreement dated as of December 1, 2010, between the Commonwealth and the Trustee, as supplemented including by the Second Supplemental Trust Agreement dated as of May 1, 2012. See APPENDIX B - “SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT.”
- 2012 BondsThe 2012 Bonds are special obligation bonds of the Commonwealth issued in accordance with the Special Obligation Act, the Accelerated Bridge Program Act and the Trust Agreement. The 2012 Bonds shall mature on June 1 in the years and principal amounts and bear interest at the rates per annum set forth on the inside cover page of this Official Statement. The 2012 Bonds will initially bear interest from the date of issuance payable semiannually on June 1 and December 1 of each year, commencing December 1, 2012, until the principal amount is paid. The 2012 Bonds shall be subject to optional and mandatory redemption as set forth herein. See *The 2012 Bonds*.
- Security and Source of Payment:A pledge of and lien on Pledged Funds (defined below), all rights to receive Pledged Funds and all moneys, securities, credit enhancement and any investment earnings with respect thereto in all funds and accounts held under the Trust Agreement, other than the Rebate Fund. “Pledged Funds” represent amounts received or to be received by the Commonwealth from the following sources: (1) all moneys

received or to be received by the Commonwealth equal to: (i) 14.1085¢ per gallon (other than aviation fuel) by the provisions of Chapter 64A; (ii) 21¢ per gallon with respect to the excise tax imposed on fuel (other than liquefied gas) by the provisions of Chapters 64E and 64F; and (iii) 19.1% of the average price per gallon with respect to the excise tax imposed on liquefied gas; (2) all Registry Fees (as defined in the Trust Agreement); (3) all moneys received or to be received by the Trustee from the 1994 Trustee pursuant to the 1994 Trust Agreement; (4) subject to the prior lien of the 1994 Trust Agreement, 6.86¢ per gallon (other than aviation fuel) imposed by the provisions of Chapter 64A; (5) Direct Payments, as defined herein, received by the Commonwealth from the United States Treasury with respect to any Bonds issued as Build America Bonds and Recovery Zone Economic Development Bonds pursuant to the Trust Agreement); and (6) such Additional Pledged Funds, as defined herein. See *Security and Sources of Payment for the Bonds—Additional Bonds and Debt Service Coverage – Future Issuance of Bonds*.

THE 2012 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE COMMONWEALTH. THE 2012 BONDS ARE NOT GENERAL OBLIGATIONS OF THE COMMONWEALTH AND NOT SECURED BY THE FULL FAITH AND CREDIT OF THE COMMONWEALTH.

OFFICIAL STATEMENT

THE COMMONWEALTH OF MASSACHUSETTS

\$419,260,000

Commonwealth Transportation Fund Revenue Bonds (Accelerated Bridge Program) 2012 Series A

INTRODUCTION

General

This Official Statement, including the cover page and appendices, provides information in connection with the issuance by The Commonwealth of Massachusetts (the “Commonwealth”) of its \$419,260,000 Commonwealth Transportation Fund Revenue Bonds (Accelerated Bridge Program), 2012 Series A (the “2012 Bonds”), pursuant to a Trust Agreement dated as of December 1, 2010 (as amended and supplemented from time to time, the “Trust Agreement”) between the Commonwealth and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), as supplemented by the Second Supplemental Trust Agreement dated as of May 1, 2012 between the Commonwealth and the Trustee.

The 2012 Bonds are authorized by and issued pursuant to (i) Section 20 of Chapter 29 of the General Laws, as amended from time to time (the “Special Obligation Act”) and (ii) Chapter 233 of the Acts of 2008 (the “Accelerated Bridge Program Act”), as it may be amended from time to time; and are issued under and pursuant to the Trust Agreement. The 2012 Bonds are special limited obligations of the Commonwealth. The principal (including sinking fund payments) of, redemption price of and interest on the 2012 Bonds are payable from and secured solely by a pledge of and lien on Pledged Funds (defined below), all rights to receive Pledged Funds, amounts, securities and any investment earnings with respect thereto in all Funds and Accounts, other than the Rebate Fund and any amounts payable to the Commonwealth pursuant to a Qualified Hedge Agreement. See *Security and Sources of Payment for the Bonds*.

Bonds issued under the Special Obligation Act, herein referred to as “special obligation bonds,” including the 2012 Bonds, are not general obligations of the Commonwealth and are not secured by the full faith and credit of the Commonwealth. The 2012 Bonds are being issued on a parity with the Commonwealth’s Transportation Fund Revenue Bonds (Accelerated Bridge Program), 2010 Series A (Federally Taxable - Build America Bonds/Recovery Zone Economic Development Bonds - Direct Pay to Issuer) currently outstanding in the principal amount of \$576,125,000 (the “2010 Bonds”). Additional bonds may be issued on a parity with the 2010 Bonds and the 2012 Bonds (“Additional Bonds”) under the conditions and in the manner provided in the Trust Agreement (the 2010 Bonds, the 2012 Bonds and any Additional Bonds are collectively referred to herein as the “Bonds”). Additional Bonds may be issued under the Accelerated Bridge Program Act to fund additional costs of the Accelerated Bridge Program or under the Special Obligation Act to fund any other transportation projects of the Commonwealth for which bonds have been heretofore or are hereafter authorized to be issued thereunder. See *Security and Sources of Payment for the Bonds - Additional Bonds and Debt Service Coverage – Future Issuance of Bonds*.

The 2012 Bonds are the Commonwealth’s eighth issue of special obligation bonds, and the second issue of such bonds under the Trust Agreement. Certain of the prior issues of special obligation bonds are no longer outstanding. With respect to such bonds that remain outstanding, the Commonwealth issued \$294,695,000 of such bonds in 1997 (the “1997 Bonds”), \$319,130,000 of such bonds in 2002 (the “2002 Bonds”) and \$215,765,000 of such bonds in 2005 (the “2005 Bonds” and, together with the 1997 Bonds and the 2002 Bonds, the “1994 Trust Agreement Bonds”), all pursuant to a Trust Agreement dated as of June 1, 1994 (as amended and restated as of January 1, 2005, and as further amended and supplemented, the “1994 Trust Agreement”) between the Commonwealth and U.S. Bank

National Association, as successor trustee (the “1994 Trustee”). The outstanding 1997 Bonds are secured by the Commonwealth’s pledge of 4.86¢ per gallon of revenues from the Commonwealth’s gasoline tax imposed by Chapter 64A of the General Laws (the “1994 Pledged Funds”) and the outstanding 2002 Bonds and 2005 Bonds are secured by the Commonwealth’s pledge of 6.86¢ per gallon of revenues from the Commonwealth’s gasoline tax imposed by Chapter 64A (the “2002 Pledged Funds” and together with the 1994 Pledged Funds, the “Prior Pledged Funds”). The 2002 Pledged Funds include the 1994 Pledged Funds but are not in addition to this amount. The Bonds will be *subordinate* to the outstanding 1994 Trust Agreement Bonds with respect to the lien on the Prior Pledged Funds. The Commonwealth has covenanted in the Trust Agreement not to issue any additional bonds under the 1994 Trust Agreement, except for refunding bonds. See *Security and Sources of Payment for the Bonds — Pledged Funds and 1994 Trust Agreement*.

Commonwealth Transportation Fund and Pledged Funds

The Commonwealth currently levies a tax of 21¢ per gallon upon each gallon of gasoline sold or used in the Commonwealth (the “Gasoline Tax”). Under state law, a portion of such Gasoline Tax (other than with respect to aviation fuel) currently equal to 20.9685¢ per gallon is deposited in the Commonwealth Transportation Fund (the “Pledged Gasoline Tax”). In addition, the Commonwealth currently levies a tax of 21¢ per gallon upon each gallon of special fuels and a tax of 19.1% of the average price per gallon of liquefied gas sold or used in the Commonwealth (together, the “Special Fuels Tax”), of which 100% is deposited in the Commonwealth Transportation Fund. The Commonwealth also levies a tax of 21¢ per gallon upon each gallon of gasoline and special fuels acquired outside and used within the Commonwealth (the “Motor Carrier Tax”), of which 100% is deposited in the Commonwealth Transportation Fund. The Gasoline Tax (other than with respect aviation fuel), the Special Fuels Tax and the Motor Carrier Tax are referred to collectively herein as the “Motor Fuels Tax” and the Pledged Gasoline Tax, Special Fuels Tax, and the Motor Carrier Tax are referred to collectively herein as the “Pledged Motor Fuels Tax”. The Pledged Motor Fuels Tax receipts are available to be used only for transportation-related purposes, including debt service on special obligation revenue bonds issued under the Special Obligation Act.

Under current state law, Pledged Funds will represent amounts received or to be received by the Commonwealth from: (i) all moneys received or to be received by the Commonwealth from (a) 14.1085¢ per gallon with respect to the Pledged Gasoline Tax, (b) 21¢ per gallon with respect to the Special Fuels Tax (other than liquefied gas) and Motor Carrier Tax, and (c) 19.1% of the average price per gallon with respect to Special Fuels Tax on liquefied gas; (ii) all Registry Fees deposited in the Commonwealth Transportation Fund pursuant to Section 34(iii) of Chapter 90 of the Massachusetts General Laws; (iii) all moneys received or to be received by the Trustee from the 1994 Trustee pursuant to the 1994 Trust Agreement; (iv) subject to the prior lien of the 1994 Trust Agreement, all of the Prior Pledged Funds; (v) refundable tax credit received by the Commonwealth from the United States Treasury equal to a percentage of the taxable interest the Commonwealth pays on any Build America Bonds in accordance with Code §54AA or any Recovery Zone Economic Development Bonds in accordance with Code §1400U-2 (“Direct Payments”); and (vi) to the extent permitted in the Trust Agreement, such Additional Pledged Funds as the Commonwealth may by a subsequent Supplemental Trust Agreement pledge to the Trustee as security for the bonds issued under the Trust Agreement. See *Pledged Funds*.

Accelerated Bridge Program

Pursuant to the Accelerated Bridge Program Act, the Commonwealth commenced a program in 2010 to finance the accelerated capital improvement of bridges and related infrastructure (the “Accelerated Bridge Program”). The Accelerated Bridge Program Act authorized the issuance of up to \$1.876 billion in special obligation bonds of the Commonwealth secured by revenues in the Commonwealth Transportation Fund to finance design, construction, reconstruction and repair of or improvements to bridges and approaches. The Accelerated Bridge Program Act also authorized the issuance of up to \$1.108 billion of federal highway grant anticipation notes, which are secured by reimbursements received or to be received by the Commonwealth, acting through Massachusetts Department of Transportation (“MassDOT”), from the federal government pursuant to the federal-aid highway program and any other monies from time to time deposited in the Federal Highway Grant Anticipation Trust Fund of the Commonwealth for such purposes.

Under the Accelerated Bridge Program Act, the Commonwealth may issue any portion of the federal highway grant anticipation notes authorized therein as special obligation bonds and may issue any portion of the

special obligation bonds authorized therein as federal highway grant anticipation notes, provided that the aggregate amount of such special obligation bonds and federal highway grant anticipation notes shall not exceed \$2.984 billion, and provided that the Governor and the Treasurer and Receiver-General (“State Treasurer”) determine that issuing such special obligation bonds and federal highway grant anticipation notes in such manner is necessary or is in the best financial interests of the Commonwealth, based on their consideration of: (i) the Commonwealth’s authority under federal law to issue federal highway grant anticipation notes; (ii) generally prevailing financial market conditions; (iii) the impact of each financing approach on the overall capital financing plans and needs of the Commonwealth; (iv) any ratings assigned to outstanding bonds of the Commonwealth and any ratings expected to be assigned by any nationally-recognized credit rating agency to the special obligation bonds or federal highway grant anticipation notes proposed to be issued; and (v) any applicable provisions of Chapter 29 of the General Laws.

In December 2010, the Commonwealth issued its first series of special obligation bonds under the Accelerated Bridge Program, the 2010 Bonds. Concurrently with the delivery of the 2010 Bonds, the Commonwealth also issued its Federal Highway Grant Anticipation Notes (Accelerated Bridge Program), 2010 Series A (the “2010A New Money GANs”) pursuant to a Trust Agreement dated as of December 1, 2010, as supplemented and amended by a First Supplemental Trust Agreement of even date therewith (together, the “2010 GAN Trust Agreement”) between the Commonwealth and Deutsche Bank Trust Company Americas, as Trustee (the “2010 GAN Trustee”) and pursuant to the Accelerated Bridge Program Act. The 2010A New Money GANs were issued finance a portion of the costs of the Accelerated Bridge Program. The Commonwealth also issued its Special Obligation Refunding Notes (Senior Federal Highway Grant Anticipation Note Program), 2010 Series A (the “2010A Refunding GANs”) under an Amended and Restated Trust Agreement dated as of December 1, 2010, by and between the Commonwealth and U.S. Bank National Association, as successor trustee (the “Prior GAN Trustee”), as supplemented and amended from time to time (the “Prior GAN Trust Agreement”). All notes outstanding under the Prior GAN Trust Agreement are referred to as “Prior GANs.” Debt service on Prior GANs may be paid from Pledged Gasoline Tax receipts equal to ten cents (\$0.10) per gallon, *subordinate* to the lien in favor of the Bonds and the 2010A New Money GANs are secured by a lien on the Pledged Funds *subordinate* to the Bonds. Upon the issuance of the 2010A Refunding GANs, the Prior GAN Trust Agreement was closed, and no additional federal highway grant anticipation notes are permitted to be issued thereunder. The final maturity date of the Prior GANs is June 15, 2015. Under certain circumstances described herein, amounts from the Commonwealth Transportation Fund may be made available for payment of debt service on federal highway grant anticipation notes. However, any such use is subordinate to the payment of the Bonds. See *Security and Sources of Payment for the Bonds – Flow of Pledged Funds – Flow of Funds and Federal Highway Grant Anticipation Notes*.

Additional Bonds and federal highway grant anticipation notes are currently expected to be issued by the Commonwealth through fiscal year 2016 to finance the costs of the Accelerated Bridge Program. Additional Bonds may also be issued to fund other transportation projects to the extent authorized under the Special Obligation Act.

Since the program commenced in 2008, 102 structures have been replaced, renovated or preserved under the Accelerated Bridge Program, in addition numerous scheduled and emergency repairs have been made to bridges across Massachusetts. Of the 146 projects that have been issued notices to proceed since the program began, 90.4% of the projects are on budget and 82.2% are on track to be completed by their original contract completion dates. As of February 1, 2012, the number of structurally deficient bridges in Massachusetts under Accelerated Bridge Program oversight has been reduced from 543 to 433, a reduction of 20% since the program began.

In 2012, MassDOT expects to begin five major projects under the program, to be funded in part with proceeds of the 2012 Bonds:

- The replacement of the Kenneth F. Burns Memorial Bridge which serves as a major transportation link between Shrewsbury and Worcester, which will cost approximately \$131.7 million;
- The replacement of the Fore River Bridge, which carries State Route 3A between Quincy and Weymouth and serves significant commercial shipping traffic, which will cost approximately \$310.5 million;
- The replacement of the John Greenleaf Whittier Memorial Bridge over the Merrimack River and the widening of approximately 4.25 miles of Interstate 95 between Newburyport and Salisbury, which will cost approximately \$285 million;

- The rehabilitation of the Longfellow Bridge, which links Cambridge and Boston and serves vehicular and pedestrian traffic and the Massachusetts Bay Transportation Authority Red Line train, which will cost approximately \$270.5 million; and
- The reconstruction of the Route 79 and Interstate 95 interchange in Fall River, including the replacement of bridges and roadways and the improvement of pedestrian and bicycle connections, which will cost approximately \$175 million.

The above summary is intended only as a general introduction to the 2012 Bonds. For a more detailed description of the 2012 Bonds, the specific pledge and other provisions of the Trust Agreement under which the 2012 Bonds are being issued, as well as historical information and projections concerning funds pledged to the payment of the 2012 Bonds, the reader should examine the entirety of this Official Statement.

Purpose and Content of Official Statement

This Official Statement describes the terms and use of proceeds of, and security for, the 2012 Bonds. This introduction is subject in all respects to the additional information contained in this Official Statement, including Appendices A through E. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. All capitalized terms not otherwise defined herein shall have the meanings set forth in *Appendix B - Summary of Certain Provisions of the Trust Agreement*. *Appendix A* is a summary of certain provisions of the Commonwealth Transportation Fund Act and the Special Obligation Act, respectively. *Appendix B* is a summary of certain provisions of the Trust Agreement. *Appendix C* contains the proposed form of legal opinion of bond counsel with respect to the 2012 Bonds. *Appendix D* contains the proposed form of the Commonwealth's continuing disclosure undertaking to be included in the form of the 2012 Bonds to facilitate compliance by the successful bidder with the requirements of paragraph (b)(5) of Rule 15c2-12 of the Securities and Exchange Commission. See *Continuing Disclosure* and *Availability of Other Information*. *Appendix E* contains the Official Notice of Sale with respect to the 2012 Bonds.

THE 2012 BONDS

General

The 2012 Bonds will be dated the date of delivery thereof and will initially bear interest from such date payable semiannually on June 1 and December 1 of each year, commencing December 1, 2012 (each an "Interest Payment Date"), until the principal amount is paid. The 2012 Bonds shall mature on June 1 in the years and principal amounts and bear interest at the rates per annum set forth on the inside cover page of this Official Statement. The Trustee will be the trustee and paying agent for the 2012 Bonds.

Book-Entry Only System. The 2012 Bonds will be issued by means of a book-entry only system, with one bond certificate for each maturity immobilized at The Depository Trust Company, New York, New York ("DTC"). The certificates will not be available for distribution to the public and will evidence ownership of the 2012 Bonds in principal amounts of \$5,000, or integral multiples thereof. Transfers of ownership will be effected on the records of DTC and its Participants (as defined herein) pursuant to rules and procedures established by DTC and its Participants. Interest, principal and premium, if any, due on the 2012 Bonds will be paid in clearinghouse funds to DTC or its nominee as registered owner of the 2012 Bonds. The record date for payments on account of the 2012 Bonds will be the business day next preceding an Interest Payment Date. As long as the book-entry only system remains in effect, DTC or its nominee will be recognized as the owner of the 2012 Bonds for all purposes, including notices and voting. Neither the Commonwealth nor the Trustee will be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants. See *Book-Entry Only System*.

Redemption

Optional Redemption. The 2012 Bonds maturing on or before June 1, 2021 are not subject to optional redemption. The Bonds maturing on or after June 1, 2022 will be subject to redemption on any date prior to their stated

maturity dates on and after June 1, 2021 at the option of the Commonwealth from any monies legally available therefor, in whole or in part at any time, by lot, at 100% of the principal amount thereof, plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption.

The 2012 Bonds maturing on June 1, 2040 are subject to mandatory redemption from mandatory sinking fund payments on June 1 in the years and in the respective principal amounts set forth below, at a redemption price equal to the principal amount to be redeemed (without premium) plus accrued interest to the redemption date:

<u>Year</u>	<u>Principal Amount</u>
2037	\$14,040,000
2038	13,700,000
2039	13,105,000
2040 [†]	12,415,000

[†]Stated maturity.

The Commonwealth is entitled to reduce its mandatory sinking fund redemption obligation in any year with respect to the 2012 Bonds by the principal amount of any 2012 Bonds previously purchased or optionally redeemed by the Commonwealth.

Notice of Redemption of 2012 Bonds. The Commonwealth shall provide the Trustee with written notice of its election to redeem 2012 Bonds and the Trustee shall give notice of redemption to the owners of the applicable 2012 Bonds not less than 30 days prior to the date fixed for redemption. So long as the book-entry-only system remains in effect for such 2012 Bonds, notices of redemption will be sent by the Trustee only to DTC or its nominee. Any failure on the part of DTC, any DTC participant or any nominee of a beneficial owner of any such 2012 Bond (having received notice from a DTC participant or otherwise) to notify the beneficial owner so affected, shall not affect the validity of the redemption. A notice of redemption may state (i) that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to effect the redemption not later than the redemption date, or (ii) that the Commonwealth may rescind such notice at any time prior to the scheduled redemption date if the Commonwealth delivers a notice thereof to the Bondholders. The redemption notice shall be of no effect if such moneys are not so deposited or if the notice is rescinded, and the failure of the Commonwealth to make funds available in whole or in part on or before the redemption date shall not then constitute a default under the Trust Agreement.

On the specified redemption date, all 2012 Bonds called for redemption shall cease to bear interest, provided the Commonwealth has monies on hand to pay such redemption in full.

Selection for Redemption. In the event that less than all of any maturity of any 2012 Bond is to be redeemed, and so long as the book-entry-only system remains in effect for such 2012 Bonds, the particular 2012 Bonds or portion of any such 2012 Bonds of a particular maturity to be redeemed will be selected by DTC by lot. If the book-entry-only system no longer remains in effect for the 2012 Bonds, selection for redemption of less than all of any one maturity of the 2012 Bonds will be made by the Commonwealth by lot in such manner as in its discretion it shall deem appropriate and fair. For purposes of selection by lot within a maturity, each \$5,000 of principal amount of a 2012 Bond will be considered a separate 2012 Bond.

Application of Proceeds

The net proceeds of the sale of the 2012 Bonds will be applied by the State Treasurer to bridge improvement-related capital expenditures of the Commonwealth for which the 2012 Bonds were authorized by the Legislature, or to the reimbursement of the Commonwealth for such expenditures.

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the issuance of the 2012 Bonds are as follows:

Sources of Funds	
Principal of the 2012 Bonds	\$419,260,000.00
Net Original Issue Premium	<u>44,903,927.60</u>
Total:	\$464,163,927.60
Uses of Funds	
Project Costs	\$462,720,747.89
Costs of Issuance	<u>1,443,179.71</u>
Total:	\$464,163,927.60

DEBT SERVICE REQUIREMENTS ON THE 2012 BONDS

The following table sets forth the annual debt service payable on a fiscal year basis.

<u>Fiscal Year</u>	<u>2010 Bonds Total Debt Service⁽¹⁾</u>	<u>2012 Bonds</u>		<u>Total 2012 Debt Service</u>	<u>Total Outstanding CTF Debt Service</u>
		<u>Principal</u>	<u>Interest</u>		
2012	\$20,309,061	--	--	--	\$20,309,061
2013	20,309,061	\$ 6,780,000	\$18,705,217	\$25,485,217	45,794,278
2014	20,309,061	8,475,000	17,773,650	26,248,650	46,557,711
2015	20,309,061	8,700,000	17,349,900	26,049,900	46,358,961
2016	20,309,061	9,260,000	16,914,900	26,174,900	46,483,961
2017	20,309,061	9,840,000	16,451,900	26,291,900	46,600,961
2018	20,309,061	10,635,000	15,959,900	26,594,900	46,903,961
2019	20,309,061	11,460,000	15,428,150	26,888,150	47,197,211
2020	20,309,061	12,530,000	14,855,150	27,385,150	47,694,211
2021	20,309,061	13,660,000	14,228,650	27,888,650	48,197,711
2022	20,309,061	14,480,000	13,545,650	28,025,650	48,334,711
2023	20,309,061	16,085,000	12,821,650	28,906,650	49,215,711
2024	41,634,061	12,680,000	12,017,400	24,697,400	66,331,461
2025	42,003,652	12,940,000	11,383,400	24,323,400	66,327,052
2026	42,401,265	13,190,000	10,736,400	23,926,400	66,327,665
2027	42,849,299	13,405,000	10,208,800	23,613,800	66,463,099
2028	43,324,386	13,600,000	9,605,575	23,205,575	66,529,961
2029	43,828,780	13,775,000	9,061,575	22,836,575	66,665,355
2030	44,354,552	13,935,000	8,648,325	22,583,325	66,937,877
2031	44,913,958	14,075,000	8,090,925	22,165,925	67,079,883
2032	45,518,632	14,175,000	7,527,925	21,702,925	67,221,557
2033	46,152,929	14,250,000	6,890,050	21,140,050	67,292,979
2034	46,823,311	14,290,000	6,320,050	20,610,050	67,433,361
2035	47,530,867	14,295,000	5,748,450	20,043,450	67,574,317
2036	48,276,498	14,265,000	5,176,650	19,441,650	67,718,148
2037	49,070,920	14,040,000	4,606,050	18,646,050	67,716,970
2038	49,974,153	13,700,000	4,079,550	17,779,550	67,753,703
2039	51,117,177	13,105,000	3,565,800	16,670,800	67,787,977
2040	52,329,035	12,415,000	3,074,363	15,489,363	67,818,398
2041	--	65,220,000	2,608,800	67,828,800	67,828,800

⁽¹⁾ Excludes Direct Payments to be received with respect to the Series 2010 Bonds. See *Prior Bonds*.

DEBT SERVICE COVERAGE

The table on the following page shows the ratios of projected Pledged Funds collections (based on the Commonwealth's receipts in Fiscal Year 2011 and assuming no growth in such receipts in future years) to annual debt service for the Outstanding 2010 Bonds and the 2012 Bonds as well as to annual debt service for the anticipated approximately \$1.743 billion of Senior CTF Obligations to be issued under the Accelerated Bridge Program through 2015. Under the Trust Agreement, the Commonwealth is not obligated to maintain any debt service coverage ratio, although it has covenanted to maintain the rate of Registry Fees and Motor Fuel Tax such that Pledged Funds would equal at least four hundred percent (400%) of the maximum aggregate Adjusted Bond Debt Service Requirement due in the then current or any future fiscal year on Bonds Outstanding. See *Covenants of Commonwealth*. In order to issue Additional Bonds, however, the Commonwealth will be required to comply with certain debt service coverage tests. See *Security and Sources of Payment for the Bonds - Additional Bonds*. Based on certain assumptions that are subject to change, including the assumptions for Pledged Funds specified in the following table, debt service coverage on all anticipated CTF Bonds, assuming the issuance of approximately \$1.743 billion of Senior CTF Obligations, is estimated to be no less than 9.23x and debt service coverage on the 2010 and 2012 Bonds is estimated to be no less than 14.85x. All projections and estimates are subject to change. The actual debt service coverage will likely vary from the amounts shown as actual circumstances in the future will likely vary from the assumptions used for this Official Statement.

Further, as noted above, 6.86¢ of the Commonwealth's 21¢ gasoline tax receipts are subject to a prior pledge of such receipts to secure and pay the outstanding 1994 Trust Agreement Bonds. Following the issuance of the 2012 Bonds, up to 2.13¢ of the Commonwealth's 21¢ gasoline tax receipts will be used annually to pay the outstanding 1994 Trust Agreement Bonds, which mature on June 1, 2023.

Future Issuance of Bonds. In addition to the 2010 Bonds and 2012 Bonds, the Commonwealth currently expects to issue approximately \$750 million of Additional Bonds by the end of fiscal year 2016 to finance costs of the Accelerated Bridge Program. The balance of the current authorized costs of the Accelerated Bridge Program is expected to be financed with the proceeds of additional federal grant anticipation notes to be issued under the 2010 GAN Trust Agreement through fiscal year 2016 in the aggregate principal amount of \$1.108 billion. The actual amount and timing of the issuance of Additional Bonds and additional notes under the 2010 GAN Trust Agreement is subject to change. In addition, the Commonwealth, to the extent authorized under other bond authorizations heretofore or hereafter enacted and subject to the Special Obligation Act, may issue Additional Bonds for other transportation purposes in addition to the Accelerated Bridge Program. Any such issuance is subject to compliance with the debt service coverage tests described herein.

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ESTIMATED ACCELERATED BRIDGE PROGRAM CTF BOND DEBT SERVICE COVERAGE PROJECTION⁽¹⁾

Fiscal Year	1994 Trust Agreement Bonds Total Debt Service	Projected Prior Pledged Funds ⁽²⁾	Projected Excess Amount Under 1994 Trust Agreement ⁽³⁾	Total Projected Pledged Revenue ⁽⁴⁾	2010 Bonds Total Debt Service	2012 Bonds Total Debt Service	2013 Bonds Projected Total Debt Service ⁽⁵⁾	2014 Bonds Projected Total Debt Service ⁽⁵⁾	2015 Bonds Projected Total Debt Service ⁽⁵⁾	Outstanding Bonds Debt Service	Outstanding Bonds Debt Service Coverage	Total Program Projected Debt Service ⁽⁵⁾	Total Program Debt Service Coverage ⁽⁵⁾
2012	\$58,938,599	\$189,761,435	\$130,822,836	\$1,108,592,619	\$32,623,280	-	-	-	-	\$32,623,280	33.98 x	\$32,623,280	33.98 x
2013	58,921,684	189,761,435	130,839,751	1,108,609,534	32,623,280	\$25,485,217	-	-	-	58,108,496	19.08 x	58,108,497	19.08 x
2014	52,703,574	189,761,435	137,057,861	1,114,827,644	32,623,280	26,248,650	\$27,221,392	-	-	58,871,930	18.94 x	86,093,322	12.95 x
2015	52,700,674	189,761,435	137,060,761	1,114,830,544	32,623,280	26,049,900	27,220,200	\$16,028,592	-	58,673,180	19.00 x	101,921,972	10.94 x
2016	51,381,824	189,761,435	138,379,611	1,116,149,394	32,623,280	26,174,900	27,219,800	16,030,300	\$4,658,671	58,798,180	18.98 x	106,706,951	10.46 x
2017	51,752,324	189,761,435	138,009,111	1,115,778,894	32,623,280	26,291,900	27,219,400	16,031,100	4,656,950	58,915,180	18.94 x	106,822,630	10.45 x
2018	30,301,319	189,761,435	159,460,116	1,137,229,899	32,623,280	26,594,900	27,221,650	16,029,600	4,656,050	59,218,180	19.20 x	107,125,480	10.62 x
2019	30,294,119	189,761,435	159,467,316	1,137,237,099	32,623,280	26,888,150	27,219,450	16,029,050	4,656,450	59,511,430	19.11 x	107,416,380	10.59 x
2020	30,297,619	189,761,435	159,463,816	1,137,233,599	32,623,280	27,385,150	27,218,450	16,031,050	4,655,650	60,008,430	18.95 x	107,913,580	10.54 x
2021	30,296,772	189,761,435	159,464,663	1,137,234,446	32,623,280	27,888,650	27,219,200	16,030,250	4,659,650	60,511,930	18.79 x	108,421,030	10.49 x
2022	30,296,997	189,761,435	159,464,438	1,137,234,221	32,623,280	28,025,650	27,216,450	16,029,250	4,656,250	60,648,930	18.75 x	108,550,880	10.48 x
2023	9,996,000	189,761,435	179,765,435	1,157,535,218	32,623,280	28,906,650	27,219,200	16,030,250	4,660,500	61,529,930	18.81 x	109,439,880	10.58 x
2024	-	189,761,435	189,761,435	1,167,531,218	53,948,280	24,697,400	27,220,950	16,027,500	4,655,750	78,645,680	14.85 x	126,549,880	9.23 x
2025	-	189,761,435	189,761,435	1,167,154,075	53,940,727	24,323,400	27,220,450	16,030,500	4,657,250	78,264,127	14.91 x	126,172,327	9.25 x
2026	-	189,761,435	189,761,435	1,166,792,162	53,930,516	23,926,400	27,216,450	16,028,250	4,659,500	77,856,916	14.99 x	125,761,116	9.28 x
2027	-	189,761,435	189,761,435	1,166,282,116	53,914,415	23,613,800	27,217,700	16,030,250	4,657,250	77,528,215	15.04 x	125,433,415	9.30 x
2028	-	189,761,435	189,761,435	1,165,792,162	53,899,548	23,205,575	27,217,450	16,030,500	4,655,500	77,105,123	15.12 x	125,008,573	9.33 x
2029	-	189,761,435	189,761,435	1,165,274,913	53,886,693	22,836,575	27,219,200	16,028,250	4,659,000	76,723,268	15.19 x	124,629,718	9.35 x
2030	-	189,761,435	189,761,435	1,164,728,791	53,866,342	22,583,325	27,221,200	16,027,750	4,657,250	76,449,667	15.24 x	124,355,867	9.37 x
2031	-	189,761,435	189,761,435	1,164,152,317	53,849,275	22,165,925	27,216,700	16,028,000	4,660,250	76,015,200	15.31 x	123,920,150	9.39 x
2032	-	189,761,435	189,761,435	1,163,532,910	53,834,542	21,702,925	27,219,200	16,028,000	4,657,500	75,537,467	15.40 x	123,442,167	9.43 x
2033	-	189,761,435	189,761,435	1,162,878,301	53,814,230	21,140,050	27,226,450	16,026,750	4,659,000	74,954,280	15.51 x	122,866,480	9.46 x
2034	-	189,761,435	189,761,435	1,162,186,584	53,792,895	20,610,050	27,221,200	16,028,250	4,659,250	74,402,945	15.62 x	122,311,645	9.50 x
2035	-	189,761,435	189,761,435	1,161,455,652	53,769,519	20,043,450	27,216,950	16,026,250	4,658,000	73,812,969	15.74 x	121,714,169	9.54 x
2036	-	189,761,435	189,761,435	1,160,683,299	53,742,797	19,441,650	27,216,450	16,029,750	4,655,000	73,184,447	15.86 x	121,085,647	9.59 x
2037	-	189,761,435	189,761,435	1,159,867,219	53,721,140	18,646,050	27,217,200	16,027,250	4,655,000	72,367,190	16.03 x	120,266,640	9.64 x
2038	-	189,761,435	189,761,435	1,158,934,943	53,692,096	17,779,550	27,216,800	16,027,750	4,657,500	71,471,646	16.22 x	119,373,696	9.71 x
2039	-	189,761,435	189,761,435	1,157,763,326	53,663,503	16,670,800	27,217,000	16,029,750	4,657,000	70,334,303	16.46 x	118,238,053	9.79 x
2040	-	189,761,435	189,761,435	1,156,525,301	53,637,336	15,489,363	27,221,400	16,026,750	4,658,250	69,126,699	16.73 x	117,033,099	9.88 x
2041	-	189,761,435	189,761,435	1,155,217,000	-	67,828,800	27,218,400	16,027,500	4,655,750	67,828,800	17.03 x	115,730,450	9.98 x
2042	-	189,761,435	189,761,435	1,155,217,000	-	-	27,216,800	16,030,250	4,659,250	-	-	47,906,300	24.11 x
2043	-	189,761,435	189,761,435	1,155,217,000	-	-	-	16,028,250	4,658,000	-	-	20,686,250	55.84 x
2044	-	189,761,435	189,761,435	1,155,217,000	-	-	-	-	4,656,750	-	-	4,656,750	248.07 x

(1) Estimated debt service coverage based on fiscal 2011 actual receipts and assumes 0% growth. Debt service projections for Bonds to be issued in 2013-2015 are estimations based on current program needs and are subject to change.
(2) Prior Pledged Funds consist of 6.86¢ of the Chapter 64A Gasoline Tax. The table reflects fiscal 2011 actual receipts and assumes 0% growth.
(3) Projected Excess represents Prior Pledged Funds of 6.86¢ of the Chapter 64A Gasoline Tax after 1994 Trust Agreement Debt Service is paid. The table reflects fiscal 2011 actual receipts and assumes 0% growth.
(4) Consists of (i) 14.1085¢ of Chapter 64A Gasoline Tax, (ii) 100% of the Special Fuels Tax and Motor Carrier Tax, (iii) Registry Fees expected to be credited to the Commonwealth Transportation Fund pursuant to Section 34(iii) and (iv) interest subsidy payments relating to 2010 Bonds. With respect to Motor Fuel Taxes and Registry Fees, the table reflects fiscal 2011 actual receipts and assumes 0% growth.
(5) Subject to change.
(6) Reflects gross debt service on 2010 Bonds and debt service on 2012 Bonds.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Special Obligations

The 2012 Bonds are special limited obligations of the Commonwealth and are payable solely from the sources specified in the Trust Agreement. The 2012 Bonds are not general obligations of the Commonwealth and are not secured by the full faith and credit of the Commonwealth. The 2012 Bonds are not payable out of any funds of the Commonwealth other than the Pledged Funds and moneys otherwise available for the benefit of the owners of the 2012 Bonds pursuant to the Trust Agreement.

Payments of debt service on the 2012 Bonds are to be made from Pledged Funds held by the Trustee in the Revenue Account, created by the Treasurer under the Trust Agreement as a sub-account of the Commonwealth Transportation Fund. The Commonwealth has covenanted in the Trust Agreement that, so long as any Bonds are Outstanding and unless an appropriation has been made by the Legislature which is sufficient to pay debt service on the Bonds, the Pledged Funds shall not be applied to any other use. See *Flow of Pledged Funds – Flow of Funds*.

The Legislature has previously amended and may in the future amend the Special Obligation Act, the Commonwealth Transportation Fund Act and other statutes that govern any of the Pledged Funds. Any future amendments of the Special Obligation Act, the Commonwealth Transportation Fund Act and other statutes that govern Pledged Funds are subject to the covenant of the Commonwealth that it shall not take any action that would impair the rights and remedies of the owners of the Bonds. The Trust Agreement does not require the Commonwealth to increase the amounts of the Motor Fuels Tax or Registry Fees pledged as Pledged Funds. Under the Trust Agreement, the Commonwealth may change the rates of the Motor Fuels Tax or Registry Fees, in any respect, including lowering such rates, upon the delivery of certain certifications, including a certificate demonstrating that Pledged Funds would equal at least four hundred percent (400%) of the maximum aggregate Adjusted Bond Debt Service Requirement due in the then current or any future fiscal year on Bonds Outstanding. See *Covenants of the Commonwealth*.

The Commonwealth has waived its sovereign immunity and consented to be sued on contractual obligations, including the 2012 Bonds and all claims with respect thereto. Although the property of the Commonwealth is generally not subject to attachment or levy to pay a judgment, and the satisfaction of any judgment generally requires legislative appropriation, in accordance with the Special Obligation Act, the Commonwealth has granted a lien on Pledged Funds for the benefit of the owners of the Bonds. Enforcement of a claim for payment of debt service may also be subject to the provisions of federal or Commonwealth statutes, if any, hereafter enacted extending the time for payment or imposing other constraints upon enforcement, insofar as the same may be constitutionally applied. The United States Bankruptcy Code is not applicable to states. Under Massachusetts law, the Bonds have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code.

Pledged Funds

Pledged Funds represent amounts credited to the Commonwealth Transportation Fund, the primary sources of which are the Motor Fuels Tax and Registry Fees. These sources are described in greater detail below.

Motor Fuels Tax. The Commonwealth's Motor Fuels Tax revenues are derived from the excise imposed on fuel (other than aviation fuel) by the provisions of Chapters 64A, 64E, and 64F of the Massachusetts General Laws.

Chapter 64A currently imposes an excise tax of 21¢ per gallon on gasoline sold in the Commonwealth by distributors and unclassified exporters and importers ("Gasoline Tax"). Under state law, a portion of such Gasoline Tax (other than with respect to aviation fuel) equal to 99.85% (currently 20.9685¢) per gallon is credited to the Commonwealth Transportation Fund (of which 6.86¢ per gallon is subject to the prior pledge for the benefit of the 1994 Trust Agreement Bonds, see *1994 Trust Agreement* below) and constitute Pledged Funds under the Trust Agreement ("Pledged Gasoline Tax"). Fuel subject to the provisions of Chapter 64A consisting of cellulosic biofuel or a blend of gasoline and cellulosic biofuel is taxable in proportion to the percentage of the fuel content consisting of gasoline, as determined by the Commonwealth's Department of Energy Resources. All Gasoline Tax imposed with respect to aviation fuel under Chapter 64A is credited to the Commonwealth Transportation Fund and may be used only

for airport development projects approved and carried out at airports and landing facilities, and revenue from the tax on aviation fuel is not included in Pledged Funds.

Revenues from the Pledged Gasoline Tax collected by the Commonwealth representing the Prior Pledged Funds (6.86¢ of the current 21¢ Gasoline Tax) constitute a portion of the Pledged Funds under the Trust Agreement but the lien thereon is subordinate to the prior lien of the 1994 Trust Agreement. The portion of the Prior Pledged Funds in excess of the amounts necessary to pay debt service on the 1994 Trust Agreement Bonds and to satisfy any other requirements under the 1994 Trust Agreement will be available to pay debt service on the Bonds and to satisfy other requirements under the Trust Agreement. The 1994 Trust Agreement Bonds mature on June 1, 2023 and the Commonwealth has covenanted under the Trust Agreement to not issue any additional bonds under the 1994 Trust Agreement except in certain circumstances, refunding bonds. See *Covenants of Commonwealth*. In addition, immediately upon the discharge and release of the lien of the 1994 Trust Agreement, all Prior Pledged Funds will be available to pay debt service on the Bonds.

Chapter 64E imposes a tax on all combustible gases and liquids used or sold for use in an internal combustion engine, other than those fuels which are subject to the provisions of Chapter 64A, including diesel fuel and liquefied gases, such as propane gas (“Special Fuels Tax”). Special fuels are currently taxed at a rate per gallon 21¢ per gallon, except for liquefied gas, which is taxed at a rate of 19.1% of the average price per gallon. All of the Commonwealth’s revenues from the Special Fuels Tax imposed under Chapter 64E are credited to the Commonwealth Transportation Fund and constitute Pledged Funds under the Trust Agreement.

Chapter 64F currently imposes a tax on anyone who regularly operates motor vehicles on the highways of the Commonwealth which are propelled by gasoline or special fuels acquired outside the Commonwealth (“Motor Carrier Tax”) equal to the rate imposed by Chapter 64A, or 21¢ per gallon. All of the Commonwealth’s revenues from the Motor Carrier Tax imposed under Chapter 64F is credited to the Commonwealth Transportation Fund and constitute Pledged Funds under the Trust Agreement. See *Commonwealth Motor Fuels Tax*. The Gasoline Tax, the Special Fuels Tax and the Motor Carrier Tax are collectively referred to herein as the “Motor Fuels Tax” and the Pledged Gasoline Tax, Special Fuels Tax and Motor Carrier Tax are collectively referred to herein as “Pledged Motor Fuels Tax”.

Registry Fees. The Registry of Motor Vehicles, a division of the Massachusetts Department of Transportation, also imposes various fees related to the use and operation of motor vehicles and trailers. Such fees are subject to approval of the Executive Office for Administration and Finance. Pursuant to Section 34(iii) of Chapter 90 of the General Laws, a portion of such fees (the “Registry Fees”) are directed to be deposited in the Commonwealth Transportation Fund and are available to be used for transportation-related purposes, including debt service on special obligation revenue bonds issued under the Special Obligation Act. See *Commonwealth Registry Fees*.

Direct Payments. Under Section 21 of Chapter 68 of the Acts of 2011 (“Chapter 68”), any Direct Payments received by the Commonwealth in connection with Bonds issued as Build America Bonds or Recovery Zone Economic Development Bonds, including the 2010 Bonds, will be credited to the Commonwealth’s Build America Bonds Subsidy Trust Fund. Pursuant to Chapter 68, the Treasurer, as trustee of the fund, may credit amounts deposited therein to the appropriate funds or accounts of the Commonwealth in accordance with any applicable trust agreements pursuant to which any bonds were issued and shall make expenditures from the Build America Bonds Subsidy Trust Fund, without further appropriation, to pay debt service related to such bonds. Pursuant to the Trust Agreement, the Treasurer has covenanted to credit any Direct Payments received with respect to the 2010 Bonds to the Commonwealth Transportation Fund and such Direct Payments constitute Pledged Funds under the Trust Agreement.

Additional Pledged Funds. In order to issue Additional Bonds, the Commonwealth must comply with certain conditions contained in the Trust Agreement, including certain debt service coverage tests. See *Additional Bonds*. The Commonwealth may pledge certain additional revenues as security for the Bonds (“Additional Pledged Funds”) in order to comply with the conditions to issuing Additional Bonds. Under the Trust Agreement, Additional Pledged Funds may only include revenues required to be expended for transportation purposes by Article 78 of the Articles of Amendment to the Massachusetts Constitution, as amended (“Article 78 Revenues”) or any Federal Highway Reimbursements (as defined in the Trust Agreement). Article 78 Revenues are revenues derived from the registration, operation or use of vehicles on public highways, including Registry Fees, or from fuels used for propelling such vehicles, including the Motor Fuels Tax. See *Commonwealth Transportation System – Financing the Transportation System; Constitutional Limitations*. Although all Article 78 Revenues are not currently credited to the Commonwealth

Transportation Fund, the Trust Agreement provides that, to the extent subsequently permitted by law, the Commonwealth may pledge all or any portion of Article 78 Revenues or any Federal Highway Reimbursements as Additional Pledged Funds.

In the event the Commonwealth pledges Additional Pledged Funds composed of either (a) revenues from sources other than the Motor Fuels Tax or Registry Fees or (b) revenues which have not been collected for 12 consecutive months out of the prior 18 months preceding the issuance of the Additional Bonds, the Trust Agreement requires that the Commonwealth obtain assurances from each rating agency then maintaining a rating on the outstanding Bonds that such pledge will not adversely affect the ratings on the outstanding Bonds (without regard to credit enhancement). See *Additional Bonds*. The Commonwealth is under no obligation to pledge Additional Pledged Funds, and any such pledge will be made for the benefit of the owners of all outstanding Bonds.

Funds and Accounts

In order to administer the deposit of Pledged Funds related to the Bonds, the funds and accounts described below are established and held under the Trust Agreement.

- (a) The Trustee shall establish and hold the following funds:
 - Debt Service Fund;
 - Redemption Fund;
 - Bond Related Costs Fund; and
 - Rebate Fund (not subject to pledge of the Trust Agreement).
- (b) The Treasurer has established the Revenue Account maintained as part of the Commonwealth Transportation Fund, which is to be held by the Trustee. The Treasurer has also established the following subaccounts within the Revenue Account:
 - Motor Fuels Tax Subaccount; and
 - Non-Motor Fuels Tax Subaccount.

All Pledged Motor Fuel Tax receipts shall be deposited in the Motor Fuels Tax Subaccount. All other Pledged Funds shall be deposited in the Non-Motor Fuels Tax Subaccount.

Collectively, the above-referenced funds and accounts are sometimes hereinafter referred to as the “Funds and Accounts.” The Trust Agreement requires that moneys deposited in the Funds and Accounts be accounted for separately from all other moneys received by the Trustee and shall be held by the Trustee in trust for the owners of the Bonds. The moneys on deposit in the Funds and Accounts may be invested in Permitted Investments as provided for in the Trust Agreement. See *Appendix B - Summary of Certain Provisions of the Trust Agreement* under the headings *Definitions - Permitted Investments and Investments*. On or prior to the delivery of any Subordinated Bonds under the Trust Agreement, the Trustee shall establish the Subordinated Debt Service Fund for such Subordinated Bonds, to be held by the Trustee, and subject to the pledge of the Trust Agreement.

Under the Trust Agreement, the Commonwealth has pledged all of the moneys, securities, credit enhancement, if any, and any investment earnings with respect thereto in all Funds and Accounts, other than the Rebate Fund, to the Trustee for the benefit of the owners of the Bonds. However, because the Revenue Account is a sub-account of the Commonwealth Transportation Fund, moneys on deposit therein may not be expended without appropriation by the Legislature. The Trust Agreement provides that amounts in the Revenue Account may only be transferred to the foregoing Funds to the extent appropriations with respect to expenditures from such Funds have been made. The Trust Agreement further provides that no amounts may be transferred from the Revenue Account to the Commonwealth free and clear of the lien of the Trust Agreement, to be applied to any lawful purpose, unless a sufficient appropriation for debt service for the then current Fiscal Year has been made and the required monthly deposits to the Funds and Accounts have been made or are otherwise provided for. See *Flow of Pledged Funds* and

Appendix B – Summary of Certain Provisions of the Trust Agreement – Flow of Funds. Since the first issuance of special obligation bonds in 1992, the Legislature has never failed to make the required appropriations.

Flow of Pledged Funds

The Pledged Funds must be accounted for and deposited in accordance with the terms of the Commonwealth Transportation Fund Act and the Trust Agreement. Set forth below is a description of the flow of the Pledged Funds under the Commonwealth Transportation Fund Act and the Trust Agreement. For a complete description of the flow of Pledged Funds, see *Appendix B – Summary of Certain Provisions of the Trust Agreement*.

Commonwealth Transportation Fund. The Trust Agreement provides that the Commissioner of Revenue and an Authorized Officer of MassDOT shall deliver to the Trustee within eight (8) business days after the end of each month a certificate stating the amount of Pledged Funds collected by the Commonwealth during such month and, so long as any 1994 Trust Agreement Bonds or Prior GANs (defined below) remain outstanding, indicating the amount of Motor Fuels Tax receipts collected by the Commonwealth representing (i) with respect to the 1994 Trust Agreement Bonds, the Prior Pledged Funds and (ii) with respect to the Prior Federal Highway Grant Anticipation Notes, that portion of the Motor Fuels Tax comprised of ten cents (\$0.10) of the Gasoline Tax (other than aviation fuel). The Trust Agreement further provides that all Pledged Funds received by the Commonwealth during such month (other than the portion thereof representing the Prior Pledged Funds and required to be deposited with the 1994 Trustee pursuant to the 1994 Trust Agreement) shall be paid by the Treasurer to the Trustee within two (2) business days of delivery of such certificate from amounts credited to the Commonwealth Transportation Fund and deposited by the Trustee in the applicable subaccounts of the Revenue Account. Any excess Prior Pledged Funds received from the 1994 Trustee pursuant to the 1994 Trust Agreement shall be deposited in the Motor Fuels Tax Subaccount of the Revenue Account immediately upon receipt thereof by the Trustee. Pledged Funds representing Motor Fuels Tax shall be credited to the Motor Fuels Tax Subaccount of the Revenue Account within the Commonwealth Transportation Fund. All Registry Fees pledged under the Trust Agreement (see *Commonwealth Registry Fees*) shall be credited to the Non-Motor Fuels Tax Subaccount of the Revenue Account within the Commonwealth Transportation Fund. Upon receipt by the Treasurer, all Direct Payments received from the United States Treasury with respect to any Bonds issued as Build America Bonds or Recovery Zone Economic Development Bonds pursuant to the Trust Agreement shall be credited to the Non-Motor Fuels Tax Subaccount of the Revenue Account within the Commonwealth Transportation Fund. See *Direct Payments*.

Appropriated Amount. At the beginning of each fiscal year, after the adoption of the operating budget for the Commonwealth for such fiscal year, the Secretary of Administration and Finance and the Treasurer shall certify to the Trustee the amount appropriated for such fiscal year for payment of the following amounts:

- (i) the Bond Debt Service Requirement for such Fiscal Year;
- (ii) the Bond Related Costs, if any, for such Fiscal Year;
- (iii) the Rebate Fund Requirement, if any, for such Fiscal Year;
- (iv) if the Secretary of Administration and Finance and the Treasurer have received a certificate from the Prior GAN Trustee under the Prior GAN Trust Agreement, that the True-up Condition (see *Federal Highway Grant Anticipation Notes – Prior GAN Trust Agreement*) shall have occurred and is continuing, the amount set forth in such certificate; and
- (v) if the Secretary of Administration and Finance and the Treasurer have received a certificate from the 2010 GAN Trustee under the 2010 GAN Trust Agreement that amounts on deposit in any debt service fund under the 2010 GAN Trust Agreement are insufficient to pay debt service on any 2010 GANs issued thereunder, the amount set forth in such certificate. So long as the Holding Account (as defined in the 2010 GAN Trust Agreement) held by the 2010 GAN Trustee under the Trust Agreement is deemed to be part of the Commonwealth Transportation Fund, as set forth in the 2010 GAN Trust Agreement, then no appropriation shall be required to transfer any requested amount from the Revenue Account established under the Trust Agreement to said account held by the 2010 GAN Trustee.

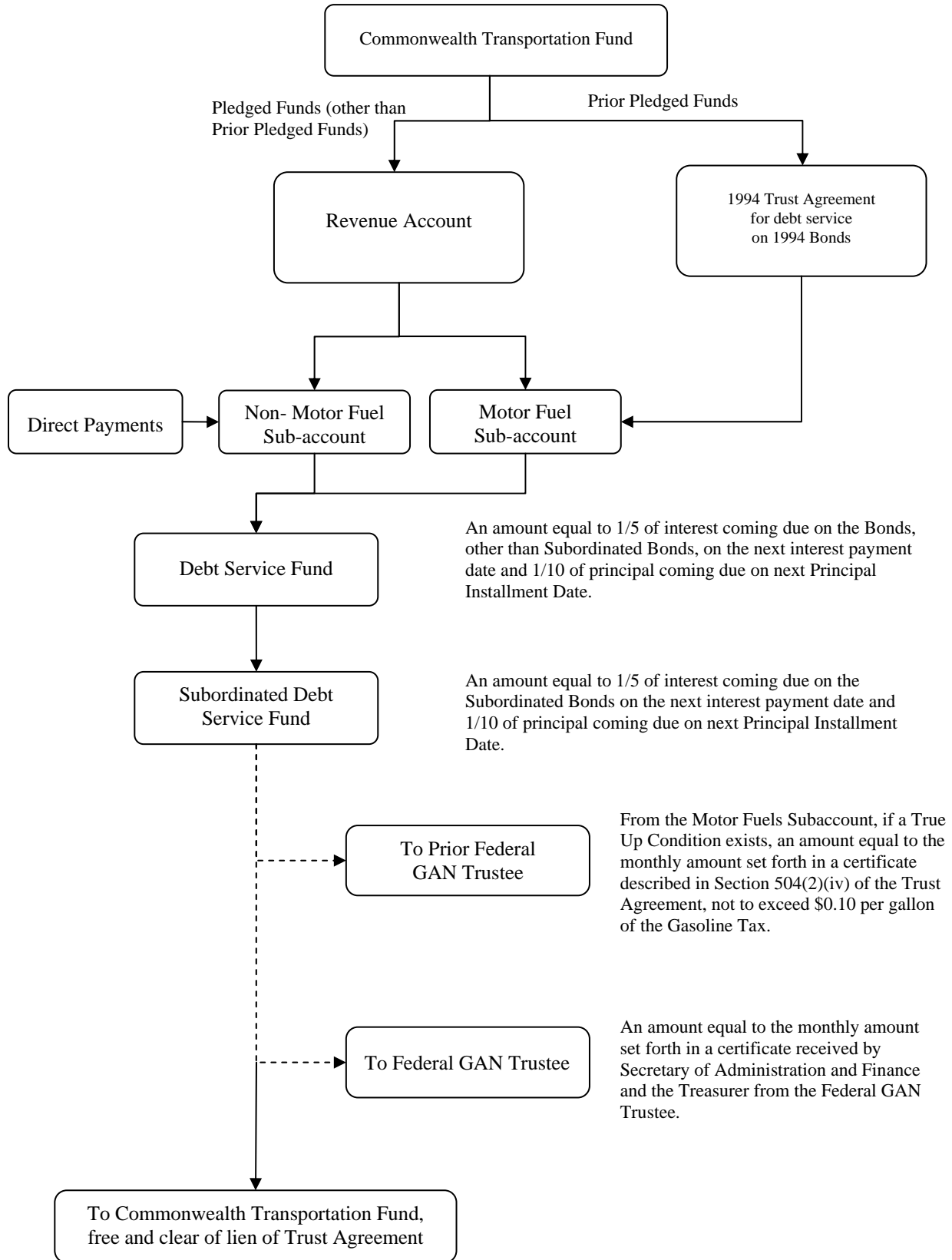
The aggregate amounts appropriated for each such purpose are referred to as an “Appropriated Amount” for such purpose.

Under the Trust Agreement, (a) if the Appropriated Amount is not sufficient to fund debt service on the Bonds in any fiscal year and to make the payments described in clauses (iv) and (v) above, then all Pledged Funds remaining on deposit in the Revenue Account after the transfers to the Funds and Accounts required by the Trust Agreement must remain on deposit therein until a sufficient appropriation is made, and (b) if the Appropriated Amounts are not sufficient to fund the required deposits to the Bond Related Costs Fund and the Rebate Fund, the amount of Pledged Funds necessary to fund such deposits must remain on deposit in the Revenue Account until sufficient appropriations are made. See *Appendix B – Summary of Certain Provisions of the Trust Agreement – Revenue Account and – Flow of Funds*.

If there is an Appropriated Amount sufficient to pay debt service due in a fiscal year and to make the payments described in clauses (iv) and (v) above, the balance remaining in the Revenue Account after the deposit of the amounts required by the Trust Agreement (less any amounts which must be held on deposit therein pending appropriation to fund deposits to the Bond Related Costs Fund and the Rebate Fund) may be used to make payments owed by the Commonwealth under a Qualified Hedge Agreement. The balance remaining after any such payments will be transferred by the Trustee to the Treasurer no later than the next business day of each month and may be applied for any purpose permitted by law, including direct expenditures for purposes otherwise permitted for revenues credited to the Commonwealth Transportation Fund. For a discussion of permitted Commonwealth Transportation Fund expenditures, see *Commonwealth Transportation System – Financing the Transportation System*.

Flow of Funds under Trust Agreement

The following diagram is a summary of the flow of funds under the Trust Agreement. For a complete flow of funds see *Appendix B - Summary of Certain Provisions of the Trust Agreement – Flow of Funds*. The aggregate amount deposited in each fund during a fiscal year shall in the no event exceed the Appropriated Amount for such purpose.



Upon deposit of the amounts described above and so long as there shall be Appropriated Amounts sufficient to pay the amounts required to be deposited in the Debt Service Fund or the Subordinated Debt Service Fund or transferred to the Prior Federal GAN Trustee or the Federal GAN Trustee for the remainder of the then current Fiscal Year (if such appropriations shall be required by the Act or other provisions of law), the balance on deposit in the Revenue Account (less any amounts required to be deposited in the Bond Related Costs Funds or the Rebate Funds for which there are not sufficient Appropriated Amounts) shall be transferred by the Trustee no later than the next business day to the Treasurer free and clear of the lien hereof and may be applied to any purpose permitted by law.

The Trustee is authorized under the Trust Agreement to accept at any time from the Treasurer, in addition to Pledged Funds, any other moneys certified by the Treasurer to be lawfully available for carrying out or satisfying any purpose under the Trust Agreement. The Trustee shall deposit such moneys in such Fund or Account, as the Treasurer may direct, and, provided no Event of Default shall then be occurring under the Trust Agreement and the amounts then held in the Debt Service Fund, the Rebate Fund and the Bond Related Costs Fund are at least equal to the applicable amounts then specified in the Trust Agreement, the Trustee shall transfer such amount as the Treasurer may direct, but not in excess of the amount received from the Treasurer, to the Treasurer, for application as permitted by law, free and clear of the lien of the Trust Agreement.

For a more complete discussion of the flow of Pledged Funds, including the required deposits from the Commonwealth Transportation Fund to the Funds and Accounts, see *Appendix B - Summary of Certain Provisions of the Trust Agreement*.

Additional Bonds

Additional Bonds may be issued upon receipt by the Trustee of certain documents and certifications. See *Appendix B - Summary of Certain Provisions of the Trust Agreement – Additional Bonds*. If the Commonwealth is not pledging any Additional Pledged Funds, then it must demonstrate that the amount of Pledged Funds for any 12 consecutive months during the 18-month period ending with the last full month immediately preceding the issuance of Additional Bonds was not less than 400% of the maximum aggregate Adjusted Bond Debt Service Requirement (as defined in the Trust Agreement, see *Appendix B - Summary of Certain Provisions of the Trust Agreement - Definitions*) due in the then current or any future fiscal year on outstanding Bonds, including the Additional Bonds. If the Commonwealth is pledging Additional Pledged Funds, and the Additional Pledged Funds have been collected by the Commonwealth for at least 12 consecutive months of the 18-month period described in the preceding sentence, the Commonwealth must demonstrate that the amount of Pledged Funds and Additional Pledged Funds, for any 12 consecutive months during such 18-month period was not less than 400% of the maximum annual Adjusted Bond Debt Service Requirement during the then current fiscal year or any future fiscal year on all Bonds outstanding, including the Additional Bonds, and must obtain assurances from each rating agency then maintaining a rating on the outstanding Bonds that such pledge will not adversely affect the ratings on the outstanding Bonds (without regard to credit enhancement); and if the Additional Pledged Funds have not been collected by the Commonwealth during at least 12 consecutive months during such 18-month period, the Commonwealth must demonstrate that the amount of Pledged Funds and Additional Pledged Funds projected to be received by the Commonwealth during the first full fiscal year immediately following the issuance of the Additional Bonds will not be less than 400% of the maximum aggregate Adjusted Bond Debt Service Requirement due in the then current or any future fiscal year on Bonds outstanding, including the Additional Bonds.

Refunding Bonds may be issued at any time to refund in whole or in part any outstanding Bonds, provided that the State Treasurer, certifies that either: (a) the Adjusted Bond Debt Service Requirement on any Bonds to be outstanding immediately after the issuance of the Refunding Bonds is not, for each fiscal year during which Bonds are scheduled to be outstanding, greater than the Adjusted Bond Debt Service Requirement by fiscal year on all Bonds outstanding immediately prior to the issuance of the Refunding Bonds, or (b) the net present value of the Adjusted Bond Debt Service Requirement as computed immediately after the issuance of the Refunding Bonds is less than the net present value of the Adjusted Bond Debt Service Requirement immediately prior to the issuance of the Refunding Bonds. If the Commonwealth cannot satisfy either requirement of the preceding sentence, the Commonwealth may nevertheless issue Additional Bonds for refunding purposes by complying with the tests relating to the issuance of Additional Bonds. Additional Bonds may be issued as Variable Rate Bonds or Tender Bonds.

For a more complete description of the requirements under the Trust Agreement for the issuance of Additional Bonds, see *Appendix B – Summary of Certain Provisions of the Trust Agreement – Additional Bonds*.

Subordinated and Other Indebtedness

The Commonwealth may issue bonds, notes or other evidences of indebtedness (other than Additional Bonds) which are payable out of, or secured by a pledge of Pledged Funds, provided that such bonds, notes or evidences of indebtedness are expressly subordinate to the obligations of the Commonwealth under the Trust Agreement, including the Bonds. In addition, the Commonwealth may issue bonds, notes or other evidences of indebtedness (other than Additional Bonds) which are payable out of, or secured by a pledge of an additional portion of the Motor Fuels Tax or other funds meeting the definition of “Additional Pledged Funds” under the Trust Agreement, to the extent such portions of the Motor Fuels Tax, Registry Fees or other funds meeting the definition of “Additional Pledged Funds” do not constitute Pledged Funds. See *Appendix B - Summary of Certain Provisions of the Trust Agreement - Creation of Liens; Other Indebtedness*.

Commonwealth Covenants

Under the Trust Agreement, the Commonwealth has covenanted that it shall not limit or alter the rights vested in the Commonwealth to collect Pledged Funds and to deposit such amounts as provided in the Trust Agreement and that it shall not impair the rights and remedies of the Trustee and the owners of the Bonds under the Trust Agreement with respect to Pledged Funds. The Commonwealth has also covenanted that in any fiscal year and until an appropriation has been made which is sufficient for payment of debt service on the Bonds for such fiscal year and the amount of costs, if any, due in such fiscal year for any credit enhancement or liquidity facility, no Pledged Funds shall be applied to any other use.

The Trust Agreement does permit the Commonwealth to change the rate of the Registry Fees or the Motor Fuels Tax credited to the Commonwealth Transportation Fund, or both, in any respect, including lowering any rates or eliminating any fees or taxes, provided that prior to the effective date of any such change, the Treasurer shall deliver a certificate to the Trustee demonstrating the amount of Pledged Funds received by the Treasurer during any twelve (12) consecutive months of the eighteen (18) month period ending with the last full month immediately preceding the effective date of any such change, as adjusted, as set forth in such certificate, to reflect the proposed change in rates to be at least equal to four hundred percent (400%) of the maximum aggregate Adjusted Bond Debt Service Requirement due in the then current or any future fiscal year on the Bonds Outstanding (other than Subordinated Bonds, if any).

The Commonwealth has also covenanted in the Trust Agreement not to issue any additional bonds under the 1994 Trust Agreement, except refunding bonds with debt service requirements less than or equal to the debt service requirements on the refunded bonds in each fiscal year.

The Special Obligation Act provides that, so long as any special obligation bonds remain outstanding and so long as the principal or interest on any such bond is unpaid: (i) the Commonwealth shall not divert any Pledged Funds from the Commonwealth Transportation Fund; and (ii) no Pledged Funds may be applied to any other use until, in any fiscal year of the Commonwealth an appropriation has been made which is sufficient to pay the principal, including sinking fund payments, of and interest on all the special obligation bonds and to provide for or maintain any reserves, additional security, insurance or other forms of credit enhancement required or provided for in the Trust Agreement, including any Supplemental Trust Agreement, securing the Bonds. See *Appendix A – Summary of Certain Provisions of the Commonwealth Transportation Fund Act and the Special Obligation Act*.

The Commonwealth may amend the Special Obligation Act, and the Trust Agreement provides that any provision of the Special Obligation Act creating a covenant with the owners of Bonds shall be deemed a covenant under the Trust Agreement only to the extent expressly provided for in, and as limited by, the Trust Agreement. Therefore, if otherwise permitted by law, the Commonwealth may utilize amounts credited to the Commonwealth Transportation Fund, other than Pledged Funds, without regard to the terms of the Bonds or the Trust Agreement. Expenditures from the Commonwealth Transportation Fund may, upon appropriation by the Legislature, be made for transportation related expenses of MassDOT, including to pay or reimburse the General Fund for payment of debt service on bonds issued by or otherwise payable pursuant to a lease or other contract assistance agreement by the Commonwealth for transportation purposes. See *Appendix B - Summary of Certain Provisions of the Trust Agreement*.

The covenants set forth in the Trust Agreement are more limited than the covenants contained in the Special Obligation Act. See *Appendix B - Summary of Certain Provisions of the Trust Agreement – Powers as to Bonds and Pledge, – Extension of Payment of Bonds and – Covenants as to Motor Fuels Taxes and Commonwealth Transportation Fund.*

Remedies of Owners of Bonds

The Trust Agreement sets forth the Events of Default relating to the Bonds, which include failure to pay debt service when due or failure to perform the covenants, agreements and conditions contained in the Trust Agreement, the limitation or alteration of the rights of the Commonwealth to collect and deposit Pledged Funds and the impairment of the rights and remedies of the owners of the Bonds.

Under the Trust Agreement, the Commonwealth has covenanted that, upon the occurrence of any Event of Default (which Event of Default has not been remedied), and upon demand by the Trustee, it shall pay over to the Trustee, to the extent permitted by law, any Pledged Funds not otherwise held by the Trustee in a Fund or Account. The Trust Agreement provides that upon the occurrence of an Event of Default, the Trustee may proceed either at law or in equity to protect and enforce the rights of the owners of the Bonds under the terms of the Trust Agreement or the laws of the Commonwealth. The Trust Agreement also provides that the owners of a majority in aggregate principal amount of the Bonds then outstanding may direct the time, method and place of any proceeding for any remedy available to the Trustee, unless the Trustee determines that such direction would subject it to personal liability or be unjustly prejudicial to the owners not parties to such direction.

The Trust Agreement provides that neither the Trustee nor the owners of the Bonds shall have any right to accelerate the principal of or interest on the Bonds.

If an Event of Default has occurred, no owner of a Bond shall have any right to institute any suit, action or proceeding in equity or at law to exercise any remedy or otherwise take action to enforce the terms of the Trust Agreement unless the owners of at least 25% in aggregate principal amount of the Bonds then outstanding have requested the Trustee to act, and have afforded the Trustee adequate security or indemnity against the Trustee's costs, expenses and liabilities and the Trustee shall not have complied with such request within a reasonable time.

For a more complete description of the remedies available to the owners of the Bonds, see *Appendix B - Summary of Certain Provisions of the Trust Agreement - Events of Default.*

The remedies available to the Bondowners upon the occurrence of an Event of Default are limited and are in many respects dependent upon judicial actions which are often subject to discretion and delay.

COMMONWEALTH TRANSPORTATION FUND

The following sets forth certain information regarding the Commonwealth Transportation Fund. This summary does not purport to be complete and, accordingly, is qualified by reference to Section 2ZZZ of Chapter 29. The Legislature has altered and may in the future alter Section 2ZZZ of Chapter 29 and the statutes relating to the Pledged Funds. See *Commonwealth Motor Fuels Tax – Legislation.*

In 2009, the Commonwealth enacted comprehensive transportation reform legislation as Chapter 25 of the Acts of 2009, as amended (the "Transportation Reform Act") to reorganize its transportation agencies and authorities and to revise certain transportation financing statutes. The Transportation Reform Act created the Commonwealth Transportation Fund pursuant to Section 2ZZZ of Chapter 29 of the General Laws (the "Commonwealth Transportation Fund Act"). Pursuant to the Commonwealth Transportation Fund Act, receipts from the Commonwealth's Motor Fuels Tax imposed under Chapters 64A, 64E and 64F of the General Laws (excluding 0.15% per gallon of the Gasoline Tax credited to the Inland Fisheries and Game Fund) are credited to the Commonwealth Transportation Fund. Prior to the enactment of the Transportation Reform Act, a portion of the receipts from the Commonwealth's Gasoline Tax imposed under Chapter 64A equal to 10¢ per gallon had been credited to the Infrastructure Fund, a sub-fund of the Highway Fund, a portion of which constituted the Prior Pledged Funds. The Transportation Reform Act moved those Gasoline Tax receipts, including the portion that constitutes the Prior Pledged Funds, to the Commonwealth

Transportation Fund from the Highway Fund, but did not affect the security for the 1994 Trust Agreement Bonds. The Highway Fund was not repealed by the Transportation Reform Act, but is no longer an active fund of the Commonwealth. See *Commonwealth Motor Fuels Tax*.

The Transportation Reform Act also provides that a portion of Registry Fees imposed under Chapter 90 of the General Laws and other applicable law shall be deposited in the Commonwealth Transportation Fund as provided in Section 34(iii) of Chapter 90.

The Transportation Reform Act amended the Special Obligation Act to provide that the Commonwealth could pledge or assign all or any part of monies credited to the Commonwealth Transportation Fund to the payment of special obligation bonds. The effect of these statutory changes was to increase the sources and total amount of revenue available to be pledged to the Commonwealth's special obligation bonds. The amendment to the Special Obligation Act enacted as part of the Transportation Reform Act expressly provided that a legislative authorization of special obligation bonds in effect as of July 1, 2009, such as the Accelerated Bridge Program Act, constitutes valid authorization to borrow under the provisions of the Special Obligation Act, as amended.

Chapter 35 of the Acts of 2009 provides that in addition to the Motor Fuels Tax receipts and Registry Fees described above, a portion of the Commonwealth's receipts from retail sales and use taxes imposed by the provisions of Chapters 64H and 64I of the General Laws, respectively ("Sales and Use Tax") equal to 0.385% thereof not including any portion of the taxes that constitute special receipts dedicated to the Convention and Exhibition Center Fund pursuant to Chapter 152 of the Acts of 1997, as amended, shall be credited to the Commonwealth Transportation Fund. No portion of the receipts from the Sales and Use Tax deposited in the Commonwealth Transportation Fund currently constitutes Pledged Funds under the Trust Agreement. See *Commonwealth Registry Fees*.

The Transportation Reform Act also created a new entity, the Massachusetts Department of Transportation ("MassDOT") to own, manage and coordinate the Commonwealth's transportation systems, including the Divisions of Highways (formerly the Massachusetts Highway Department and Massachusetts Turnpike Authority), Rail and Transit (bus, subway and commuter rail services), the Registry of Motor Vehicles and Aeronautics.

The Commonwealth Transportation Fund is subject to appropriation and, pursuant to the Commonwealth Transportation Fund Act, shall be used for transportation-related expenses of MassDOT, as successor to the Executive Office of Transportation, including to pay or reimburse the General Fund for debt service on bonds issued by or otherwise payable pursuant to a lease or contract assistance agreement by the Commonwealth for transportation purposes. Appropriations from the Commonwealth Transportation Fund are used to support the operations of MassDOT's Highway, Registry, Aeronautics and Rail and Transit Divisions, including essential operational programs for incident responses, HOV lanes, accident recovery, and snow and ice removal and other transportation-related purposes of the Commonwealth. All uses of Pledged Funds for such purposes will be subordinate to the payment of debt service on Bonds and satisfying other obligations set forth in the Trust Agreement, including, if necessary, payments to the Prior GAN Trustee or the 2010 GAN Trustee, as described above in *Security and Sources of Payment for the Bonds – Flow of Pledged Funds*.

Also, pursuant to the Commonwealth Transportation Fund Act, no less than \$275 million shall be annually distributed from the Commonwealth Transportation Fund to MassDOT and to the Massachusetts Bay Transportation Authority and Regional Transit Authorities. This amount is intended to be funded with receipts from the Sales and Use Tax deposited in the Commonwealth Transportation Fund which do not constitute Pledged Funds. If in any fiscal year the amount credited to the Commonwealth Transportation Fund on account of the Sales and Use Tax is less than \$275 million, the Comptroller of the Commonwealth is directed to transfer an amount equal to the difference between such amount credited to the fund and \$275 million from the General Fund no later than September 1 of the following fiscal year.

The Commonwealth Transportation Fund became effective July 1, 2009. Therefore, fiscal year 2010 is the first year for which financial results for the Commonwealth Transportation Fund are available. However, the Commonwealth collected receipts from the Pledged Motor Fuels Tax and Registry Fees for many years prior to fiscal year 2010, and the following table sets forth the amounts of Pledged Motor Fuels Tax receipts and Registry Fee receipts collected in fiscal years 1993 through 2011. The information in this table has been obtained from Commonwealth records but is unaudited.

**Historical Pro Forma Commonwealth Transportation Fund Pledged Funds
(in thousands)**

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Pledged Motor Fuels Tax</u>			
	Chapter 64A <u>Receipts (1)</u>	Chapter 64E and 64F <u>Receipts</u>	<u>Registry Fees</u>	<u>Total</u>
2011	\$580,031	\$79,152	\$496,034	\$1,155,217
2010	576,676	76,369	485,789	1,138,834
2009	578,691	73,462	403,780	1,055,687
2008	595,380	75,560	396,904	1,067,844
2007	594,892	79,545	388,496	1,062,934
2006	589,591	80,785	375,670	1,046,046
2005	599,736	84,382	413,481	1,097,599
2004	600,255	82,659	386,284	1,069,197
2003	593,691	81,255	397,683	1,072,629
2002	585,519	79,904	338,440	1,003,863
2001	576,974	81,547	322,808	981,328
2000	572,209	79,041	300,040	951,301
1999	561,714	73,549	297,658	932,921
1998	546,213	73,822	312,180	932,216
1997	535,040	66,528	313,215	914,783
1996	532,324	65,259	280,923	878,507

SOURCE: Office of the Comptroller of the Commonwealth, unaudited.

(1) Equal to 20.9685¢ of the 21¢ Gasoline Tax imposed under Chapter 64A; prior to the Transportation Reform Act and the establishment of the Commonwealth Transportation Fund effective fiscal year 2010, the Gasoline Tax imposed under Chapter 64A was credited to the Highway Fund (84.85%), the General Fund (15.0%) and to the Inland Fisheries and Game Fund (0.15%).

COMMONWEALTH MOTOR FUELS TAX

The following is a summary of the Commonwealth’s Motor Fuels Tax. This summary does not purport to be complete and, accordingly, is qualified by reference to Chapters 64A, 64E and 64F. The Legislature has altered and may in the future alter Chapters 64A, 64E and 64F. See — *Legislation* below.

General

The Commonwealth has imposed a tax on fuel since 1928. Fuel, as defined in Chapter 64A, includes all products commonly or commercially known as gasoline and any liquid prepared, advertised or offered for sale in the Commonwealth and commonly and commercially used as fuel in internal combustion engines. Chapter 64A also imposes a tax on fuel sold for use in non-jet propelled aircraft (“Aviation Fuel”). Tax revenues derived from the sale of Aviation Fuel under Chapter 64A are not included within the definition of Motor Fuels Tax or Pledged Funds. Special fuels, including diesel fuel and liquefied gas, such as propane, are taxed under Chapter 64E (“Special Fuel”). Other fuel taxes also include the Motor Carrier Tax imposed under Chapter 64F on anyone who regularly operates motor vehicles on the highways of the Commonwealth which are propelled by gasoline or special fuels acquired outside the Commonwealth (“Motor Carrier Fuels”). See *Commonwealth Transportation System – Financing the Transportation System*.

Motor Fuels Tax Rates

Under the Chapters 64A, 64E (except with respect to liquefied gas) and 64F, the tax rate is 21¢ per gallon. Under Chapter 64E with respect to liquefied gas, the tax rate is 19.1% the average price per gallon.

Comparison of Gasoline Tax Rates for Selected Northeastern States

The table below lists gasoline tax rates effective as of January 1, 2012, exclusive of local taxes, license and inspection fees of selected northeastern states.

Connecticut	25.0¢
Maine.....	30.0
Massachusetts	21.0
New Hampshire	18.0
New York.....	8.0
Rhode Island	32.0
Vermont	19.0

SOURCE: Federation of Tax Administrators.

Collection Procedure

Anyone qualified to do business in the Commonwealth who produces, refines, manufactures or compounds gasoline or operates a port or pipeline terminal, as well as importers and exporters of gasoline (collectively referred to as “Distributors”), must file Gasoline Tax returns with the Commissioner of Revenue by the twentieth day of each month. Distributors must keep complete and accurate records of all sales of gasoline including the name and address of the purchaser, the place and date of delivery, the gross receipts and number of gallons for each type of gasoline sold, and a complete and accurate record of the number of gallons imported, produced, refined, manufactured, compounded or exported. Purchasers of gasoline pay the Gasoline Tax to a Distributor when they purchase gasoline. Each Distributor is required to pay to the Commissioner of Revenue, simultaneously with the filing of a Gasoline Tax return, the Gasoline Tax on each taxable gallon of gasoline sold by him during the month covered by the return. There are approximately 215 Distributors who file Gasoline Tax returns with the Commissioner of Revenue. In fiscal 2011, approximately 62.5% of the total annual Gasoline Tax collections came from ten largest payers of the Gasoline Tax. In fiscal 2012, the top ten payers are expected to pay approximately 60 to 65% of the total annual Gasoline Tax collections.

All combustible gas and liquids, other than gasoline, which propel registered motor vehicles, are special fuels. Only licensed suppliers and user-sellers maintain storage facilities of special fuels. Suppliers acquire special fuels on a tax-free basis and collect the tax from user-sellers and users. User-sellers are required to pay the excise on all special fuels acquisitions. Suppliers of special fuels must file Special Fuels Tax returns by the twentieth day of each month.

A motor carrier is any person who uses or operates a qualified motor vehicle for commercial or business purposes on Massachusetts highways and the highways of at least one other International Fuels Tax Agreement (IFTA) jurisdiction. IFTA motor carriers must register and file returns with their base-jurisdiction for activity in all IFTA jurisdictions. All such qualified vehicles using Massachusetts highways must have (1) an IFTA license and (2) two IFTA decals. IFTA motor carrier tax licenses are required to file a quarterly return by the last day of the month following the close of the quarter.

Crediting of Receipts

Gasoline Tax receipts under Chapter 64A (not including Aviation Fuel), net of refunds and abatement, are credited to two budgeted funds of the Commonwealth. Fifteen hundredths of one percent (0.15%) of such Gasoline Tax revenues are credited to the Inland Fisheries and Game Fund. The remaining ninety-nine and eighty-five hundredths of one percent (99.85%) (currently 20.9685¢) of Gasoline Tax receipts are credited to the Commonwealth Transportation Fund to be used for transportation purposes. All Special Fuel Tax receipts under Chapter 64E and all

Motor Carriage Tax under Chapter 64F are credited to the Commonwealth Transportation Fund to be used for transportation purposes. Fuel subject to the provisions of Chapter 64A consisting of cellulosic biofuel or a blend of gasoline and cellulosic biofuel is taxable in proportion to the percentage of the fuel content consisting of gasoline, as determined by the Commonwealth's Department of Energy Resources, and the taxable portion thereof is credited in the same manner as other Motor Fuels Tax revenues.

Refunds and Abatements from Gasoline Tax

Other than (1) sales between licensed Massachusetts Distributors, (2) sales by a licensed Massachusetts Distributor to a licensed distributor of another state whereby the entire quantity purchased is exported out of the Commonwealth, (3) sales to the federal government, (4) sales to foreign embassies, (5) sales to certain transportation authorities, and (6) sales constituting foreign or interstate commerce, except where permitted by the Constitution and laws of the United States, all of which are tax-free sales, all purchases of gasoline within the Commonwealth are subject to the Gasoline Tax. In accordance with Chapter 64A, persons who pay the Gasoline Tax on gasoline which is (a) consumed other than on highways, (b) transferred into another state in which an additional excise tax is paid, (c) consumed on any turnpike constructed by the Massachusetts Department of Transportation until such turnpike has become part of the state highway system, (d) used in watercraft, and (e) used in qualified buses on authorized routes, may apply for a refund for the amount of Gasoline Tax paid on such gasoline. A person applying for a refund must supply the original invoices for the purchase of such gasoline and attest, by affidavit filed with the Commissioner of Revenue, that the gasoline was consumed for an exempt purpose. Persons engaged in the business of farming may also apply for a refund of the amount of Gasoline Tax paid on gasoline for which they would be entitled to a refund of the federal gasoline tax paid pursuant to Section 6420 of the Federal Internal Revenue Code. The Department of Revenue estimates that, on average, less than 0.5% of annual Gasoline Tax receipts are refunded or abated.

Legislation

The Legislature has previously altered and may in the future alter (1) the imposition of the Motor Fuels Tax on various fuels, including its imposition on different or alternative fuels; (2) Motor Fuels Tax rates; (3) the allocation of Motor Fuels Tax receipts between the various Commonwealth operating funds, including the Commonwealth Transportation Fund, and (4) the distribution of Motor Fuels Tax receipts to cities, towns and counties. The authority of the Legislature to make such changes in Motor Fuels Tax, Motor Fuels Tax rates and the allocation and use of Motor Fuels Tax receipts is subject to the requirement of the Massachusetts Constitution that amounts representing Article 78 Revenues, including Motor Fuels Tax receipts, may only be used for highway or mass transportation purposes including, but not limited to, paying debt service on Commonwealth general obligation highway bonds and any special obligation bonds issued under the Special Obligation Act.

The Legislature's right to make such changes is restricted by the Trust Agreement in which the Commonwealth has covenanted with the owners of the Bonds not to impair, in any way, the rights and remedies of said owners under the Trust Agreement; the Trust Agreement does permit the Commonwealth to lower the rates of the Motor Fuels Tax or any Registry Fees or both, provided that the Treasurer delivers to the Trustee a certificate demonstrating the amount of Pledged Funds received by the Treasurer during any twelve (12) consecutive months of the eighteen (18) month period ending with the last full month immediately preceding the effective date of any such change, as adjusted, as set forth in such certificate, to reflect the proposed change in rates, to be at least equal to four hundred percent (400%) of the maximum Adjusted Bond Debt Service Requirement due in any fiscal year or the Bonds Outstanding (other than Subordinated Bonds, if any).

Historical Information Regarding Gasoline Sales and Motor Fuels Tax

The level of Motor Fuels Tax receipts are directly related to the consumption of gasoline and other fuels in the Commonwealth. Future consumption of gasoline may be affected by many factors beyond the control of the Commonwealth including, but not limited to, the level of employment, the price of gasoline, the fuel efficiency of motor vehicles, the use of hybrid motor vehicles, and the availability of alternative fuels. The Commonwealth cannot predict the future impact of these factors or any others that may influence the consumption of gasoline.

The following tables set forth certain information regarding historical gasoline sales and collections of the Motor Fuels Tax for the prior ten fiscal years.

HISTORICAL GASOLINE SALES

Fiscal Year	Average Price of Gasoline ⁽¹⁾	Gasoline Consumed (millions of gallons) ⁽²⁾	Percentage Change in Gasoline Consumed	Non-Farm Employment (thousands) ⁽³⁾	Percentage Change in Non-Farm Employment
2011	\$3.200	2,766	0.58%	3,203	0.94%
2010	2.683	2,750	(0.31)	3,174	(2.01)
2009	2.550	2,759	(2.84)	3,238	(1.71)
2008	3.123	2,839	0.08	3,295	0.90
2007	2.591	2,837	0.90	3,265	1.13
2006	2.529	2,812	(1.69)	3,229	0.83
2005	1.977	2,860	(0.09)	3,202	0.39
2004	1.707	2,863	1.11	3,189	(1.16)
2003	1.537	2,831	1.40	3,227	(1.95)
2002	1.341	2,792	1.48	3,291	(2.09)

SOURCES: "Average Price of Gasoline"; U.S. Department of Energy, Energy Information Administration; "Non-Farm Employment"; U.S. Bureau of Labor Statistics; "Gasoline Consumed"; Department of Revenue.

- (1) Prior to fiscal 2011 the average retail price of a gallon of all grades of gasoline during each fiscal year, including all applicable taxes was calculated for Boston-Brockton-Nashua area. Beginning in fiscal 2011, the average retail price of gasoline is calculated for Massachusetts.
- (2) Based on Historical Gasoline Tax Collections pursuant to Chapter 64A, except Aviation Fuel. See *Commonwealth Motor Fuels Tax – Refunds and Abatements from Gasoline Tax*.
- (3) Seasonally adjusted. Calculated as fiscal year average of monthly employment.

HISTORICAL ANNUAL COLLECTION OF PLEDGED MOTOR FUELS TAX

Fiscal Year	Pledged Motor Fuels Tax Receipts (in thousands) ⁽¹⁾	Percentage Change in Motor Fuels Tax Receipts
2011	\$659,183	0.94%
2010	653,045	(0.14%)
2009	652,153	(2.80%)
2008	670,940	(0.52%)
2007	674,438	0.61%
2006	670,377	(2.01%)
2005	684,118	0.18%
2004	682,914	1.18%
2003	674,946	1.43%
2002	665,423	1.05%

SOURCES: Fiscal Years 2002-2010, Office of the Comptroller and Fiscal Year 2011, Department of Revenue.

- (1) Includes all Pledged Motor Fuels Tax collected by the Commonwealth pursuant to Chapters 64A, 64E and 64F of the Massachusetts General Laws and credited to various budgeted funds, except Aviation Fuel. See *Commonwealth Motor Fuels Tax – Crediting of Receipts*. Net of refunds and abatements from Gasoline Tax. See *Commonwealth Motor Fuels Tax – Refunds and Abatements from Gasoline Tax*. The table above reflects tax rates of 21¢ per gallon on fuel (other than liquefied gas), 19.1% of the average price per gallon on liquefied gas and 20.9685¢ of the 21¢ per gallon Gasoline Tax.

**Historical Monthly Collection of Motor Fuels Taxes
Most Recent 24 Months Ending February 2012**

<u>Month</u>	<u>Gasoline Tax Receipts under Chapter 64A⁽¹⁾⁽²⁾</u>	<u>Special Fuels Tax Receipts under Chapter 64E⁽¹⁾</u>	<u>Motor Carrier Fuels Tax Receipts under Chapter 64F⁽¹⁾</u>	<u>Total</u>
March, 2010	\$42,713,422	\$5,299,648	\$218,898	\$48,231,969
April, 2010	47,940,022	5,867,852	59,569	53,867,443
May, 2010	46,741,443	6,369,166	(175,801)	52,934,808
June, 2010	50,930,300	6,507,358	7,307	57,444,964
July, 2010	49,293,705	6,786,091	23,660	56,103,456
August, 2010	52,654,347	6,220,748	12,504	58,887,599
September, 2010	51,275,960	7,316,385	33,893	58,626,239
October, 2010	47,932,962	6,329,312	150,666	54,412,941
November, 2010	50,173,300	6,489,831	(180,024)	56,483,107
December, 2010	48,703,353	7,048,630	110,882	55,862,865
January, 2011	50,048,927	6,462,311	(138,735)	56,372,502
February, 2011	46,115,746	6,726,658	(12,039)	52,830,365
March, 2011	42,617,612	5,963,455	39,419	48,620,486
April, 2011	47,665,995	6,244,933	292,423	54,203,350
May, 2011	46,381,080	6,142,718	55,940	52,579,738
June, 2011	48,814,415	7,121,264	(88,712)	55,846,966
July, 2011	49,234,786	6,842,333	200,056	56,277,175
August, 2011	50,448,176	6,237,083	(96,521)	56,588,738
September, 2011	51,920,309	7,473,937	102,237	59,496,482
October, 2011	47,484,461	6,698,858	170,058	54,353,377
November, 2011	49,780,561	6,833,748	(78,902)	56,535,406
December, 2011	47,518,697	6,694,787	286,410	54,499,893
January, 2012	50,111,489	6,484,393	24,119	56,620,001
February, 2012	45,115,069	6,048,340	(39,365)	51,124,044

SOURCE: Department of Revenue.

- (1) Net of applicable refunds, abatements and adjustments, if any. See *Commonwealth Motor Fuels Tax – Refunds and Abatements from Gasoline Tax*.
- (2) Includes aviation gasoline tax receipts. For the period indicated on the table above, 0.07% to 0.18% of total collections of the Gasoline Tax is from aviation fuel, and the average over this period is 0.12%.

Projected Collection of Motor Fuels Tax

The Commonwealth does not perform an official forecast of Motor Fuels Tax receipts beyond the next fiscal year. For fiscal 2012, the Department of Revenue projects that Motor Fuels Tax receipts will equal approximately \$656.4 million, or 0.68% less than the Motor Fuels Tax receipts for fiscal 2011. For fiscal 2013, the Department of Revenue projects that Motor Fuels Tax receipts will equal approximately \$678.7 million, or 3.40% more than projected Motor Fuels tax receipts for fiscal 2012. The actual revenues that will be collected by the Commonwealth may vary from the forecast because of fluctuating economic conditions, technological advances, changes in law and other variables affecting revenue growth.

COMMONWEALTH REGISTRY FEES

The following is a summary of the Commonwealth’s Registry Fees. This summary does not purport to be complete and, accordingly, is qualified by reference to Chapter 90. The Legislature has altered and may in the future alter Chapter 90. See *Commonwealth Motor Fuels Tax – Legislation*.

General

Registry Fees deposited in the Commonwealth Transportation Fund include: (1) motor vehicle registration fees imposed under Chapter 90 (“Registration Fees”); (2) motor vehicle license fees imposed under Chapter 90

("License Fees"); and (3) miscellaneous fees and other revenues relating to the operation and use of motor vehicle transportation ("Other Non-Tax Revenues"). The Registration and License Fees are collected by the Registrar of Motor Vehicles or authorized agents. Pursuant to Section 3B of Chapter 7 of the Massachusetts General Laws, the Secretary of Administration and Finance, after having conducted a public hearing, determines the amounts to be charged for each fee. Chapter 90 excludes certain vehicles or trailers, such as school buses, emergency vehicles and municipally owned vehicles from payment of Registration Fees. Other than certain minimum fees, most Registration Fees are based on the weight of the registered vehicle. Fees from licenses include driver's licenses and learners' permits. In fiscal 1997, the Commonwealth began to phase in the elimination of annual passenger vehicle registration fees in favor of a one-time fee, which became fully effective in fiscal 1999. However, annual fees were reinstated in May, 2000. Other Non-Tax Revenues include other fees collected by the Registrar of Motor Vehicles under Chapter 90.

Registry Fees

Massachusetts General Laws Chapter 90, Section 33 authorizes the registrar of motor vehicles to collect fees as set by that statute or as set or amended by 801 Code of Massachusetts Regulation (CMR) 4.02, as issued by the Executive Office for Administration and Finance.

The three primary categories of Registry Fees are license, registration and registry information. License fees include driver's license, identification cards, professional driving schools and reinstatement fees. Registration fees include motor vehicle registration according to types of license plates. Registry information includes fees relating to motor vehicle title, inspection, court records and fees relating to citations.

Registry Fees were not changed from 1993 to 2002. A general across the board increase in Registry Fees was implemented in fiscal year 2003. In fiscal year 2009, the Registry Fees schedule was simplified and consolidated with some fee adjustments. The following table provides certain information regarding Registry Fees schedules.

Registry Fee Rates

	Fiscal Year 1993-2002	Fiscal Year 2003-2009	Fiscal Year 2009-2011
Passenger Vehicle Registration Renewal	1993-1995: \$30 1995-2000: No renewal fee under lifetime registration 2000-2002: \$30	\$36.00	\$50.00
Commercial Vehicle Registration Renewal¹	\$15 per 1,000 lbs of gross vehicle weight ("GVW") for a 1-year registration	\$15 per 1,000 lbs of GVW for a 1-year registration	\$20 per 1,000 lbs of GVW for a 1-year registration
New Certificate of Title	\$50.00	\$50.00	\$75.00
Class D License Renewal	\$33.75	\$40.00	\$50.00
New Passenger Vehicle Registration	\$30.00	\$36.00	\$50.00
New Commercial Vehicle Registration¹	\$15 per 1,000 lbs of GVW for a 1- year registration	\$15 per 1,000 lbs of GVW for a 1-year registration	\$20 per 1,000 lbs of GVW for a 1-year registration

SOURCE: MassDOT
¹ For vehicles up to 5,000 lbs.

The following table shows the number of RMV transactions since fiscal year 2002.

Transaction	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Vehicle Registration Renewals or Modifications	2,125,415	2,443,180	2,440,450	2,518,179	2,513,848	2,554,736	2,531,974	2,685,700	2,640,476	2,643,757
License Duplicates	513,393	512,917	496,390	486,344	483,403	468,998	450,212	421,102	391,682	201,258
License Renewal	656,066	948,317	953,734	901,467	473,965	699,589	951,117	911,523	902,692	556,539
New License New Vehicle Registrations	585,167	553,685	525,721	498,858	495,824	489,611	533,339	539,247	524,761	481,889
	1,474,584	1,463,192	1,494,267	1,425,710	1,360,384	1,279,017	1,213,443	1,083,422	1,119,292	1,079,229
Total Transactions	5,354,625	5,921,291	5,910,562	5,830,558	5,327,424	5,491,951	5,680,085	5,640,994	5,578,903	4,962,672

SOURCE: MassDOT

The following table shows the historical collection of Registry Fees since fiscal year 2002.

HISTORICAL ANNUAL COLLECTION OF REGISTRY FEES

<u>Fiscal Year</u>	<u>Pledged Registry Fee Receipts (in thousands)</u>	<u>Percentage Change in Registry Fee Receipts</u>
2011	\$496,034	2.11%
2010	485,789	20.31%
2009	403,780	1.73%
2008	396,904	2.16%
2007	388,496	3.41%
2006	375,670	(9.14%)
2005	413,481	7.04%
2004	386,284	(2.87%)
2003	397,683	17.50%
2002	338,440	4.84%

SOURCES: Office of the Comptroller.

Collection Procedure

As of January, 2012, the Registry Fees were collected by 787 employees of the Registry of Motor Vehicles (RMV) at the division's administrative headquarters in Quincy, at 30 RMV branch locations, via a telephone center or on-line. Methods of payment include cash, checks, electronic checks, money orders, credit card and debit cards. However, certain locations do not accept cash based on site security. The Title and Registration Division accepts walk-in customers. The Court Records Unit accepts fees for producing certified records. The Vehicle Safety and Compliance staff accepts payments for inspection station and inspector licenses and renewals. The mail-in registration unit processes registration renewals paid via check or money order. The telephone center also accepts transaction payments via credit card. Fees are collected for on-line transactions. Customers may make payments for the website transactions via credit card. In September 2010, the RMV introduced electronic checks as a website payment method.

Security measures are established by MassDOT in connection with the collection of Registry Fees and MassDOT's internal audit department periodically audits branches and employees for compliance with payment handling policies and procedures. When appropriate, administrative sanctions, such as retraining or termination, and in the cases in which criminal activity may have occurred, the matter is referred to the Massachusetts State Police for investigation.

Third parties also accept fees on behalf of the RMV. Presently, six (6) Southern New England AAA offices in Boston, Framingham, Saugus, South Dennis, West Springfield and Worcester process license, registration and ID card

duplicate and renewal transactions. The appropriate fees are collected at the sites. Participants in the Electronic Vehicle Registration (EVR) program also collect Registry Fees. These third party sites process certain registration based transactions, including the issuance of new plates and registration decals; the transfer of registration plates between vehicles; the collection of vehicle title information; processing of certain types of registration renewals; and updating customer addresses, if necessary. All third party vendors that collect Registry Fees are required to keep that revenue segregated from their other sources of business revenue.

Crediting of Receipts

Fees from RMV depository accounts are swept daily by the State Treasury, credited to the RMV appropriate fee accounts and recorded by the State Comptroller's office into the Commonwealth accounting system. An electronic file is transmitted to the Office of the State Comptroller (OSC) daily for entry in the Commonwealth accounting system. These records allocate funds from the sweep account to various revenue sources including the Commonwealth Transportation Fund. On a monthly basis, these amounts are manually allocated to specific categories, including registration, license and title fees collected. Refunds are issued through the State Treasury. Refunds are deducted from total Commonwealth Transportation Fund revenues.

Projected Collection of Registry Fees

The Commonwealth does not currently have an official forecast of Registry Fee receipts beyond the current fiscal year. For fiscal 2011, Registry Fee receipts equaled \$496 million or 2.11% more than the Registry Fee receipts for fiscal 2010. For fiscal 2012, MassDOT projects that Registry Fee receipts will range between \$505 million and \$515 million, or between 1.81% and 3.83% more than the Registry receipts for fiscal 2011. The actual revenues that will be collected by the Commonwealth may vary from the forecast because of fluctuating economic conditions, technological advances, changes in law and other variables affecting revenue growth. Registration and license renewal fees also peak approximately every two to five years. The increase in the registration fee cycle may be attributed to a large conversion of registrations from a perpetually renewed status, i.e. lifetime registrations, to a 2-year renewal status. License renewal fees also fluctuate due to the conversion from a 4-year renewal cycle to a 5-year renewal cycle. Additionally, fluctuations in commercial registration renewal fees may occur due to the conversion of light commercial vehicle registrations (5000 lbs. and under) from 1-year to 2-year renewal cycles.

1994 TRUST AGREEMENT

The outstanding 1997 Bonds (the "Senior 1994 Trust Agreement Bonds") are secured by the Commonwealth's pledge of 4.86¢ per gallon of revenues from the Commonwealth's gasoline tax imposed by Chapter 64A of the General Laws (the "1994 Pledged Funds"). The outstanding 2002 Bonds and 2005 Bonds (collectively, the "Subordinated 1994 Trust Agreement Bonds" and together with the Senior 1994 Trust Agreement Bonds, the "1994 Trust Agreement Bonds") are secured by the Commonwealth's pledge of 6.86¢ per gallon of revenues from the Commonwealth's gasoline tax imposed by Chapter 64A (the "2002 Pledged Funds" and together with the 1994 Pledged Funds, the "Prior Pledged Funds"). The 2002 Pledged Funds include the 1994 Pledged Funds, but are not in addition to this amount. The pledge securing the Subordinated 1994 Trust Agreement Bonds is subordinate to the pledge securing the Senior 1994 Trust Agreement Bonds with respect to the lien on the 1994 Pledged Funds.

The 1994 Trust Agreement Bonds are currently outstanding in the aggregate principal amount of \$376,680,000. The final maturity date for the 1994 Trust Agreement Bonds is June 1, 2023. Concurrently with the issuance of the 2010 Bonds, the Commonwealth closed the lien on the 1994 Trust Agreement, after which no additional bonds may be issued under such agreement, except for refunding bonds. In the Trust Agreement, the Commonwealth has covenanted not to issue any additional bonds under the 1994 Trust Agreement, except refunding bonds with debt service requirements less than or equal to the debt service requirements on the refunded bonds in each fiscal year.

The 2012 Bonds will be *subordinate* to the outstanding 1994 Trust Agreement Bonds with respect to the lien on the Prior Pledged Funds, which equal 6.86¢ per gallon of revenues from the Commonwealth's gasoline tax imposed by Chapter 64A. The Prior Pledged Funds constitute only a portion of the Pledged Funds. The Bonds are not subordinate to the outstanding 1994 Trust Agreement with respect to the portion of the Pledged Funds that do not constitute Prior Pledged Funds.

To the extent that receipts relating to the Prior Pledged Funds are in excess of the debt service requirements on the 1994 Trust Agreement Bonds in any fiscal year, such amounts will be available under the Trust Agreement. See the table *Debt Service Coverage* for debt service requirements on the 1994 Trust Agreement Bonds, projected Prior Pledged Funds and projected excess amounts.

FEDERAL HIGHWAY GRANT ANTICIPATION NOTES

Under certain circumstances described below, amounts from the Commonwealth Transportation Fund may be made available for payment of debt service on federal highway grant anticipation notes. However, any such payment is subordinate to the payment of the Bonds. See *Security and Sources of Payment for the Bonds – Flow of Pledged Funds – Flow of Funds* above.

Prior GAN Trust Agreement. The Prior GANs are secured by federal highway reimbursements received by the Commonwealth. In addition, pursuant to the Prior GAN Trust Agreement and under a limited circumstance involving the elimination or substantial reduction of national funding for the federal-aid highway program, the Commonwealth covenanted to dedicate a portion of Gasoline Tax receipts equal to 10¢ per gallon of revenues to the payment of debt service on the Prior GANs (the “Contingent Pledge”). Upon the issuance of the 2010A Refunding GANs, the Commonwealth will amend the Prior GAN Trust Agreement to make the Contingent Pledge subordinate to the payment of any Bonds issued under the Special Obligation Act, including the 2012 Bonds, from Pledged Funds.

Upon the issuance of the 2010A Refunding GANs, the Prior GAN Trust Agreement was closed, and no additional federal highway grant anticipation notes will be permitted to be issued thereunder. The final maturity date of the Prior GANs and 2010A Refunding GANs is June 15, 2015.

For so long as the Prior GANs remain outstanding, the Prior GAN Trust Agreement provides that no later than December 15 each year, the Treasurer shall certify the aggregate amount of the federal appropriations for the purposes of carrying out the provisions of Title 23 of the United States Code with respect to federal-aid highways for the then current federal fiscal year and the projected debt service coverage ratio on the Prior GANs for the following Commonwealth fiscal year, calculated in accordance with the Prior GAN Trust Agreement. If the amount of federal appropriations is less than \$17.1 billion and the projected debt service coverage ratio is less than 120%, then a “True-Up Condition” has occurred. Upon the occurrence of the True-Up Condition, the Prior GAN Trustee must notify the Trustee and must provide a certificate to the Secretary of Administration and Finance and the Treasurer indicating the True-Up Condition. Beginning in the January following delivery of a certification indicating the existence of a True-Up Condition, Pledged Gasoline Tax receipts equal to ten cents (\$0.10) per gallon (the “Alternative Revenues”) shall be transferred from the Motor Fuels Tax Subaccount to the Prior GAN Trustee for deposit in a reserve account under the Prior GAN Trust Agreement until the amount in such reserve account is sufficient to meet the requirements of the Prior GAN Trust Agreement for the fiscal year. The transfer of Alternative Revenues under the Prior GAN Trust Agreement is subordinate to the use of any Pledged Funds to pay the Bonds.

In the event of a True-Up Condition, the Governor is required under the Prior GAN Trust Agreement to include in the Governor’s recommended budget submitted to the Legislature an appropriation in an amount equal to any shortfall of Prior GAN debt service for the following fiscal year. When an appropriation is enacted of an amount sufficient, together with other available funds under the Prior GAN Trust Agreement to pay the trust agreement obligations for that fiscal year, the Treasurer may deposit the appropriations with the Prior GAN Trustee and direct the Prior GAN Trustee to transfer all or any portion of the Alternative Revenues then on deposit in the reserve account to the Treasurer for credit to the Commonwealth Transportation Fund.

2010 GAN Trust Agreement. The 2010 GAN Trust Agreement provides the Commonwealth may incur particular obligations, including without limitation, the 2010A New Money GANs. Obligations under the 2010 GAN Trust Agreement are payable from and secured by a pledge of federal highway reimbursements (which pledge is subordinate to the pledge of federal highway reimbursements for the benefit of the Prior GANs, so long as the Prior GANs remain outstanding) and a lien on all funds and accounts created under the 2010 GAN Trust Agreement. Further, bonds issued under the 2010 GAN Trust Agreement have a *subordinate* lien on Pledged Funds, following payment of obligations under the Trust Agreement (i.e., “Net CTF Pledged Funds” as defined in the 2010 GAN Trust Agreement). Payment of the 2012 Bonds and any Additional Bonds is senior to payment of any obligations under the 2010 GAN Trust Agreement. See *Security and Source of Payment of Bonds – Flow of Pledged Funds*.

The 2010 GAN Trust Agreement provides the Commonwealth may incur particular obligations, including without limitation, the 2010A New Money GANs.

COMMONWEALTH TRANSPORTATION SYSTEM

Overview

The Transportation Reform Act created MassDOT as a body politic and corporate and a public instrumentality of the Commonwealth. The Transportation Reform Act followed legislation enacted in 2004 creating the Transportation Commission, which was tasked with developing 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. In March 2007, the Transportation 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, Massachusetts Bay Transportation Authority (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 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.

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 former Massachusetts Turnpike 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. The Division also is responsible for overseeing traffic safety, engineering activities and snow and ice removal to ensure safe road and travel conditions. The Division has six regional districts.
- 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. 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. The 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.

Financing the Transportation System

Constitutional Limitations. Article 78 of the Articles of Amendment to the Massachusetts Constitution, as amended, requires that any fees, duties, excises or license taxes relating to the registration, operation or use of vehicles on public highways, or to fuels used for propelling such vehicles (as previously defined, “Article 78 Revenues”), be expended only for the following purposes: (1) the cost of administration of laws providing for such revenue, (2) the making of refunds and adjustments relating to such revenue; (3) the payment of highway obligations; (4) the cost of construction, reconstruction, maintenance and repair of public highways, bridges and mass transportation lines; (5) the cost of enforcing state traffic laws; and (6) the cost of other mass transportation purposes. Article 78 Revenues may be expended by the Commonwealth and its counties, cities and towns for these purposes only in such manner as the Legislature may direct.

The Motor Fuels Tax imposed under Chapters 64A, 64E and 64F and the Registry Fees are classified as Article 78 Revenues.

Funding Process. Prior to the Transportation Reform Act, transportation policy, planning and financing were segregated into separate silos of quasi-independent authorities and state agencies. One primary goal of the Transportation Reform Act was to better coordinate the Commonwealth’s transportation programs while finding economies of scale and best practices to reduce costs and manage a world class transportation network. Within the new streamlined MassDOT, jurisdiction over the operations and maintenance of the transportation system is shared among state, regional transit agencies and local governments.

The annual operating and capital budgets for transportation are developed through a collaborative process that encompasses many different organizations and individuals. These include:

- **Governor:** Establishes overall policies and spending priorities for MassDOT, including recommending the amount of funds that should be transferred to MassDOT within the annual operating budget. The Governor also determines the amount and timing of any authorized borrowing to fund capital investments. At the request of the Governor, the State Treasurer issues bonds to borrow funds for authorized and budgeted capital projects at MassDOT.
- **Legislature:** Appropriates funds through the annual budget consistent with state law and the Commonwealth Constitution for transportation programs and projects. The Legislature also authorizes bond bills, or statutory authorizations to borrow money, to fund the capital budget.
- **Massachusetts Department of Transportation:** The Secretary of Transportation develops an annual operating and five year capital budget for the department. MassDOT forecasts, plans and monitors financing for capital improvement projects on the state highway system and publically accessible airports, coordinates with the MBTA and RTAs on bus and rail funding, and works with the Metropolitan Planning Organizations to finance local road projects.
- **MassDOT Board of Directors:** The five member MassDOT board, appointed by the Governor, reviews and adopts the annual operating and capital budgets for the department and MBTA. The Board further recommends policy and funding priorities to the Secretary, the Governor and Legislature.

- **Metropolitan Planning Organizations (MPO) & Regional Transit Authorities (RTA):** MPOs and RTAs are responsible for planning, coordinating and, in the case of RTAs, operating regional transportation systems. In the Commonwealth, the thirteen MPOs develop transit and roadway reinvestment plans which identify projects for funding in the State Transportation Improvement Program (STIP) which is explained in more detail in the MassDOT Federal Capital Funding Section.

LITIGATION

No litigation is pending or, to the knowledge of the Attorney General, threatened against or affecting the Commonwealth seeking to restrain or enjoin the issuance, sale or delivery of the 2012 Bonds, or in any way contesting or affecting the validity of the 2012 Bonds or the Trust Agreement, including the pledge of Pledged Funds.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York will act as securities depository for the 2012 Bonds. The 2012 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 2012 Bond certificate will be issued for each maturity of the 2012 Bonds as set forth on the inside cover page hereof, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of 2012 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2012 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2012 Bond (the “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 2012 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2012 Bonds, except in the event that use of the book-entry system for the 2012 Bonds is discontinued.

To facilitate subsequent transfers, all 2012 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 the 2012 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 2012 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose

accounts such 2012 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 2012 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2012 Bonds, such as redemptions, defaults, and proposed amendments to the 2012 Bond documents. For example, Beneficial Owners of 2012 Bonds may wish to ascertain that the nominee holding the 2012 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of the 2012 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2012 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 Commonwealth 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 2012 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

THE COMMONWEALTH WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR BY ANY DIRECT OR INDIRECT PARTICIPANT, THE PAYMENT OF OR THE PROVIDING OF NOTICE TO THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OR WITH RESPECT TO ANY OTHER ACTION TAKEN BY DTC AS BONDOWNER.

The principal of and interest and premium, if any, on the 2012 Bonds will be paid to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, as registered owner of the 2012 Bonds. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Commonwealth or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with municipal 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 Commonwealth, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of the principal of and interest and premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Commonwealth or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The Commonwealth cannot give any assurances that Direct Participants or others will distribute payments of principal of and interest on the 2012 Bonds paid to DTC or its nominee, as the registered owner, to the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve and act in a manner described in this document.

Beneficial Owners of the 2012 Bonds will not receive or have the right to receive physical delivery of such 2012 Bonds and will not be or be considered to be the registered owners thereof. So long as Cede & Co. is the registered owner of the 2012 Bonds, as nominee of DTC, references herein to the holders or registered owners of the 2012 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the 2012 Bonds, except as otherwise expressly provided herein.

DTC may discontinue providing its services as depository with respect to the 2012 Bonds at any time by giving reasonable notice to the Commonwealth or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2012 Bonds will be delivered and registered as designated by the Beneficial Owners. The

Beneficial Owner, upon registration of 2012 Bonds held in the Beneficial Owner's name, will become the Bondowner. 2012 Bond certificates are required to be printed and delivered.

The Commonwealth may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In such event, 2012 Bond certificates will be printed, delivered and registered as designated by the Beneficial Owners.

The information in this section concerning DTC and DTC's book-entry system has been furnished by DTC. Such information is believed to be reliable, but the Commonwealth does not take any responsibility for the accuracy thereof.

Neither the Commonwealth nor the Trustee will have any responsibility or obligation to the Direct or Indirect Participants or the Beneficial Owners with respect to the accuracy of any records maintained by DTC or by any Direct or Indirect Participant; the payment of, or the providing of notice to, the Direct or Indirect Participants or the Beneficial Owners; or with respect to any other action taken by DTC as registered owner of the 2012 Bonds.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY-ONLY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE COMMONWEALTH BELIEVES TO BE RELIABLE, BUT THE COMMONWEALTH TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

RATINGS

The 2012 Bonds have been assigned ratings of "Aaa" and "AAA" by Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Group, Inc. ("Standard & Poor's"), respectively.

Such ratings reflect only the respective views of Moody's and Standard & Poor's, and an explanation of the significance of such ratings may be obtained from the rating agency furnishing the same. There is no assurance that a rating will continue for any given period of time or that a rating will not be revised or withdrawn entirely by any or all of such rating agencies, if, in its or their judgment, circumstances so warrant. Any downward revision or withdrawal of a rating could have an adverse effect on the market prices of the 2012 Bonds.

COMPETITIVE SALE OF 2012 BONDS

After a competitive, electronic sale held on May 8, 2012, the 2012 Bonds were awarded by the Commonwealth to J.P. Morgan Securities LLC, as purchaser. The purchaser of the 2012 Bonds has supplied the information as to the public reoffering yields of the Bonds set forth on the inside cover hereof. If all of the 2012 Bonds were resold to the public at such yields, the purchaser of the 2012 Bonds has informed the Commonwealth that its total compensation is expected to be 0.344221% of the aggregate principal amount of the 2012 Bonds. The purchaser of the 2012 Bonds may change the public offering yields from time to time.

TAX EXEMPTION

Bond Counsel is of the opinion that, under existing law, interest on the 2012 Bonds will not be included in the gross income of holders of the 2012 Bonds for federal income tax purposes. This opinion is expressly conditioned upon continued compliance with certain requirements imposed by the Internal Revenue Code of 1986, as amended (the "Code"), which must be satisfied subsequent to the date of issuance of the 2012 Bonds in order to assure that interest on the 2012 Bonds is and continues to be excludable from the gross income of holders of the 2012 Bonds. Failure to comply with certain of such requirements could cause interest on the 2012 Bonds to be included in the gross income of holders of the 2012 Bonds retroactive to the date of issuance of the 2012 Bonds. In particular, and without limitation, these requirements include restrictions on the use, expenditure and investment of 2012 Bond proceeds and the payment of rebate, or penalties in lieu of rebate, to the United States, subject to certain exceptions. The Commonwealth has provided covenants and certificates as to continued compliance with such requirements.

In the opinion of Bond Counsel, under existing law, since the 2012 Bonds are not “private activity bonds” under the Code, interest on the 2012 Bonds will not constitute a preference item under Section 57(a)(5) of the Code for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations under Section 55 of the Code. However, interest on the 2012 Bonds will be included in “adjusted current earnings” of corporate holders of the 2012 Bonds and therefore will be taken into account under Section 56(g) of the Code in the computation of the alternative minimum tax applicable to certain corporations.

Bond Counsel has not opined as to any other matters of federal tax law relating to the 2012 Bonds. However, prospective purchasers should be aware of certain collateral consequences which may result under federal tax law for certain holders of the 2012 Bonds: (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the 2012 Bonds or, in the case of a financial institution, that portion of a holder’s interest expense allocated to interest on the 2012 Bonds, (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for losses incurred by 15 percent of the sum of certain items, including interest on the 2012 Bonds, (iii) interest on the 2012 Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iv) passive investment income, including interest on the 2012 Bonds, may be subject to federal income taxation under Section 1375 of the Code for an S Corporation that has Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such S Corporation is passive investment income, (v) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income receipts or accruals of interest on the 2012 Bonds, and (vi) receipt of investment income, including interest on the 2012 Bonds, may, pursuant to Section 32(i) of the Code, disqualify the recipient from obtaining the earned income credit provided by Section 32(a) of the Code.

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

Interest paid on tax-exempt obligations such as the 2012 Bonds is now generally required to be reported by payors to the Internal Revenue Service (“IRS”) and to recipients in the same manner as interest on taxable obligations. In addition, such interest may be subject to “backup withholding” if the 2012 Bond owner fails to provide the information required on IRS Form W-9, Request for Taxpayer Identification Number and Certification, or the IRS has specifically identified the 2012 Bond owner as being subject to backup withholding because of prior underreporting. Neither the information reporting requirement nor the backup withholding requirement affects the excludability of interest on the 2012 Bonds from gross income for federal tax purposes.

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

For federal and Massachusetts income tax purposes, interest includes original issue discount, which with respect to a Bond is equal to the excess, if any, of the stated redemption price at maturity of such Bond over the initial offering price thereof to the public, excluding underwriters and other intermediaries, at which price a substantial amount of all such Bonds with the same maturity was sold. Original issue discount accrues actuarially over the term of a Bond. Holders should consult their own tax advisers with respect to the computations of original issue during the period in which any such Bond is held.

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

OPINION OF COUNSEL

The unqualified approving opinion as to the legality of the 2012 Bonds will be rendered by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel to the State Treasurer. The proposed form of the opinion of Bond Counsel is attached as Appendix C.

CONTINUING DISCLOSURE

In order to assist the successful bidder in complying with paragraph (b)(5) of Rule 15c2-12, the Commonwealth will undertake in the 2012 Bonds to provide annual reports and notices of certain events. A description of this undertaking is set forth in Appendix D attached hereto. To date, the Commonwealth has complied with all of its continuing disclosure undertakings relating to debt of the Commonwealth except for 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, each of which was filed two days late, on March 29, 2002. Proper notice of the late filings was provided on March 29, 2002 to the Nationally Recognized Municipal Securities Information Repositories and the Municipal Securities Rulemaking Board ("MSRB").

FINANCIAL ADVISOR

The Commonwealth has retained Public Resources Advisory Group to act as financial advisor with respect to the issuance of the 2012 Bonds.

MISCELLANEOUS

Any provisions of the constitution of the Commonwealth, of all general and special laws and of other documents set forth or referred to in this Official Statement 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.

This Official Statement contains 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, including, in particular, the current adverse global financial market and economic conditions, 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 this Official Statement 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 this Official Statement 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.

The information, estimates and assumptions and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale made pursuant to this Official Statement 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 Official Statement, except as expressly stated.

Neither the Commonwealth’s independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to any 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, any prospective financial information.

AVAILABILITY OF OTHER INFORMATION

Questions regarding this Official Statement or requests for additional financial information concerning the Commonwealth should be directed to Colin A. MacNaught, Assistant Treasurer, Office of the Treasurer and Receiver-General, One Ashburton Place, 12th floor, Boston, Massachusetts 02108, telephone (617) 367-3900, x. 226, or Scott A. Jordan, Assistant Secretary for Capital Finance and Intergovernmental Affairs, Executive Office for Administration and Finance, State House, Room 373, Boston, Massachusetts 02133, telephone (617) 727-2040. Questions regarding legal matters and requests for copies of the Trust Agreement should be directed to John Regier, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, Massachusetts 02111, telephone (617) 348-1720.

Information regarding the Commonwealth’s capital spending plan is contained in the Commonwealth’s Information Statement dated May 8, 2012 (the “Information Statement”). A copy of the Information Statement has been filed with the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (“EMMA”) system. The Commonwealth’s Information Statement is not incorporated herein by reference.

THE COMMONWEALTH OF MASSACHUSETTS

By /s/ Steven Grossman
 Steven Grossman
Treasurer and Receiver-General

By /s/ Jay Gonzalez
 Jay Gonzalez
Secretary of Administration and Finance

May 8, 2012

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**SUMMARY OF CERTAIN PROVISIONS OF THE
COMMONWEALTH TRANSPORTATION FUND ACT AND THE SPECIAL OBLIGATION ACT**

The following is a brief summary of certain provisions of the Special Obligation Act (the “Special Obligation Act”), pursuant to which the 2012 Bonds are being issued, and the Commonwealth Transportation Fund Act (the “Commonwealth Transportation Fund Act” and together with the Special Obligation Act, the “Acts”), pursuant to which the Commonwealth Transportation Fund is established. The Special Obligation Act is codified as Section 20 of Chapter 29 of the General Laws and the Commonwealth Transportation Fund Act is codified as Section 2ZZZ of said Chapter 29. The Acts may be amended after the issuance of the 2012 Bonds, but any such amendment must comply with the covenants of the Commonwealth contained in the Trust Agreement, as described in this Official Statement. Although the Acts contain certain covenants of the Commonwealth, the Trust Agreement provides that any provision of the Acts creating a covenant with the owners of Bonds shall be deemed a covenant under the Trust Agreement only to the extent expressly provided for in, and as limited by, the Trust Agreement. See *Appendix B -Summary of Certain Provisions of the Trust Agreement*. This summary of the Acts does not purport to be complete, and reference is made to the Acts for a full and complete statement of its terms and provisions.

Commonwealth Transportation Fund Act

The Commonwealth Transportation Fund Act establishes the Commonwealth Transportation Fund, which is to be used exclusively for financing transportation-related purposes.

Amounts credited to the Commonwealth Transportation Fund include: all fees received by the registrar of motor vehicles to be deposited in the Commonwealth Transportation Fund pursuant to Section 34(iii) of Chapter 90, all receipts paid to the Commonwealth and directed to be credited to the Commonwealth Transportation Fund pursuant to Chapters 64A, 64E, 64F and any other amounts appropriated into the Commonwealth Transportation Fund. The Commonwealth Transportation Fund is subject to appropriation and shall be used for transportation related expenses of the Massachusetts Department of Transportation or any successor agency or authority, including to pay or reimburse the General Fund for payment of debt service on bonds issued by, or otherwise payable pursuant to a lease or other contract assistance agreement by, the Commonwealth for transportation purposes.

In addition to the revenues listed above, there are credited to the Commonwealth Transportation Fund all monies received by the Commonwealth equal to 0.385% of the receipts from sales, as defined by Chapter 64H, and 0.385% of the sales price of purchases, as defined by Chapter 64I, from that portion of the taxes imposed under Chapters 64H and 64I as excises upon the sale and use at retail of tangible property or of services, and upon the storage, use or other consumption of tangible property, or of services, including interest thereon or penalties, but not including any portion of the taxes that constitute special receipts within the meaning of Subsection 10(b 1/2) of Chapter 152 of the Acts of 1997. If in a fiscal year the amount credited to the Commonwealth Transportation Fund from the a portion of the Commonwealth’s receipts from the Sales and Use Tax under the Commonwealth Transportation Fund Act is less than \$275 million, then the Comptroller shall transfer an amount from the General Fund to make up the difference between the amount so credited to the Commonwealth Transportation Fund and \$275 million, not later than September 1 of the following fiscal year. Pursuant to the Commonwealth Transportation Fund Act, not less than the following amounts shall annually be distributed from the Commonwealth Transportation Fund to the Massachusetts Bay Transportation Authority and regional transit authorities:

- (1) \$160 million to the Massachusetts Bay Transportation Authority or any fund controlled by the authority in each fiscal year; and
- (2) \$15 million to regional transit authorities organized under Chapter 161B or predecessor statutes in each fiscal year.

Special Obligation Act

Bonds issued in accordance with the provisions of the Special Obligation Act are special obligations of the Commonwealth payable solely from moneys credited to the Commonwealth Transportation Fund. Notwithstanding the provisions of any general or special law to the contrary, such special obligation bonds are not general obligations of the Commonwealth. Special obligation bonds may be secured by a trust agreement entered into by the Treasurer, with the concurrence of the Secretary of Administration and Finance and the Secretary of Transportation, on behalf of the Commonwealth, which trust agreement may pledge or assign all or any part of moneys credited to the Commonwealth Transportation Fund and rights to receive the same, whether existing or coming into existence and whether held or thereafter acquired, and the proceeds thereof. The Treasurer is also authorized, with the concurrence of the Secretary of Administration and Finance and the Secretary of Transportation, to enter into additional security, insurance or other forms of credit enhancement which may be secured on a parity or subordinate basis with the special obligation bonds. The Special Obligation Act provides that a pledge in any such trust agreement or credit enhancement agreement is valid and binding from the time such pledge is made without any physical delivery or further act, and the lien of such pledge is valid and binding as against all parties having claims of any kind in tort, contract or otherwise, irrespective of whether such parties have notice thereof. Any such pledge may be perfected by filing the trust agreement or credit enhancement agreement in the records of the Treasurer, and no filing need be made under the Massachusetts Uniform Commercial Code.

The Special Obligation Act provides that any such trust agreement or credit enhancement agreement may establish provisions defining defaults and establishing remedies and other matters relating to the rights and security of the holders of the special obligation bonds or other secured parties as determined by the Treasurer, including provisions relating to the establishment of reserves, the issuance of additional or refunding bonds, whether or not secured on a parity basis, the application of receipts, moneys or funds pledged pursuant to such agreement, and other matters deemed necessary or desirable by the Treasurer for the security of such special obligation bonds, and may also regulate the custody, investment and application of monies. Any such special obligation bonds are deemed to be investment securities under the Massachusetts Uniform Commercial Code and are made securities in which any public officer, fiduciary, insurance company, financial institution or investment company may properly invest funds and which may be deposited with any public custodian for any purpose for which the deposit of bonds is authorized by law. The Special Obligation Act provides that any such special obligation bonds, their transfer and the income therefrom, including profit on the sale thereof, shall at all times be exempt from taxation by and within the Commonwealth.

In order to increase the marketability of any such special obligation bonds issued by the Commonwealth, and in consideration of the acceptance of payment for any such special obligation bonds, the Commonwealth covenants in the Special Obligation Act with the purchasers and all subsequent holders and transferees of any such special obligation bonds that while any such special obligation bond shall remain outstanding, and so long as the principal of or interest on any such special obligation bond shall remain unpaid: (i) no pledged funds shall be diverted from the Commonwealth Transportation Fund, (ii) in any fiscal year of the Commonwealth, unless and until an appropriation has been made which is sufficient to pay the principal, including sinking fund payments, of and interest on all such special obligation bonds of the Commonwealth and to provide for or maintain any reserves, additional security, insurance or other form of credit enhancement required or provided for in any trust agreement securing any such special obligation bonds, no pledged funds shall be applied to any other use and (iii) so long as such revenues are necessary, as determined by the Treasurer in accordance with any applicable trust agreement or credit enhancement agreement, for the purposes for which they have been pledged, the rates of the fees collected pursuant to Sections 33 and 34 of Chapter 90 of the General Laws and the excises imposed in Chapters 64A, 64E and 64F of the General Laws shall not be reduced below the amount in effect at the time of issuance of any such special obligation bond.

The Trust Agreement provides that any provision of the Special Obligation Act creating a covenant with the owners of the Bonds shall be deemed a covenant under the Trust Agreement only to the extent expressly provided for in and as limited by the Trust Agreement.

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT

The Trust Agreement contains terms and conditions relating to the issuance and sale of Special Obligation Bonds under it, including various covenants and security provisions, certain of which are summarized below. For purposes of this summary, all references to “Bonds” shall refer to the Special Obligation Bonds. This summary does not purport to be comprehensive or definitive and is subject to all of the provisions of the Trust Agreement, as supplemented and amended by the First Supplemental Trust Agreement and the Second Supplemental Trust Agreement, to which reference is hereby made. Copies of the Trust Agreement, as supplemented and amended, are available from John Regier, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, Massachusetts 02111, telephone (617) 348-1720, Bond Counsel to the Commonwealth.

Definitions

The following is a summary of certain terms used in the Trust Agreement, in this Appendix B and otherwise used in this Official Statement.

“1994 Trust Agreement” shall mean the Trust Agreement between the Commonwealth and the 1994 Trustee, dated as of June 1, 1994, as amended and restated as of January 1, 2005, and as further amended and supplemented to the date of the Trust Agreement, relating to certain Special Obligation Revenue Bonds issued pursuant to the Act.

“1994 Trust Agreement Bonds” shall mean any outstanding bonds issued pursuant to the 1994 Trust Agreement.

“1994 Trustee” shall mean U.S. Bank National Association, as successor trustee under the 1994 Trust Agreement.

“Act” shall mean, collectively, the provisions of Sections 20 and 2ZZZ of Chapter 29 of the Massachusetts General Laws, as it may be amended from time to time.

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

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

“Additional Pledged Funds” shall mean any fees, duties, excises or license taxes which the Commonwealth may impose and collect relating to registration, operation or use of vehicles on public highways, or to fuels use for propelling such vehicles and subject to the restrictions of Article LXXVIII of the Constitution of the Commonwealth or any Federal Highway Reimbursements.

“Adjusted Bond Debt Service Requirement” shall mean, for any period of calculation, the aggregate Bond Debt Service Requirement on Bonds (but not including Subordinated Bonds) Outstanding during such period, taking into account the following adjustments:

- (i) with respect to Variable Rate Bonds, the aggregate Bond Debt Service Requirement based upon an interest rate equal to the average interest rate of the SIFMA Index over the five (5) years immediately prior to the date of calculation, as determined by the Commonwealth; provided, however, if the Commonwealth (1) enters into a Qualified Hedge Agreement requiring the Commonwealth to pay a fixed interest rate or providing for a maximum interest rate on a notional amount,

and (2) has made a determination that such Qualified Hedge Agreement was entered into for the purpose of providing substitute interest payments or limiting the potential increase in the interest rate for a particular maturity of Bonds in a principal amount equal to the notional amount of the Qualified Hedge Agreement, then during the term of such Qualified Hedge Agreement and so long as the Hedge Provider under such Qualified Hedge Agreement is not in default, the interest rate on such Bonds shall be based on the fixed interest rate or maximum interest rate, as the case may be, payable by the Commonwealth under such Qualified Hedge Agreement;

- (ii) with respect to Fixed Rate Bonds, if the Commonwealth (1) enters into a qualified Hedge Agreement requiring the Commonwealth to pay a variable interest rate on a notional amount and (2) has made a determination that such Qualified Hedge Agreement was entered into for the purpose of providing substitute interest payments for a particular maturity of Bonds in a principal amount equal to the notional amount of the Qualified Hedge Agreement, then during the term of such Qualified Hedge Agreement and so long as the Hedge Provider under such Qualified Hedge Agreement is not in default, the interest rate on such Bonds shall be determined as if such Bonds bore interest at the Assumed Hedge Rate;
- (iii) with respect to Tender Bonds, the aggregate Bond Debt Service Requirements thereon shall not include amounts payable upon mandatory or optional tender, as long as such Tender Bonds are secured by a Liquidity Facility, the aggregate Bond Debt Service Requirement shall be deemed to include all periodic Bond Related Costs payable to the provider of any Liquidity Facility, but shall not be deemed to include any Reimbursement Obligation to such provider except to the extent provided in the Applicable Supplemental Trust Agreement;
- (iv) with respect to Bonds that have Credit Enhancement, the aggregate Bond Debt Service Requirements thereon shall be deemed to include all periodic Bond Related Costs and other payments to the provider of the Credit Enhancement, but shall not be based upon the terms of any Reimbursement Obligation to such provider except to the extent and for periods during which Bond Related Costs and other payments are required to be made pursuant to such Reimbursement Obligation due to such provider advancing funds;
- (v) the amount of any principal of any of the Refunded Bonds paid or to be paid from an Escrow Account pursuant to any Supplemental Trust Agreement shall be deducted from the Adjusted Bond Debt Service Requirements for the applicable period; and
- (vi) with respect to Balloon Indebtedness, the aggregate Bond Debt Service Requirement shall be calculated as if the Principal Installments with respect to such Bonds amortized over a period of 25 years at an interest rate equal to The *Bond Buyer's* Revenue Bond Index (or, if such index is no longer published, such other substantially comparable index as may be selected by the Commonwealth) as of the most recent date for which such index was published prior to the date of such calculation.

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

deposited in such fund along with any cash on deposit in such fund is sufficient to pay interest when due, principal of and redemption premium, if any, on the bonds or other obligations described in this definition on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable notice referred to in subclause (i) above, as appropriate.

“Agency Obligations” shall mean obligations issued or guaranteed by the Federal National Mortgage Association, Government National Mortgage Association, Federal Financing Bank, Federal Intermediate Credit Banks, Federal Farm Credit Bank, Banks for Cooperatives, Federal Land Banks, Federal Farm Credit Banks Funding Corporation, Farm Credit System Financial Assistance Corporation, Federal Home Loan Banks, Farmers Home Administration, Export-Import Bank of the United States, Resolution Funding Corporation, Student Loan Marketing Association, United States Postal Service, Tennessee Valley Authority, Federal Home Loan Mortgage Corporation or any other agency or corporation which has been or may hereafter be created pursuant to an act of Congress as an agency or instrumentality of the United States of America.

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

“Appreciated Value” shall mean with respect to Deferred Income Bonds until the interest commencement date thereon, an amount equal to the principal amount of such Deferred Income Bond (determined on the basis of the initial principal amount per \$5,000 at the interest commencement date thereof) plus the amount, assuming compounding of earnings which would be produced on the investment of such initial amount, beginning on the dated date of such Deferred Income Bond and ending on the interest commencement date, at a yield which, if produced until the interest commencement date, will produce \$5,000 at the interest commencement date.

“Authorized Officer” shall mean the Treasurer or any designee thereof the Secretary or Chief Financial Officer of MassDOT or any designee thereof and any other person authorized by law to perform a duty or sign a document under the Trust Agreement.

“Balloon Indebtedness” shall mean (i) a Series of Bonds with respect to which, upon the issuance thereof, 25% or more of the Principal Installments are due, whether by maturity, mandatory redemption or optional or mandatory tender (and in the case of any Tender Bonds, such Bonds are not secured by a Liquidity Facility) in the same Fiscal Year or (ii) any portion of a Series of Bonds which is so designated by the Commonwealth in the Applicable Supplemental Trust Agreement by providing that such portion shall be deemed to constitute a separate issue of Balloon Indebtedness.

“Bond Authorizations” shall mean such provisions of the laws of the Commonwealth enacted in accordance with the applicable provisions of the Constitution of the Commonwealth authorizing bonds for transportation-related purposes or to refund any Bonds or Transportation Bonds and that may be issued as special obligation bonds under the provisions of the Act.

“Bond Debt Service Requirement” shall mean, for any period of calculation, the aggregate of the interest, principal amount, and Sinking Fund Payments due or to become due other than by reason of redemption at the option of the Commonwealth or the registered owner of any Bonds on all Bonds Outstanding during such period and shall include the scheduled principal and interest portions of the Accreted Value of Capital Appreciation Bonds and the Appreciated Value of Deferred Income Bonds becoming due at maturity or by virtue of Sinking Fund Payments on such Bonds.

“Bond Counsel” shall mean any lawyer or firm of lawyers nationally recognized in the field of municipal finance and selected by the Treasurer.

“Bond Related Costs” shall mean all costs, fees and expenses of the Commonwealth incurred or related to any Liquidity Facility, Credit Enhancement, Reserve Credit Facility, any remarketing or other secondary market transactions, any fees of Bond Counsel, attorneys, financial advisors, Fiduciaries, remarketing agents, rebate consultants, accountants and other advisors retained by the Commonwealth in connection with a Series, and any other fees, charges and expenses that may be lawfully incurred by the Commonwealth to a provider of any Credit

Enhancement, Liquidity Facility or Reserve Credit Facility, other than amounts paid as the costs of issuance for a series or to reimburse the provider of any Credit Enhancement, Liquidity Facility or Reserve Credit Facility.

“Bonds” shall mean any of the Bonds of the Commonwealth authenticated and delivered under the Trust Agreement, including Subordinated Bonds unless expressly stated otherwise.

“Build America Bonds” shall have the meaning set forth in Section 54AA of the Code.

“Capital Appreciation Bonds” shall mean any Bonds as to which interest is payable only at the maturity or prior redemption thereof.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Commonwealth Transportation Fund” shall mean the Commonwealth Transportation Fund so designated and established pursuant to the provisions of the Act or any other fund or account of the Commonwealth or any agency thereof created in replacement thereof.

“Credit Enhancement” shall mean any agreement, including, but not limited to a policy of bond insurance, surety bond, irrevocable letter of credit, credit agreement, credit facility or guaranty arrangement with a bank, trust company, insurance company, surety bonding company, pension fund or other financial institution that provides increased credit on or security for any Series (or portion thereof) of Bonds.

“Debt Service Fund Requirement” shall mean, as of any particular date of computation with respect to Bonds other than Subordinated Bonds, (i) any unpaid interest due on such Bonds at or before said date and all unpaid interest due on such Bonds at or before said date and all unpaid interest on such Bonds accrued but not due at said date, (ii) the principal amount of any such Bonds matured and unpaid at or before said date, and (iii) with respect to any Principal Installment of any Bonds not included in (ii) above, but payable on the next succeeding Principal Installment payment date other than by reason of redemption at the option of the Commonwealth or the Holder of any Bonds, that portion of such Principal Installment determined by multiplying such Principal Installment by a fraction, the numerator of which shall be the number of days elapsed from and including the immediately preceding Principal Installment payment date, or if (a) there be no such date with respect to such Bonds, or (b) such preceding Principal Installment payment date is more than one year prior 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 thereof, whichever date is later, to the date of such calculation and the denominator of which shall be the number of days from and including the immediately preceding Principal Installment payment date, or if (c) there be no such date with respect to such Bonds, or (d) such preceding Principal Installment payment 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 thereof, whichever date is later, to such Principal Installment payment date.

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

“Direct Payment” means the refundable tax credit paid to the Commonwealth by the federal government equal to a percentage of the taxable interest the Commonwealth pays on any Build America Bonds in accordance with Code § 54AA or any Recovery Zone Economic Development Bonds in accordance with Code § 1400U-2. The actual percentage of the interest expected to be received by the Commonwealth, shall be as set forth in the Applicable Supplemental Trust Agreement.

“Discount Bonds” shall have the meaning given such term in the Trust Agreement.

“Federal Highway Construction Program” shall mean all federally-aided highway construction projects undertaken by the Commonwealth as part of the Commonwealth’s program of transportation development and improvements at any time prior to or after the date of execution of any Supplemental Trust Agreement pledging Federal Highway Reimbursements as Additional Pledged Funds.

“Federal Highway Grant Anticipation Notes” shall mean the Federal Highway Grant Anticipation Notes (Accelerated Bridge Program), 2010 Series A, issued and delivered on December 23, 2010, and any other Federal Highway Grant Anticipation Notes hereafter issued and delivered, in each case, pursuant to the Federal Highway Grant Anticipation Note Trust Agreement.

“Federal Highway Grant Anticipation Note Trust Agreement” shall mean the Trust Agreement dated as of December 1, 2010, as hereafter amended and supplemented from time to time, between the Commonwealth and the Federal Highway Grant Anticipation Note Trustee, relating to the Commonwealth’s Federal Highway Grant Anticipation Notes.

“Federal Highway Grant Anticipation Note Trustee” shall mean Deutsche Bank Trust Company Americas, as trustee under the Federal Highway Grant Anticipation Note Trust Agreement, or any successor.

“Federal Highway Reimbursements” shall mean all federal highway construction reimbursements and any other federal highway assistance received from time to time by the Commonwealth with respect to the Federal Highway Construction Program under or in accordance with Title 23 of the United States Code or any successor program established under federal law.

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

“Fiscal Year” shall mean the period beginning on July 1 of any calendar year and ending on June 30 of the succeeding calendar year or such other period of twelve consecutive calendar months as may be provided by law as the fiscal year of the Commonwealth.

“Government Obligations” shall mean direct general obligations of, or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by, the United States of America.

“Hedge Provider” shall mean the counterparty with whom the Commonwealth enters into a Qualified Hedge Agreement.

“Liquidity Facility” shall mean any agreement with a bank, trust company, insurance company, surety bonding company, pension fund or financial institution under which it agrees to purchase Tender Bonds.

“MassDOT” shall mean the Massachusetts Department of Transportation established pursuant to Chapter 6C of the Massachusetts General Laws, and any successors or assigns thereto.

“Motor Fuels Tax” shall mean the excise imposed on fuel (other than aviation fuel) by the provisions of Chapter 64A, 64E and 64F of the Massachusetts General Laws in effect as of the date of issuance of the Bonds.

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

“Paying Agent” shall mean any paying agent or co-paying agent for a series of Bonds.

“Permitted Investments” shall mean and include any of the following, if and to the extent the same are at the time legal for investment of Commonwealth funds:

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

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

- (iv) Direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; senior debt obligations of the Federal Home Loan Banks; debentures of the Federal Housing Administration; guaranteed mortgage-backed bonds and guaranteed pass-through obligations of the Government National Mortgage Association; guaranteed Title XI financing of the U.S. Maritime Administration; mortgage-backed securities and senior debt obligations of the Federal National Mortgage Association; obligations of the Student Loan Marketing Association; obligations of the Federal Farm Credit Systems; obligations of the Resolution Trust Corporation and participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation or any successor agency to each of the foregoing;
- (v) All other obligations issued or unconditionally guaranteed as to the timely payment of principal and interest by an agency or person controlled or supervised by and acting as an instrumentality of the United States of America pursuant to authority granted by Congress;
- (vi) (a) Interest-bearing time or demand deposits, certificates of deposit, or other similar banking arrangements with any government securities dealer, bank, trust company, savings and loan association, national banking association or other savings institution (including the Trustee), provided that such deposits, certificates, and other arrangements are fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or (b) interest-bearing time or demand deposits or certificates of deposit with any bank, trust company, national banking association or other savings institution (including the Trustee), provided such deposits and certificates are in or with a bank, trust company, national banking association or other savings institution whose long-term unsecured debt is rated in one of the three highest long-term Rating Categories by each Rating Agency then maintaining a rating on any Bonds, and provided further that with respect to (a) and (b), any such obligations are held by the Trustee or a bank, trust company or national banking association other than the issuer of such obligations, unless the issuer is the Trustee;
- (vii) Repurchase agreements collateralized by securities described in subparagraphs (i), (ii), (iii) or (iv) above with any registered broker/dealer or with any commercial bank, provided that (a) a specific written repurchase agreement governs the transaction, (b) the securities are held, free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (1) a Federal Reserve Bank, or (2) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$25 million, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee, (c) the repurchase agreement has a term of thirty days or less, or the Trustee or the third-party custodian will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within five business days of such valuation, and (d) the fair market value of the collateral securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 102%;
- (viii) Money market funds rated in the highest short-term Rating Category by each Rating Agency then maintaining a rating on any Bonds;

- (ix) Commercial paper rated in the highest short-term Rating Category by each Rating Agency then maintaining a rating on any Bonds;
- (x) Advanced-Refunded Municipal Bonds;
- (xi) Short-term or long-term obligations of any state of the United States of America that are rated in the three highest rating categories by each Rating Agency then maintaining a rating on any Bonds Outstanding;
- (xii) investment contracts with banks or other financial institutions whose long-term unsecured debt or claims-paying ability is rated in one of the three highest Rating Categories by each Rating Agency then maintaining a rating on any of the Bonds Outstanding, but in no event lower than the Rating Category designated by such Rating Agency for the Bonds.

“Pledged Funds” shall mean and include the following:

- (i) all moneys received or to be received by the Commonwealth from the portion of the Motor Fuels Tax equal to fourteen and one thousand and eighty-five ten-thousandths cents (\$0.141085) per gallon with respect to the excise tax imposed on fuel (other than aviation fuel) by the provisions of Chapter 64A^{*}, equal to twenty-one cents (\$0.21) per gallon with respect to the excise tax imposed on fuel (other than liquefied gas) by the provisions of Chapters 64E and 64F, and equal to 19.1 percent of the average price per gallon (computed to the nearest tenth of one percent) with respect to the excise tax imposed on liquefied gas;
- (ii) all Registry Fees;
- (iii) all moneys received or to be received by the Trustee from the 1994 Trustee pursuant to the 1994 Trust Agreement;
- (iv) subject in all respects to the prior lien of the 1994 Trust Agreement, all moneys received or to be received by the Commonwealth from that portion of the Motor Fuels Tax imposed pursuant to Chapter 64A (other than aviation fuel) equal to six and eighty-six hundredths cents (\$0.0686) per gallon, together with any other amounts now constituting “Pledged Funds” within the meaning of the 1994 Trust Agreement;
- (v) Direct Payments received by the Commonwealth with respect to Build America Bonds and Recovery Zone Economic Development Bonds; and
- (vi) to the extent permitted by the Trust Agreement, such Additional Pledged Funds as the Commonwealth may by a subsequent Supplemental Trust Agreement pledge to the Trustee as security for the Bonds.

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

“Prior Federal Highway Grant Anticipation Notes” shall mean the Special Obligation Refunding Notes (Federal Highway Grant Anticipation Note Program) 2003 Series A issued and delivered on July 16, 2003 and the

^{*} Fuel subject to the provisions of Chapter 64A consisting of cellulosic biofuel or a blend of motor fuels and cellulosic biofuel is taxable in proportion to the percentage of the fuel content consisting of motor fuels, as determined by the Commonwealth’s Department of Energy Resources.

Special Obligation Refunding Notes (Senior Federal Highway Grant Anticipation Note Program), 2010 Series A, issued and delivered on December 23, 2010, in each case, pursuant to the Prior Federal Highway Grant Anticipation Note Trust Agreement.

“Prior Federal Highway Grant Anticipation Note Trust Agreement” shall mean the Amended and Restated Trust Agreement dated as of December 1, 2010 between the Commonwealth and the Prior Federal Highway Grant Anticipation Note Trustee, relating to the Commonwealth’s Prior Federal Highway Grant Anticipation Notes.

“Prior Federal Highway Grant Anticipation Note Trustee” shall mean U.S. Bank National Association, as trustee under the Prior Federal Highway Grant Anticipation Note Trust Agreement, or any successor.

“Qualified Hedge Agreement” shall mean an interest rate exchange, cap, floor or collar agreement between the Commonwealth and a Hedge Provider based upon a notional amount where (a) the Hedge Provider, or the person who guarantees the obligation of the Hedge Provider to make any payments due to the Commonwealth, has unsecured long-term obligations rated, or (b) the hedge agreement itself is rated, in each case as of the date the hedge agreement is entered into, by each Rating Agency then maintaining a rating on the Bonds Outstanding in a Rating Category, with respect to each such Rating Agency, at least equal to “A,” but in no event lower than the Rating Category designated by such Rating Agency for the Bonds Outstanding subject to such hedge agreement.

“Rating Agency” shall mean Moody’s Investors Service, Inc. and Standard & Poor’s Ratings Group, Inc., and their respective successors or assigns.

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

“Recovery Zone Economic Development Bonds” shall have the meaning set forth in Section 1400U-2 of the Code and the Trust Agreement.

“Registry Fees” shall mean the moneys deposited in the Commonwealth Transportation Fund pursuant to Section 34(iii) of Chapter 90.

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

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

“Subordinated Bonds” shall mean any bonds, notes or other evidences of indebtedness issued on a subordinate basis pursuant to the Trust Agreement.

“Subordinated Debt Service Fund Requirement” shall mean, as of any particular date of computation, the amount of money obtained by aggregating the several sums, computed with respect to Subordinated Bonds Outstanding, of (i) any unpaid interest due on such Subordinated Bonds at or before said date and all unpaid interest on such Subordinated Bonds accrued but not due at said date, (ii) the principal amount of any such Subordinated Bonds matured and unpaid at or before said date, and (iii) with respect to any Principal Installment of any Subordinated Bonds not included in (ii) above, but payable on the next succeeding Principal Installment payment date other than by reason of redemption at the option of the Commonwealth or the Holder of any Subordinated Bonds, that portion of such Principal Installment determined by multiplying such Principal Installment by a fraction, the numerator of which shall be the number of days elapsed from and including the immediately preceding Principal

Installment payment date, or if (a) there be no such date with respect to such Subordinated Bonds or (b) such preceding Principal Installment payment 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 thereof, whichever date is later, to the date of such calculation and the denominator of which shall be the number of days from and including the immediately preceding Principal Installment payment date, or if (c) there be no such date with respect to such Subordinated Bonds or (d) such preceding Principal Installment payment 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 thereof, whichever date is later, to such Principal Installment payment date.

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

“Transportation Bonds” shall mean bonds issued from time to time by the Commonwealth pursuant to the Act, other than Bonds issued under the Trust Agreement.

The Pledge

There are pledged for the payment of principal and Redemption Price of and interest on the Bonds other than the Subordinated Bonds (i) the Pledged Funds and all rights to receive the same, whether existing or coming into existence and whether held or thereafter acquired and including any proceeds thereof, (ii) all moneys, securities and any investment earnings with respect thereto, in all Funds and Accounts established by or pursuant to the Trust Agreement other than the Rebate Fund, and the Subordinated Debt Service Fund, and (iii) any amounts payable to the Commonwealth by a Hedge Provider pursuant to a Qualified Hedge Agreement. The full faith and credit of the Commonwealth has not been pledged to the payment of the Bonds.

The Commonwealth may in any Supplemental Trust Agreement pledge additional portions of the Motor Fuels Tax, Registry Fees or any Additional Pledged Funds or portions thereof which the Commonwealth may lawfully pledge to the payment of amounts due under the Trust Agreement. From and after the date of such Supplemental Trust Agreement such amounts shall be deemed part of the Pledged Funds under the Trust Agreement. No amounts may be pledged which are subject to any other lien or pledge unless such lien or pledge is made expressly subordinate to the pledge created under the Trust Agreement. (Section 501)

Trust Agreement to Constitute Contract

The Trust Agreement constitutes a contract between the Commonwealth and the registered owners from time to time of the Bonds, and the pledge made therein and the covenants and agreements therein set forth to be performed by or on behalf of the Commonwealth shall be for the equal benefit, protection and security of the registered owners of any and all of the Bonds, all or which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof, except as otherwise expressly provided in or permitted by the Trust Agreement (Section 202).

Authorization of Bonds

The Commonwealth is authorized to issue one or more series of Bonds under the Trust Agreement, which Bonds may be issued without limitation as to amount except as provided in the Trust Agreement with respect to Additional Bonds or as limited by law. The Bonds may be issued as Fixed Rate Bonds, Variable Rate Bonds, Tender Bonds, Capital Appreciation Bonds, Deferred Income Bonds, Discount Bonds, Build America Bonds or Recovery Zone Economic Development Bonds or any combination thereof.

The Commonwealth may issue Bonds (“Variable Rate Bonds”) which provide for a variable, adjustable, convertible or other similar rates of interest, not fixed as to percentage at the date of issue for the term thereof. Any Variable Rate Bonds shall bear a ceiling (the “Variable Rate Ceiling”) on the interest payable thereunder.

The Commonwealth may provide that any Series of Bonds may include an option exercisable by the registered owners thereof to have such Bonds (“Tender Bonds”) either repurchased or redeemed prior to the maturity thereof. Any Tender Bonds may be secured by a Liquidity Facility providing for the repurchase or payment of any tender price of Tender Bonds which have not been remarketed upon tender of such Bonds and any accrued and unpaid interest due on such Bonds upon the tender date thereof. The provider of any such Liquidity Facility shall have a rating on its short term obligations within the highest Rating Category from each Rating Agency then maintaining a rating on the Bonds Outstanding.

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

The Commonwealth may issue Bonds (“Build America Bonds” or “Recovery Zone Economic Development Bonds,” as specified by the Commonwealth at the time of issuance thereof) that provide for a Direct Payment to be received by the Commonwealth from the federal government with respect to a portion of the interest payable on such Bonds. The Applicable Supplemental Trust Agreement shall authorize the Treasurer to make any elections, certifications, representations, agreements, modifications or amendments required with respect to any such Bonds, including, without limitation, to the extent permitted or authorized by law, the allocation to the Revenue Account of any Direct Payment received by the Commonwealth from the federal government with respect to a portion of the interest payable on such Bonds. (Section 203)

Additional Bonds

One or more Series of Additional Bonds may be issued for the purpose of (i) paying all or a portion of the cost of any Project including the refunding of any Transportation Bonds, 1994 Trust Agreement Bonds or any Bonds, (ii) the making of deposits in the Debt Service Fund or the Subordinated Debt Service Fund, as applicable, (iii) the payment of the Costs of Issuance of such Bonds, (iv) the payment of the principal of and interest and premium, if any, on notes issued in anticipation of such Bonds or (v) any combination of the foregoing.

Additional Bonds may be issued only upon the delivery, among other items, of the following:

- (i) A Bond Counsel’s opinion with respect to the validity of the Additional Bonds and the enforceability of the pledge under the Trust Agreement;
- (ii) The documents and moneys, if any, required by the Applicable Supplemental Trust Agreement;
- (iii) A certificate of an Authorized Officer stating that, as to the delivery of such Additional Bonds, no Event of Default will have happened or will then be continuing;
- (iv) A certificate or certificates of the Commissioner of Revenue or the Comptroller setting forth the amount of Pledged Funds received by the Commonwealth for each month for the 18-month period ending with the last full month immediately preceding the issuance of the Additional Bonds;
- (v) One of the following certificates as determined by the Treasurer:
 - (A) A certificate of an Authorized Officer showing that the amount of Pledged Funds received by the Treasurer during any 12 consecutive months out of such 18-month period referred to in subparagraph (iv) above was not less than 400% of the maximum aggregate Adjusted Bond Debt Service Requirement due in the then current or any future Fiscal Year on Bonds Outstanding including the proposed Additional Bonds, or
 - (B) if the Commonwealth shall pledge an additional portion of the Motor Fuels Tax, Registry Fees or any other Additional Pledged Funds which amounts shall have been

collected by the Commonwealth for at least 12 consecutive months of the 18-month period described in subparagraph (iv) above, (x) a certificate of the Comptroller and/or the Commissioner of Revenue showing Pledged Funds for 18 consecutive months immediately preceding the month in which the Additional Bonds are issued, calculated on the basis that Pledged Funds shall include such Additional Pledged Funds for such period, and (y) a certificate of an Authorized Officer showing that the Pledged Funds calculated as provided in subparagraph (iv) above for any 12 consecutive months during the 18-month period described in (x) above shall be not less than 400% of the maximum aggregate Adjusted Bond Debt Service Requirement during the then current Fiscal Year or any future Fiscal Year on all Bonds Outstanding including the proposed Additional Bonds, or

(C) if the Commonwealth shall pledge an additional portion of the Motor Fuels Tax, Registry Fees or any other Additional Pledged Funds, which Additional Pledged Amounts have not been collected by the Commonwealth during at least 12 consecutive months of the 18-month period described in subparagraph (iv) above, a certificate of an Authorized Officer showing that the amount of any Pledged Funds projected to be received by the Commonwealth after giving effect to any such Additional Pledged Funds during the first full Fiscal Year immediately succeeding the issuance of the proposed Additional Bonds will not be less than 400% of the maximum aggregate Adjusted Bond Debt Service Requirement due in the then current or in any future Fiscal Year on Bonds Outstanding including the proposed Additional Bonds;

- (vi) If the Commonwealth shall deliver a certificate described in (v)(B) above, which shall include as a basis for calculation of Pledged Funds any Additional Pledged Funds, other than an additional portion of the Motor Fuels Tax, Registry Fees or a certificate pursuant to (v)(C) above, confirmation from each Rating Agency maintaining a rating on Bonds Outstanding that the issuance of such Additional Bonds shall not adversely affect their rating in effect on Bonds Outstanding;
- (vii) If Additional Bonds are to be issued as Tender Bonds, a fully executed copy of the Liquidity Facility for the Bonds, if any; and
- (viii) If applicable, a certificate of an Authorized Officer setting forth the interest rate (the "Assumed Hedge Rate") that such Authorized Officer reasonably determines will be the average interest rate that will be payable for the next succeeding twelve consecutive months on the notional amount under any Qualified Hedge Agreement. (Section 206)

Refunding Bonds

One or more Series of Refunding Bonds may be issued for the purpose of refunding all or any part of the Bonds of one or more Series Outstanding upon delivery, among other items, of the following:

- (i) An opinion of Bond Counsel as described above under "Additional Bonds;"
- (ii) A certificate of an Authorized Officer setting forth the Adjusted Bond Debt Service Requirement for each Fiscal Year in which Bonds are or will be Outstanding (a) computed immediately prior to the delivery of such Refunding Bonds and (b) computed immediately after the delivery of such Refunding Bonds, and showing either that (x) the Adjusted Bond Debt Service Requirement in each Fiscal Year in which Bonds will be Outstanding as computed in (b) of this paragraph will not be greater than the Adjusted Bond Debt Service Requirement in each such Fiscal Year as computed (a) of this paragraph or (y) the net present value of the Adjusted Bond Debt Service Requirement as computed in paragraph (b) of this paragraph is less than the net present value of the Adjusted Bond Debt Service Requirement as computed in paragraph (a) of this paragraph; provided that, in lieu of such certificate, the Comptroller or Commissioner of Revenue and an Authorized Officer may deliver to the Trustee certificates satisfying the conditions described under "Additional Bonds;" and

- (iii) An amount of money or Defeasance Obligations sufficient to effect payment at maturity or redemption of the Bonds to be refunded. (Section 207)

Bond Anticipation Notes

The Commonwealth may, to the extent authorized by law, issue notes (and renewals thereof) in anticipation of a Series of Bonds. The proceeds of such notes or such Series of Bonds may be pledged for the payment of the principal of and interest on such notes. The Commonwealth may also pledge the Pledged Funds to the payment of such notes. Prior to the issuance of any such notes, the Treasurer shall certify to the Trustee that he reasonably expects that all applicable requirements pertaining to the issuance of the Series of Bonds in anticipation of which such notes are to be issued can be satisfied. (Section 208)

Creation of Liens; Other Indebtedness

The Commonwealth may not issue any bonds, notes or other evidences of indebtedness, other than the Bonds, secured by a pledge of or other lien on the Pledged Funds or any other moneys, securities and funds held or set aside by the Commonwealth or by the Fiduciaries under the Trust Agreement, and shall not otherwise create or cause to be created any lien or charge on such Pledged Funds, moneys, securities and funds. The Trust Agreement permits the issuance of other indebtedness (and renewals thereof), including bond anticipation notes, secured by a subordinate lien on Pledged Funds, and other indebtedness secured by a lien on that portion of the Motor Fuels Tax, Registry Fees or any other amounts not included as Pledged Funds. (Section 209)

Credit Enhancement/Liquidity Facilities

The Commonwealth may obtain or cause to be obtained Credit Enhancement or a Liquidity Facility providing for payment of all or a portion of the principal, premium, or interest due or to become due on such Bonds or providing for the purchase of such Bonds or a portion thereof. In connection therewith the Commonwealth may agree with the issuer of such Credit Enhancement or Liquidity Facility to reimburse such issuer directly for amounts paid under the terms of such Credit Enhancement or Liquidity Facility, together with interest thereon. Such reimbursement obligation may be subject to a lien on Pledged Funds on a parity with the lien for the related Series of Bonds created under the Trust Agreement. A reimbursement obligation relating to a Liquidity Facility securing Variable Rate Bonds may be subject to a lien on Pledged Funds only to the extent that it is subordinate to the lien created under the Trust Agreement. (Section 210)

Qualified Hedge Agreements

The Commonwealth may from time to time enter into Qualified Hedge Agreements with a Hedge Provider with respect to all or a portion of the Bonds of any Series Outstanding. The obligations of the Commonwealth thereunder may be secured by a pledge of the Pledged Funds; provided, however, that such security shall be expressly subordinate to the security for the Bonds Outstanding.

Any amounts paid to the Commonwealth pursuant to a Qualified Hedge Agreement shall be deposited in the Revenue Account. Any amounts payable by the Commonwealth under a Qualified Hedge Agreement may be payable from the Infrastructure Fund from amounts after funding of amounts in the various Funds and Accounts under the Trust Agreement. Upon the issuance of any Additional Bonds or Refunding Bonds, the Authorized Officer shall set an interest rate (the "Assumed Hedge Rate") which the Authorized Officer reasonably determines will be the average interest rate which will be payable for the next succeeding twelve consecutive months on the notional amount under any Qualified Hedge Agreement establishing a variable interest rate for Fixed Rate Bonds. (Section 211)

Establishment of Funds and Accounts

The following funds and accounts shall be established and shall be held by the Trustee:

- (i) Redemption Fund;
- (ii) Debt Service Fund;

- (iii) Bond Related Costs Funds; and
- (iv) Rebate Fund.

Such funds, except the Rebate Fund, are subject to the pledge created under the Trust Agreement.

The Treasurer shall establish a Revenue Account to be maintained as part of the Commonwealth Transportation Fund that is to be held by the Treasurer so long as Bonds shall remain Outstanding. Such Account shall be deposited with the Trustee and shall be subject to the pledge created under the Trust Agreement. The Treasurer shall establish the following subaccounts within the Revenue Account:

- (i) Motor Fuels Tax Subaccount; and
- (ii) Non-Motor Fuels Tax Subaccount.

All Pledged Funds constituting Motor Fuels Tax receipts shall be deposited in the Motor Fuels Tax Subaccount. All other Pledged Funds shall be deposited in the Non-Motor Fuels Tax Subaccount. (Section 502)

Bond Proceeds

The Treasurer shall apply the proceeds of any Bonds to the payment of the costs of issuance of the related Series of Bonds, to the extent permitted by law, to pay the cost of Projects for which such Bonds have been issued or to pay notes issued in anticipation of such Bonds. Any balance remaining after payment of such amounts shall be paid by the Treasurer to the Trustee and deposited in the Redemption Fund and applied to the redemption of Bonds of the related Series. (Section 503)

Revenue Account

The Commissioner of Revenue and an Authorized Officer of MassDOT shall deliver to the Trustee within eight business days after the end of the month, commencing with the end of the month in which the Bonds are issued, a certificate stating the amount of Pledged Funds collected by the Commonwealth during such month and, so long as any 1994 Trust Agreement Bonds or Prior Federal Highway Grant Anticipation Notes remain outstanding, indicating the amount of Motor Fuels Tax receipts collected by the Commonwealth as part of such amount of Pledged Funds representing (i) with respect to the 1994 Trust Agreement Bonds, that portion of the Motor Fuels Tax composed of six and eighty-six hundredths cents (\$0.0686) of the excise on gasoline imposed by the provisions of Chapter 64A (other than aviation fuel) and (ii) with respect to the Prior Federal Highway Grant Anticipation Notes, that portion of the Motor Fuels Tax comprised of ten cents (\$0.10) of the excise on gasoline imposed by the provisions of Chapter 64A (other than aviation fuel). All Pledged Funds (other than any portion thereof required to be deposited with the 1994 Trustee pursuant to the 1994 Trust Agreement) shall be paid by the Treasurer to the Trustee within the two business days thereafter from amounts credited to the Commonwealth Transportation Fund, and deposited by the Trustee in the applicable subaccounts of the Revenue Account and applied as set forth below.

Immediately upon receipt thereof, the Trustee shall deposit in the Motor Fuels Tax Subaccount of the Revenue Account any Pledged Funds received from the 1994 Trustee pursuant to the 1994 Trust Agreement, to be applied as set forth below under the heading "Flow of Funds." The Trustee shall further deposit in the Revenue Account any funds transferred to the Revenue Account pursuant to a Supplemental Trust Agreement including, without limitation, any Direct Payment.

So long as the Act shall require that the expenditure of amounts in the Commonwealth Transportation Fund are subject to appropriation for the purposes described below, at the beginning of each Fiscal Year after the adoption of the operating budget for the Commonwealth for such Fiscal Year, the Secretary of Administration and Finance and the Treasurer shall certify to the Trustee the amount appropriated for such Fiscal Year for payment of the following amounts:

- (i) the Bond Debt Service Requirement for such Fiscal Year;

- (ii) the Bond Related Costs, if any, for such Fiscal Year;
- (iii) the Rebate Fund Requirement, if any, for such Fiscal Year;
- (iv) if the Secretary of Administration and Finance and the Treasurer have received a certificate from the Prior Federal Highway Grant Anticipation Note Trustee under the Prior Federal Highway Grant Anticipation Note Trust Agreement, in accordance the Prior Federal Highway Grant Anticipation Note Trust Agreement, that the True-up Condition (as defined in the Prior Federal Highway Grant Anticipation Note Trust Agreement) shall have occurred and is continuing, the amount set forth in such certificate; and
- (v) if the Secretary of Administration and Finance and the Treasurer have received a certificate from the Federal Highway Grant Anticipation Note Trustee under the Federal Highway Grant Anticipation Note Trust Agreement, in accordance with the Prior Federal Highway Grant Anticipation Note Trust Agreement, the amount set forth in such certificate. So long as the account held by the Federal Highway Grant Anticipation Note Trustee under the Federal Highway Grant Anticipation Note Trust Agreement is deemed to be part of the Commonwealth Transportation Fund, then no appropriation shall be required to transfer any requested amount from the Revenue Account established under the Trust Agreement to said account held by the Federal Highway Grant Anticipation Note Trustee.

If amounts are appropriated for such purpose as an aggregate sum, such sum shall be allocated in the order set forth above for the amounts set forth above and such certificate shall set forth such allocation. To the extent additional amounts are appropriated during a Fiscal Year for any such purpose, the officials described above shall also certify to the Trustee the amount of any such supplemental appropriation. The aggregate amounts appropriated for each such purpose as provided in the Trust Agreement shall be referred to as an “Appropriated Amount” for such purpose. (Section 504)

Flow of Funds

Immediately following the deposit by the Treasurer with the Trustee described in the first two paragraphs under the heading “Revenue Account” above, but no later than the second business day following such deposit with the Trustee, the Trustee shall transfer from amounts available in the Revenue Account to the following Funds and in the following order:

- (i) To the Debt Service Fund, an amount equal to the sum of (a) one-fifth (1/5th) of the interest coming due on the Bonds, other than Subordinated Bonds, on the next interest payment date and (b) one-tenth (1/10th) of the Principal Installment coming due on the next Principal Installment payment date (which is not later than one year from the date of deposit); provided that the aggregate amount on deposit in the Debt Service Fund on any date shall be at least equal to the Debt Service Fund Requirement calculated as of such date; provided further that as long as the aggregate amount on deposit in the Debt Service Fund as of any date is at least equal to the aggregate Debt Service Fund Requirement calculated as of each remaining interest payment date and Principal Installment payment date, as the case may be, in the then current Fiscal Year, no additional monthly deposits are required to be made during the remainder of such Fiscal Year; and provided, further, that the aggregate amount deposited therein during a Fiscal Year shall not exceed the Appropriated Amount during such Fiscal Year for such purpose unless the Treasurer shall certify to the Trustee that deposits of such amounts shall not then be subject to appropriation;
- (ii) To the Bond Related Costs Fund, at such times and in such amounts, if any, as determined by the Treasurer or otherwise set forth in an Applicable Supplemental Trust Agreement as necessary to pay Bond Related Costs relating to the Bonds other than the Subordinated Bonds; provided, however, that the aggregate amount deposited therein during a Fiscal Year shall not exceed the Appropriated Amount during such Fiscal Year

unless the Treasurer shall certify to the Trustee that deposits of such amounts shall not then be subject to appropriation;

- (iii) To the Rebate Fund, the amount of the Rebate Fund Requirement relating to the Bonds other than the Subordinated Bonds, if any, determined in accordance with an Applicable Supplemental Trust Agreement; provided, however, that the aggregate amount deposited therein during a Fiscal Year shall not exceed the Appropriated Amount during such Fiscal Year unless the Treasurer shall certify to the Trustee that deposits of such amounts shall not then be subject to appropriation;
- (iv) To the Subordinated Debt Service Fund, an amount equal to the sum of (a) one-fifth (1/5th) of the interest coming due on the Subordinated Bonds on the next interest payment date and (b) one-tenth (1/10th) of the Principal Installment coming due on the next Principal Installment payment date (which is not later than one year from the date of deposit); provided that the aggregate amount on deposit in the Subordinated Debt Service Fund on any date shall be at least equal to the Subordinated Debt Service Fund Requirement calculated as of such date; provided further that as long as the aggregate amount on deposit in the Subordinated Debt Service Fund as of any date is at least equal to the aggregate Subordinated Debt Service Fund Requirement calculated as of each remaining interest payment date and Principal Installment payment date, as the case may be, in the then current Fiscal Year, no additional monthly deposits are required to be made during the remainder of such Fiscal Year; and provided, further, that the aggregate amount deposited therein during a Fiscal Year shall not exceed the Appropriated Amount during such Fiscal Year for such purpose unless the Treasurer shall certify to the Trustee that deposits of such amounts shall not then be subject to appropriation;
- (v) To the Bond Related Costs Fund, at such times and in such amounts, if any, as determined by the Treasurer or otherwise set forth in an Applicable Supplemental Trust Agreement as necessary to pay Bond Related Costs relating to the Bonds; provided, however, that the aggregate amount deposited therein during a Fiscal Year shall not exceed the Appropriated Amount during such Fiscal Year unless the Treasurer shall certify to the Trustee that deposits of such amounts shall not then be subject to appropriation;
- (vi) To the Rebate Fund, the amount of the Rebate Fund Requirement relating to the Bonds, if any, determined in accordance with an Applicable Supplemental Trust Agreement; provided, however, that the aggregate amount deposited therein during a Fiscal Year shall not exceed the Appropriated Amount during such Fiscal Year unless the Treasurer shall certify to the Trustee that deposits of such amounts shall not then be subject to appropriation;
- (vii) To the Prior Federal Grant Anticipation Note Trustee from the Motor Fuels Tax Subaccount an amount equal to the monthly amount set forth in the certificate received by the Secretary of Administration and Finance and the Treasurer in accordance with subparagraph (iv) under the heading "Revenue Account" above; provided, however, that the aggregate amount transferred to the Prior Federal Grant Anticipation Note Trustee during a Fiscal Year shall not exceed the Appropriated Amount during such Fiscal Year and shall not exceed the amount received by the Commonwealth from the portion of the Motor Fuels Tax equal to ten cents (\$0.10) per gallon with respect to the excise on motor fuels (other than aviation fuel) imposed by the provisions of Chapter 64A; and
- (viii) To the Federal Grant Anticipation Note Trustee an amount equal to the monthly amount set forth in the certificate received by the Secretary of Administration and Finance and the Treasurer in accordance with subparagraph (v) under the heading "Revenue Account" above; provided, however, that unless the amount to be transferred to the Federal Grant Anticipation Note Trustee is to be deposited into an account that is deemed to be part of

the Commonwealth Transportation Fund, the aggregate amount transferred to the Federal Grant Anticipation Note Trustee during a Fiscal Year shall not exceed the Appropriated Amount during such Fiscal Year.

Upon deposit of the amounts described above and so long as there shall be Appropriated Amounts sufficient to pay the amounts required to be deposited as set forth in subparagraph (i), (iv), (vii) and (viii) above for the remainder of the then current Fiscal Year (if such appropriations shall be required by the Act or other provisions of law), the balance on deposit in the Revenue Account (less any amounts required to be deposited pursuant to subparagraphs (ii), (iii), (v) and (vi) above for which Appropriated Amounts are insufficient) shall be immediately transferred by the Trustee, but no later than the next business day following such deposit, to the Treasurer free and clear of the lien granted under the Trust Agreement and may be thereupon applied to any purpose permitted by law.

The Trustee is authorized to accept at any time from the Treasurer, in addition to Pledged Funds, any other moneys certified by the Treasurer to be lawfully available for carrying out or satisfying any purpose under the Trust Agreement. The Trustee shall deposit such moneys in such Fund or Account, as the Treasurer may direct, and, provided no Event of Default shall then be occurring under the Trust Agreement and the amounts then held in the Debt Service Fund, the Rebate Fund and the Bond Related Costs Fund are at least equal to the applicable amounts then specified in the Trust Agreement, the Trustee shall transfer such amount as the Treasurer may direct, but not in excess of the amount received from the Treasurer, to the Treasurer, for application as permitted by law, free and clear of the lien of the Trust Agreement. (Section 504)

Debt Service Fund

The provisions of the Trust Agreement relating to the Debt Service Fund shall apply only to Bonds, and not to Subordinated Bonds. None of the funds on deposit in the Debt Service Fund shall be applied to payment of principal of, Redemption Price or interest on the Subordinated Bonds. The Trustee shall pay out of the Debt Service Fund to the respective Paying Agents for any Bonds (i) the amount required for the interest and Principal Installments payable on the interest payment date and (ii) the amount required for the payment of interest and Redemption Price on the Bonds then to be redeemed. Amounts accumulated in the Debt Service Fund with respect to any Sinking Fund Payment (together with amounts accumulated therein with respect to interest on the Bonds for which such Sinking Fund Payment was established) may be applied prior to the 45th day preceding the due date of such Sinking Fund Payment, to (i) the purchase of Bonds of the Series and maturity for which such Sinking Fund Payment was established, at prices not exceeding the applicable sinking fund Redemption Price plus interest on such Bonds to the first date on which such Bonds could be redeemed (or in the case of a Sinking Fund Payment due on the maturity date, the principal amount thereof plus interest to such date), such purchases to be made in such manner as the Treasurer shall arrange, or (ii) the redemption of such Bonds then redeemable by their terms. The applicable Redemption Price or principal amount (in the case of maturing Bonds) of any Bonds so purchased or redeemed shall be deemed to constitute part of the Debt Service Fund until such Sinking Fund Payment date for the purpose of calculating the amount of such Fund.

In satisfaction, in whole or in part, of any amount required to be paid into the Debt Service Fund which is attributable to a Sinking Fund Payment, there may be delivered on behalf of the Commonwealth to the Trustee Bonds of the Series and maturity entitled to such payment. All Bonds so delivered to the Trustee in satisfaction of a Sinking Fund Payment shall reduce the amount thereof by the amount of the aggregate of the sinking fund Redemption Prices of such Bonds. (Section 505)

Subordinated Debt Service Fund

The Trustee shall pay out of the Subordinated Debt Service Fund to the respective Paying Agents for any Subordinated Bonds (i) the amount required for the interest and Principal Installments payable on each interest payment date and (ii) the amount required for the payment of interest and Redemption Price on the Subordinated Bonds then to be redeemed. Amounts accumulated in the Subordinated Debt Service Fund with respect to any Sinking Fund Payment (together with amounts accumulated therein with respect to interest on Subordinated Bonds for which such Sinking Fund Payment was established) may be applied prior to the 45th day preceding the due date of such Sinking Fund Payment, to (i) the purchase of the Subordinated Bonds of the Series and maturity for which such Sinking Fund Payment was established, at prices not exceeding the applicable sinking fund Redemption Price plus interest on such Subordinated Bonds to the first date on which such Subordinated Bonds could be redeemed (or in the case of a Sinking

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

In satisfaction, in whole or in part, of any amount required to be paid into the Subordinated Debt Service Fund, there may be delivered on behalf of the Commonwealth to the Trustee Subordinated Bonds of the Series and maturity entitled to such payment. All Subordinated Bonds so delivered to the Trustee in satisfaction of a Sinking Fund Payment shall reduce the amount thereof by the amount of the aggregate of the sinking fund Redemption Prices of such Subordinated Bonds. (Section 505A)

Redemption Fund

The Commonwealth may deposit in the Redemption Fund any moneys, including Pledged Funds, not otherwise required by the Trust Agreement to be deposited or applied. If at any time the amount on deposit and available therefor in the Debt Service Fund or the Subordinated Debt Service Fund, as applicable, is insufficient to pay the principal and Redemption Price of and interest on the Bonds or the Subordinated Bonds, as applicable, then due, the Trustee shall withdraw from the Redemption Fund and deposit in the Debt Service Fund or the Subordinated Debt Service Fund, as applicable, the amount necessary to meet the deficiency (other than amounts held therein for the redemption of Bonds or Subordinated Bonds, as applicable, for which a notice of redemption shall have been given). Subject to the foregoing, amounts in each account in the Redemption Fund may be applied by the Commonwealth to the redemption of Bonds or Subordinated Bonds, as applicable, at prices not exceeding the applicable Redemption Prices (plus accrued interest) had such Bonds or Subordinated Bonds, as applicable, been redeemed (or, if not then subject to redemption, at the applicable Redemption Prices when next subject to redemption), such purchase to be paid for by the Trustee at such times and in such manner as arranged and directed by an Authorized Officer. (Section 506)

Bond Related Costs Fund

The amount on deposit and available in the Bond Related Costs Fund shall be applied by the Trustee to the payment of Bond Related Costs at the times and in the amounts as directed from time to time by an Authorized Officer.

If at any time the amount on deposit and available therefor in the Debt Service Fund or the Subordinated Debt Service Fund, as applicable, is insufficient to pay the principal and Redemption Price of and interest on the Bonds or the Subordinated Bonds, as applicable, then due, the Trustee shall withdraw from the Bond Related Costs Fund, after withdrawal of amounts described above, and deposit in the Debt Service Fund or the Subordinated Debt Service Fund, as applicable, the amount necessary to meet such deficiency; provided, however, that the aggregate of such amount deposited therein shall not in any Fiscal Year, together with all other amounts deposit therein during such Fiscal Year, exceed the Appropriated Amount for the purpose of paying the principal and Redemption Price of and interest due on the Bonds Outstanding or the Subordinated Bonds Outstanding, as applicable, during such Fiscal Year. Subject to the foregoing provisions, if there is a deficiency in both the Debt Service Fund and the Subordinated Debt Service Fund as described in this paragraph, amounts withdrawn from the Bond Related Costs Fund shall be applied first to the deficiency in the Debt Service Fund, and once the deficiency in the Debt Service Fund is satisfied, second to the deficiency in the Subordinated Debt Service Fund.

Upon the certification of an Authorized Officer and all Fiduciaries that all Bond Related Costs have been paid, any balance in the Bond Related Costs Fund shall be paid by the Trustee to the Treasurer free and clear of the lien created under the Trust Agreement and such amounts shall be applied to any purpose permitted by law. (Section 507)

Investments

Except as otherwise provided in the Trust Agreement or subsection 2 below, money held for the credit of any Fund or Account under the Trust Agreement shall, to the fullest extent practicable, be invested, either alone or jointly with moneys in any other Fund or Account, by or at the written direction of an Authorized Officer in Permitted Investments which shall mature or be redeemable at the option of the holder thereof, on such dates and in such amounts

as may be necessary to provide moneys to meet the payments required to be made from such Funds and Accounts; provided that if moneys in two or more funds or accounts are commingled for purposes of investments, the Trustee shall maintain appropriate records of the Permitted Investments or portions thereof which it makes and which are held for the credit of such Fund or Account. Except as otherwise provided in a Supplemental Trust Agreement, amounts on deposit in the Debt Service Fund or the Subordinated Debt Service Fund, may be invested only in Permitted Investments of the type described in subparagraphs (i), (ii), (iii), (iv), (vi), (vii), (viii), (ix) or (xi) of the definition of Permitted Investments. Except as otherwise provided in a Supplemental Trust Agreement, Permitted Investments purchased as an investment of moneys in any Fund or Account shall be deemed at all times to be a part of such Fund or Account and all income thereon shall accrue to and be deposited in such Fund or Account and all losses from investment shall be charged against such Fund or Account. Any income from Permitted Investments may be transferred to the Rebate Fund to the extent required by an Applicable Supplemental Trust Agreement.

In computing the amount in any Fund or Account for any purpose, Permitted Investments shall be valued at market value. Unless otherwise provided in the Trust Agreement, Permitted Investments in any fund or account under the Trust Agreement shall be valued at least once in each Fiscal Year on the last day thereof. (Section 508)

Powers as to Bonds and Pledge

The Commonwealth represents in the Trust Agreement that it is duly authorized under the Act and all applicable laws to create and issue Bonds thereunder and to enter into the Trust Agreement and to pledge the Pledged Funds and other moneys, securities and funds purported to be pledged by the Trust Agreement in the manner and to the extent therein provided. The Commonwealth covenants that the Pledged Funds and other moneys, securities and funds so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon with respect thereto prior to, or of equal rank with, the pledge created by the Trust Agreement except to the extent expressly permitted thereby. The Commonwealth agrees at all times, to the extent permitted by law, to defend, preserve and protect the pledge of the Pledged Funds and other moneys, securities and funds pledged under the Trust Agreement and all the rights of the Bondholders under the Trust Agreement against all claims and demands of all persons whomsoever. (Section 601)

Extension of Payment of Bonds

The Commonwealth agrees not to directly or indirectly extend or asset to the extension of the maturity of any of the Bonds or the time of payment of claims for interest by the purchaser or funding of such Bonds or claims for interest or by any other arrangement and in case the maturity of any of the Bonds or the time for payment of claims for interest shall be extended, such Bonds or claims for interest shall not be entitled in case of any default under the Trust Agreement to the benefit of the Trust Agreement or to any payment out of any assets of the Commonwealth or the funds (except funds held in trust for the payment of particular Bonds or claims for interest pursuant to the Trust Agreement) held by the Fiduciaries, except subject to the prior payment of the principal of all Bonds issued and Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest. The Commonwealth may issue Refunding Bonds and such issuance shall not be deemed to constitute an extension of maturity of Bonds. (Section 602)

Covenant as to Pledged Funds and Commonwealth Transportation Fund

So long as any Bonds are Outstanding, the Commonwealth may change the rate of the Registry Fees or the Motor Fuels Tax credited to the Commonwealth Transportation Fund, or both, in any respect, provided that prior to the effective date of any such change, the Treasurer shall deliver a certificate to the Trustee demonstrating the amount of Pledged Funds received by the Treasurer during any twelve (12) consecutive months of the eighteen (18) month period ending with the last full month immediately preceding the effective date of any such change, as adjusted, as set forth in such certificate, to reflect the proposed change in rates, to be at least equal to four hundred percent (400%) of the maximum aggregate Adjusted Bond Debt Service Requirement due in the then current or any future Fiscal Year on the Bonds Outstanding (other than Subordinated Bonds). In addition, the Commonwealth shall not limit or alter the rights vested in the Commonwealth to collect the Pledged Funds and to deposit such amounts as provided in the Trust Agreement and shall not impair the rights and remedies of the Trustee and Bondholders under the Trust Agreement and under the Act with respect to the Pledged Funds. Without limiting the generality of the foregoing, the Commonwealth agrees not to issue any additional bonds under the 1994 Trust Agreement except refunding bonds with debt service requirements less than or equal to the debt service

requirements on the refunded bonds in each Fiscal Year. In any Fiscal Year and until an appropriation has been made which is sufficient for payment of the amount of the Bond Debt Service Requirement for such Fiscal Year and the amount of costs, if any, due in such Fiscal Year for any Credit Enhancement or Liquidity Facility, no Pledged Funds shall be applied to any other use. Any provisions of the Act creating covenants with Bondholders shall be deemed a covenant with the Bondholders under the Trust Agreement only to the extent expressly provided in the Trust Agreement and as limited thereby.

As soon as practicable after the end of each Fiscal Year, but not later than the last business day of August following the end of such Fiscal Year, an Authorized Officer shall deliver to the Trustee a certificate, based upon an accounting by the Comptroller or the Commissioner of Revenue setting forth the amount of Pledged Funds (by category) for such Fiscal Year, the Adjusted Bond Debt Service Requirement for all Bonds Outstanding, other than Subordinated Bonds, during such Fiscal Year and the Adjusted Bond Debt Service Requirement for all Subordinated Bonds Outstanding during such Fiscal Year.

No provisions of the Trust Agreement shall prohibit the Commonwealth from applying amounts credited to the Commonwealth Transportation Fund, other than any Pledged Funds, calculated as of any date after the date of the Trust Agreement, for any purposes permitted by law. (Section 603)

Accounts and Report

As soon as it shall become available, the Treasurer shall file for each Fiscal Year during which Bonds shall be Outstanding with the Trustee the Comprehensive Annual Financial Report of the Commonwealth prepared by the Comptroller, including a report on the financial statements contained therein by an independent public accountant or firm of accountants. The Trustee shall have no duty to review such Annual Financial Report or financial statements, is not deemed to have notice of the content of such or a default based on such content and does not have a duty to verify the accuracy of such Annual Financial Report or financial statements. (Section 604)

Tax Covenants; Rebate Fund

The Commonwealth 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 Tax Exempt Bonds. The Commonwealth shall not permit the investment or application of the proceeds of any Series of Tax Exempt Bonds, including any funds considered proceeds within the meaning of Section 148 of the Code, to be used to acquire any investment property the acquisition of which, would cause such indebtedness to be “arbitrage bonds” within the meaning of said Section 148. The Commonwealth shall establish within the Rebate Fund a separate account within the Rebate Fund for such Series and may provide in the Applicable Supplemental Trust Agreement for the deposits of amounts therein to pay “rebate” on the investment of amounts under the Trust Agreement in accordance with Section 148(f) of the Code. Funds on deposit in the Rebate Fund shall be applied as set forth in the Applicable Supplemental Trust Agreement. The Rebate Fund and the amounts on deposit therein shall not be deemed Pledged Funds under the Trust Agreement. (Section 605)

Events of Default

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

- (i) if default shall be made in the payment of the principal or Redemption Price of any Bond when due, whether at maturity or by call for mandatory redemption or redemption at the option of the Commonwealth or any registered owner, or otherwise, or in the payment of any Sinking Fund Payment when due; or
- (ii) if default shall be made in the payment of any installment of interest on any Bond when due; or
- (iii) if default shall be made by the Commonwealth in the performance or observance of the covenants, agreements and conditions on its part described under the first paragraph of “Covenant as to Pledged Funds and Commonwealth Transportation Fund” above; or

- (iv) if default shall be made by the Commonwealth in the performance or observance of any other of the covenants, agreements or conditions on its part provided in the Trust Agreement or in the Bonds and such default shall continue for a period of 30 days after written notice thereof shall be given to the Commonwealth by the Trustee or given to the Commonwealth and the Trustee by the registered owners of a majority in principal amount of the Bonds Outstanding; provided that if such default cannot be remedied within such 30-day period, it shall not constitute an Event of Default under the Trust Agreement if corrective action is instituted by the Commonwealth within such period and diligently pursued until the default is remedied. (Section 701)

Application of Revenues and Other Moneys after Default

During the continuance of an Event of Default, the Trustee shall apply the moneys, securities and funds held by the Trustee, including any Pledged Funds and the income therefrom, as follows and in the following order;

- (i) to the payment of the reasonable and proper charges and expenses of the Fiduciaries and of any counsel selected by a Fiduciary;
- (ii) to the payment of the interest and principal amount or Redemption Price then due on the Bonds other than the Subordinated Bonds, as follows:
 - (a) unless the principal amount of all of the Bonds other than the Subordinated Bonds shall have become due and payable,

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

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

- (b) if the principal of all the Bonds other than the Subordinated Bonds shall have become due and payable, to the payment of the principal amount and interest then due and unpaid upon the Bonds other than the Subordinated Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal amount and interest, to the persons entitled thereto, without any discrimination or preference;
- (iii) to the payment of the interest and principal amount or Redemption Price then due on Subordinated Bonds, as follows:
 - (a) unless the principal amount of all Subordinated Bonds shall have become due and payable,

First: To the payment to the persons entitled thereto to all installments of interest then due in the order of the maturity of such installments maturity, and, if the amount available shall not be sufficient to pay in full all installments maturing on the same date,

then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

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

(b) if the principal of all Subordinated Bonds shall have become due and payable, to the payment of the principal amount and interest then due and unpaid upon Subordinated Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Subordinated Bond over any other Subordinated Bond, ratably, according to the amounts due respectively for principal amount and interest, to the persons entitled thereto, without any discrimination or preference; and

(iv) To the payment of any person entitled to the payment of any Bond Related Cost ratably in accordance with the amount of such Bond Related Costs.

The proceeds of any Credit Enhancement or Liquidity Facility shall be applied by the Trustee in the manner provided in the Supplemental Trust Agreement authorizing such Credit Enhancement or Liquidity Facility. (Section 702)

Proceedings Brought by Trustee

If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee may proceed to protect and enforce its rights and the rights of the registered owners of the Bonds under the Trust Agreement by a suit or suits in equity or at law. The registered owners of a majority in principal amount of the Bonds Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, provided that the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Bondholders not parties to such direction.

Regardless of the happening of an Event of Default, the Trustee shall have power to, but unless requested in writing by the registered owners of a majority in principal amount of the Bonds then Outstanding and furnished with reasonable security and indemnity, shall be under no obligation to, institute and maintain such suits and proceedings as it may deem necessary or expedient to prevent any impairment of the security under the Trust Agreement, or necessary or expedient to preserve or protect its interest and the interests of the Bondholders.

Nothing contained in the Trust Agreement is intended to preclude the Trustee upon the occurrence of an Event of Default thereunder from asserting any and all remedies it may have at law or equity with respect to the Pledged Funds and other amounts held as security thereunder, including asserting any rights it may have as Trustee thereunder as a secured party with respect to all security granted thereunder notwithstanding any requirements contained in the Trust Agreement with respect to Appropriated Amounts. (Section 703)

Restriction on Bondholders' Action

No registered owner of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Trust Agreement or for any remedy under the Trust Agreement, unless such registered owner shall have previously given to the Trustee written notice of the happening of any Event of Default and the registered owners of at least 25% in principal amount of Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, to exercise the powers granted in the

Trust Agreement in its own name, and unless such registered owners shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred thereby, and the Trustee shall have refused to comply with such request within a reasonable time. So long as the Policy shall be in full force and effect (and the Insurer shall not be insolvent or in default under the Policy), the Insurer shall be deemed to be the sole owner of the 2010 Series A Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the owners of the 2010 Series A Bonds are entitled to take in respect of defaults and remedies. (Section 704)

No Right of Acceleration

Neither the Bondholders nor the Trustee shall have any right to accelerate the payment of principal or interest due on any Bonds Outstanding upon the occurrence of any Event of Default. (Section 707)

Responsibility of Fiduciaries

The duties and obligations of the Fiduciaries shall be determined by the express provisions of the Trust Agreement. No Fiduciary shall be under any responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof or the application of any moneys paid to the Commonwealth or any other Fiduciary. No Fiduciary shall bear any responsibility for the use of Bond proceeds (or other payments) paid out in accordance with the Trust Agreement. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect thereof, unless properly indemnified. No Fiduciary shall be under any obligation to advance, risk or expend its own funds or moneys. No Fiduciary shall be liable in connection with the performance of its duties under the Trust Agreement except for its own negligence or bad faith nor shall any Fiduciary be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Trust Agreement. (Section 803)

Compensation

The Commonwealth shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under the Trust Agreement, including reasonable expenses, charges, counsel fees and other disbursements, and each Fiduciary shall have a lien therefor on any and all funds at any time held by it thereunder. Amounts unpaid more than 30 days after they are billed to the Treasurer shall bear interest at the "base rate" of the Trustee in effect from time to time. The Commonwealth shall indemnify and save each Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties thereunder, and which are not due to its negligence or bad faith. (Section 805)

Resignation of Trustee

The Trustee may at any time resign and be discharged of the duties and obligations created by the Trust Agreement by giving not less than 60 days' written notice to the Treasurer and giving not less than 30 days' written notice to each Bondholder and Paying Agent specifying the date when such resignation shall take effect, and such resignation shall take effect upon the day specified in such notice provided a successor shall have been appointed, unless previously a successor shall have been appointed by the Treasurer or the Bondholders as provided in the Trust Agreement, in which event such resignation shall take effect immediately on the appointment of such successor. (Section 807)

Removal of Trustee

The Trustee may be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the registered owners of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the Commonwealth. Except during the existence of an Event of Default, the Treasurer may remove the Trustee at any time for cause or upon not less than 90 days' prior written notice to the Trustee for such other reason as shall be determined in the sole discretion of the Treasurer. (Section 808)

Appointment of Successor Trustee

In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankruptcy or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, a successor may be appointed by the registered owners of a majority in principal amount of the Bonds then excluding any Bonds held by or on the account of the Commonwealth. Pending such appointment, the Treasurer by a written instrument signed by an Authorized Officer and delivered to the predecessor Trustee shall forthwith appoint a Trustee to fill such vacancy until a trustee shall be appointed by the Bondholders. Any Trustee appointed in succession to the Trustee shall be a bank or trust company organized under the laws of the Commonwealth, or a national banking association doing business and having its principal place of business in the Commonwealth, having a capital and surplus aggregating at least \$50,000,000, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all duties imposed upon it by the Trust Agreement. (Section 809)

Supplemental Trust Agreement Effective upon Filing

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

- (i) to cure any ambiguity, inconsistency or formal defect or omission in the Trust Agreement;
- (ii) to close the Trust Agreement against, or provide limitations and restrictions contained in the Trust Agreement on, the original issuance of Bonds;
- (iii) to add to the covenants and agreements of the Commonwealth contained in the Trust Agreement other covenants and agreements thereafter to be observed for the purpose of further securing the Bonds;
- (iv) to surrender any right, power or privilege reserved to or conferred upon the Commonwealth by the Trust Agreement;
- (v) to authorize Bonds of a Series and, in connection therewith, specify and determine any matters and things relative to such Bonds not contrary to or inconsistent with the Trust Agreement;
- (vi) to authorize any Credit Enhancement or Liquidity Facility;
- (vii) to exercise any provision in the Trust Agreement or to make such determinations thereunder as expressly provided therein to be exercised or determined in a Supplemental Trust Agreement;
- (viii) to confirm, as further assurance, any pledge under and the subjection to any lien or pledge created or to be created by the Trust Agreement of the Pledged Funds; and
- (ix) for any other purpose, provided that such Supplemental Trust Agreement does not prejudice in any material respect the right of the registered owner of any Bond Outstanding at the date such Supplemental Trust Agreement becomes effective. (Section 901)

Powers of Amendment

Any modification or amendment of the Bonds or of the Trust Agreement may be made by a Supplemental Trust Agreement, with the written consent (i) of the registered owners of at least a majority in the principal amount of all Bonds Outstanding at the time such consent is given, or (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the registered owners of at least a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, and (iii) in case the modification or amendment changes the amount or date of any Sinking Fund Payment, of 100% of the registered

owners of the Bonds of the particular Series and maturity entitled to such Sinking Fund Payment Outstanding at the time such consent is given; provided, however, that, if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the vote or consent of the registered owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds; and provided, further, that no such modification or amendment shall permit a change in the terms of redemption or maturity of the principal amount of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or the rate of interest thereon or the method for determining such rate or terms of any Credit Enhancement or Liquidity Facility relating to a Bond without the consent of the registered owner of such Bond, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto, or shall reduce the percentages of the principal amount of Bonds the consent of which is required to effect any such modification or amendment. (Section 1002)

Defeasance

If the Commonwealth shall pay or cause to be paid, or there shall otherwise be paid, to the registered owners of the Bonds then Outstanding, the principal amount and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Trust Agreement then the pledge of any Pledged Funds or other moneys and securities pledged by the Trust Agreement and all other rights granted by the Trust Agreement shall be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys shall be held by the Fiduciaries, whether at or prior to the maturity or the redemption date of such Bonds, shall be deemed to have been paid if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, an Authorized Officer shall have given to the Trustee irrevocable instructions to provide notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Obligations not subject to redemption or otherwise called for redemption for which amounts have been placed in escrow, in each case the principal of and interest on which when due will provide moneys which, together with any other deposited amounts, shall be sufficient, as certified by a firm of independent public accountants, to pay when due the principal amount or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be. Any cash received from the principal or interest payments on such Defeasance Obligations deposited with the Trustee, if not then needed for such purpose, may, to the extent practicable, be reinvested in Defeasance Obligations or, in lieu of such reinvestment at the time of receipt, the Commonwealth may direct the Trustee to enter into one or more forward purchase agreements providing for the purchase of Defeasance Obligations at future dates, as provided in the Trust Agreement.

For purposes of determining whether Variable Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Defeasance Obligations and moneys, if any, the interest to come due on such Variable Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the Variable Rate Ceiling in effect with respect to such Bonds.

Tender Bonds shall be deemed to have been paid only if, in addition to satisfying the requirements described above, 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 registered owners of such Bonds upon the exercise of any options provided to the registered owners of such Bonds; provided, however, that if, at the time a deposit is made with the Trustee pursuant to the provisions above, the options originally exercisable by the registered owners of Tender Bonds are no longer exercisable, such Bonds shall not be considered Tender Bonds. (Section 1101)

Unclaimed Funds

Any moneys held by the Fiduciary in trust for the payment and discharge of any Bonds which remain unclaimed for three years after the date when such bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for three years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds become due and payable, shall be paid to the Commonwealth as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Commonwealth for the payment of such Bonds. (Section 1101)

No Recourse on the Bonds

No recourse shall be had for the payment of the principal or Redemption Price of or the interest on the Bonds or for any claim based thereon or on the Trust Agreement against any official, agent, representative or employee of the Commonwealth or any person executing the Bonds. No official, agent, representative or employee of the Commonwealth shall be held personally liable to any purchaser or holder of any Bond under or upon such Bond, or under or upon the Trust Agreement or any Supplemental Trust Agreement relating to Bonds, or, to the extent permitted by law, because of the sale or issuance or attempted sale or issuance of Bonds, or because of any act or omission in connection with the investment or management of the Pledged Funds, funds or moneys of the Commonwealth, or otherwise in connection with the management of its affairs, excepting solely for things willfully done or omitted to be done with an intent to defraud. (Section 1303)

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PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon delivery of the 2012 Bonds described below, Bond Counsel proposes to deliver an opinion in substantially the following form:

[Date of Delivery]

Honorable Steven Grossman
Treasurer and Receiver-General
State House, Room 227
Boston, MA 02133

We have acted as bond counsel to The Commonwealth of Massachusetts (the “Commonwealth”) in connection with the issuance by the Commonwealth of its \$419,260,000 Commonwealth Transportation Fund Revenue Bonds (Accelerated Bridge Program) 2012 Series A, dated the date of delivery (the “2012 Bonds”). In such capacity, we have examined Section 20 of Chapter 29 of the Massachusetts General Laws, as amended (the “Act”) and other applicable statutes. We have also examined an executed counterpart of the Trust Agreement dated as of December 1, 2010 (the “Trust Agreement”) between the Commonwealth and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), as supplemented by the First Supplemental Trust Agreement dated as of December 1, 2010 (the “First Supplemental Trust Agreement”) and as amended and supplemented by the Second Supplemental Trust Agreement dated as of May 1, 2012 (the “Second Supplemental Trust Agreement” and, collectively with the First Supplemental Trust Agreement and the Trust Agreement, the “Agreement”), and such certified proceedings and other papers as we have deemed necessary to render this opinion. Capitalized terms not otherwise defined herein are used herein as defined in the Agreement.

The 2012 Bonds are issued pursuant to the Agreement. Bonds issued under the Agreement, including the 2012 Bonds, are payable from and secured by a pledge of Pledged Funds.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

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

1. The Commonwealth has the right and power under the Act to enter into the Second Supplemental Trust Agreement, and it has been duly and lawfully executed on behalf of the Commonwealth by the Treasurer and Receiver-General of the Commonwealth, with the concurrence of the Secretary of the Executive Office for Administration and Finance of the Commonwealth and the Secretary of the Massachusetts Department of Transportation.

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

BOSTON | WASHINGTON | NEW YORK | STAMFORD | LOS ANGELES | SAN DIEGO | LONDON | SAN FRANCISCO

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

Hon. Steven Grossman

[Date of Delivery]

Page 2

2. The Agreement has been duly authorized, executed and delivered by the Commonwealth, is in full force and effect and constitutes the valid and binding obligation of the Commonwealth enforceable upon the Commonwealth in accordance with its terms. No other authorization for the Agreement is required.

3. Pursuant to the Act, the Agreement creates the valid pledge which it purports to create of the Pledged Funds, rights, moneys, securities, credit facilities and funds held under the Agreement, in the manner and to the extent provided in the Agreement, for the security of the 2012 Bonds on a parity with other Bonds issued under the Agreement.

4. The 2012 Bonds have been duly authorized, executed and delivered by the Commonwealth and are valid and binding special obligations of the Commonwealth, enforceable in accordance with the terms thereof and the terms of the Agreement and are entitled to the benefits of the Act, as provided under the Trust Agreement, and of the Agreement. The 2012 Bonds are not general obligations of the Commonwealth, and the full faith and credit of the Commonwealth are not pledged to the payment thereof. The 2012 Bonds are payable solely from the sources provided therefor in the Agreement.

5. Interest on the 2012 Bonds, including any accrued original issue discount, will not be included in the gross income of the holders of the 2012 Bonds for federal income tax purposes. This opinion is rendered subject to the condition that the Commonwealth comply with certain requirements of the Internal Revenue Code of 1986, as amended, which must be satisfied subsequent to the issuance of the 2012 Bonds in order that interest thereon is and continues to be excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the 2012 Bonds to be included in the gross income of holders of the 2012 Bonds retroactive to the date of issuance of the 2012 Bonds. While interest on the 2012 Bonds will not constitute a preference item for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations, interest on the 2012 Bonds will be included in the "adjusted current earnings" of corporate holders of the 2012 Bonds and therefore will be taken into account in the computation of the alternative minimum tax applicable to certain corporations. We express no opinion as to other federal tax consequences resulting from holding the 2012 Bonds.

6. Interest on the 2012 Bonds, including any accrued original issue discount, is exempt from Massachusetts personal income taxes and the 2012 Bonds are exempt from Massachusetts personal property taxes. We express no opinion regarding any other Massachusetts tax consequences arising with respect to the 2012 Bonds or any tax consequences arising with respect to the 2012 Bonds under the laws of any state other than Massachusetts.

It is to be understood that the rights of the holders of the 2012 Bonds and the enforceability of the 2012 Bonds and the Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted, to the extent constitutionally applicable, and that the enforcement thereof may also be subject to the exercise of judicial discretion in appropriate cases. This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

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

CONTINUING DISCLOSURE UNDERTAKING

Commonwealth of Massachusetts

Commonwealth Transportation Fund Revenue Bonds
(Accelerated Bridge Program), 2012 Series A

Continuing Disclosure Undertaking

On behalf of the Commonwealth, the Treasurer and Receiver-General of the Commonwealth hereby undertakes for the benefit of the owners of the 2012 Bonds to provide the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (“EMMA”) system pursuant to the requirements of 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, (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 Official Statement dated May 8, 2012 (the “Official Statement”) relating to the Commonwealth’s Commonwealth Transportation Fund Revenue Bonds (Accelerated Bridge Program), 2012 Series A, and in each case substantially in the same level of detail as is found in the referenced section of the Official Statement:

Financial Information and Operating Data Category		Reference to Official Statement for Level of Detail
1.	Summary presentation of actual gasoline sales on a ten-year comparative basis, concluding with the prior fiscal year.	COMMONWEALTH MOTOR FUELS TAX – Historical Information Regarding Gasoline Sales and Motor Fuels Tax
2.	Summary presentation of actual Pledged Motor Fuels Tax receipts on a ten-year comparative basis, concluding with the prior fiscal year.	COMMONWEALTH MOTOR FUELS TAX – Historical Information Regarding Gasoline Sales and Motor Fuels Tax
3.	Summary presentation of actual monthly Motor Fuels Tax receipts for the two most recently completed fiscal years.	COMMONWEALTH MOTOR FUELS TAX – Historical Information Regarding Gasoline Sales and Motor Fuels Tax
4.	Summary presentation of actual RMV transactions on a ten-year comparative basis, concluding with the prior fiscal year.	COMMONWEALTH REGISTRY FEES – Registry Fees
5.	Summary presentation of Registry Fee receipts on a ten-year comparative basis, concluding with the prior fiscal year.	COMMONWEALTH REGISTRY FEES – Registry Fees
6.	Summary presentation of actual Commonwealth Transportation Fund revenues on a ten-year comparative basis, concluding with the prior fiscal year.	COMMONWEALTH TRANSPORTATION FUND

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 the 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 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. Such financial statements shall be audited by a firm of certified public accountants appointed by the Commonwealth.

On behalf of the Commonwealth, the Treasurer and Receiver-General of the Commonwealth hereby further undertakes for the benefit of the owners of the 2012 Bonds to provide in a timely manner to the EMMA notice of any of the following events with respect to the 2012 Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on the debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on the credit enhancements reflecting financial difficulties;
- (v) substitution of the credit or liquidity providers or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 2012 Bonds, or other material events affecting the tax status of the 2012 Bonds;
- (vii) modifications to rights of Bondholders, if material;
- (viii) optional, contingent or unscheduled calls of 2012 Bonds, if material;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the 2012 Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Commonwealth*;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the Commonwealth or the sale of all or substantially all of the assets of the Commonwealth, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;

Whenever the Commonwealth obtains knowledge of the occurrence of an event described in clauses (ii), (vi), (vii), (viii), (x), (xiii) or (xiv), the Commonwealth shall as soon as possible determine if such event is material under applicable federal securities laws.

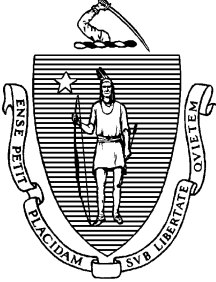
Upon the occurrence of an event described in clauses (i), (iii), (iv), (v), (vi), (ix), (xi) or (xii), and in the event the Commonwealth determines that the occurrence of an event described in clauses (ii), (vi), (vii), (viii), (x), (xiii) or (xiv) is material under applicable federal securities laws, the Commonwealth shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file a notice of such occurrence with the MSRB.

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

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

To the extent permitted by law, the foregoing provisions of this 2012 Bond related to the above-described undertakings to provide information shall be enforceable against the Commonwealth in accordance with the terms thereof by any owner of a 2012 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 2012 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 the foregoing provisions as aforesaid. The failure to comply with the above-described undertakings shall not constitute an Event of Default under the Trust Agreement, and the sole remedy in connection with such undertakings shall be limited to an action to compel specific performance of the obligations of the Commonwealth in connection with such undertakings and shall not include any rights to monetary damages. The Commonwealth's obligations in respect of such undertakings shall terminate if no 2012 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 this 2012 Bond relating to such undertakings may be amended by the Treasurer and Receiver-General of the Commonwealth, without the consent of; or notice to, any owners of the 2012 Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Commonwealth for the benefit of the owners of 2012 Bonds, (d) to modify the contents, presentation and format of the annual financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the undertakings in a manner consistent with the provisions of 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 2012 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 2012 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 2012 Bonds affected thereby at or prior to the time of such amendment.

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OFFICIAL NOTICE OF SALE

\$419,260,000

**THE COMMONWEALTH OF MASSACHUSETTS
COMMONWEALTH TRANSPORTATION FUND REVENUE BONDS
(ACCELERATED BRIDGE PROGRAM) 2012 SERIES A**

May 1, 2012

NOTICE IS HEREBY GIVEN that electronic bids will be received by Steven Grossman, Treasurer and Receiver-General of The Commonwealth of Massachusetts (the "State Treasurer"), for the purchase of Commonwealth Transportation Fund Revenue Bonds, (Accelerated Bridge Program) 2012 Series A (the "2012 Bonds"), of The Commonwealth of Massachusetts (the "Commonwealth") to be sold in an aggregate principal amount of \$419,260,000. Bids for the purchase of the 2012 Bonds will be submitted via Parity. No other method of submitting bids will be accepted. The bids will be received via Parity up to the time described below under the captions "Time" and "Procedures for Electronic Bidding."

The 2012 Bonds are special limited obligations of the Commonwealth payable from and secured solely by a pledge of Pledged Funds, all rights to receive Pledged Funds, and all Funds and Accounts, other than the Rebate Fund, held under the Trust Agreement dated as of December 1, 2010 (as supplemented, the "Trust Agreement") between the Commonwealth and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), as supplemented by the Second Supplemental Trust Agreement between the Commonwealth and the Trustee dated as of May 1, 2012. Pledged Funds are moneys received or to be received by the Commonwealth from certain Motor Fuels Tax revenues, Registry Fees and certain other moneys, all as described in the Preliminary Official Statement dated May 1, 2012 relating to the 2012 Bonds. **The 2012 Bonds are not general obligations of the Commonwealth and are not secured by the full faith and credit of the Commonwealth. The 2012 Bonds are payable only from Pledged Funds and other moneys available to the owners of the 2012 Bonds under the Trust Agreement.**

Time. Bids will be received by the Commonwealth via Parity at 10:30 a.m. (Boston time) on May 8, 2012 (subject to the provisions described below under the caption "Procedures for Electronic Bidding") or at such other date and/or other time as shall be established by the State Treasurer and communicated on Thomson Municipal Market Monitor News (www.tm3.com) ("TM3"), as described herein under the caption "Change of Bid Date or Time." If no legal bid or bids are received for the 2012 Bonds on May 8, 2012, an alternative date and time may be designated by the State Treasurer and communicated on TM3.

Details of the 2012 Bonds. The 2012 Bonds will be dated and bear interest, calculated on the basis of 30-day months and a 360-day year, from the date of delivery, at the rate per annum per maturity specified by the successful bidder, payable semiannually on June 1 and December 1 in each year until maturity, beginning December 1, 2012. The 2012 Bonds shall mature or come due through mandatory sinking fund redemptions on June 1 of each of the years set forth below, in the principal amounts specified by the successful bidder:

<u>June 1</u>	<u>Principal Amounts *</u>	<u>June 1</u>	<u>Principal Amounts *</u>
2013	\$ 6,780,000	2028	\$ 13,600,000
2014	8,475,000	2029	13,775,000
2015	8,700,000	2030	13,935,000
2016	9,260,000	2031	14,075,000
2017	9,840,000	2032	14,175,000
2018	10,635,000	2033	14,250,000
2019	11,460,000	3034	14,290,000
2020	12,530,000	2035	14,295,000
2021	13,660,000	2036	14,265,000
2022	14,480,000	2037	14,040,000
2023	16,085,000	2038	13,700,000
2024	12,680,000	2039	13,105,000
2025	12,940,000	2040	12,415,000
2026	13,190,000	2041	65,220,000
2027	13,405,000		

The 2012 Bonds will be issued as serial bonds or a combination of serial bonds and term bonds (the “Term Bonds”) in accordance with the bid submitted by the successful bidder (see “Bidding Parameters” below).

The 2012 Bonds will be issued by means of a book-entry-only system evidencing ownership therein, in principal amounts of \$5,000 or integral multiples thereof, and transfer thereof on the records of The Depository Trust Company (“DTC”) and its participants. The book-entry-only system is more fully described in the Preliminary Official Statement.

Redemption. The 2012 Bonds maturing on or before June 1, 2021* are not subject to optional redemption. The Bonds maturing on or after June 1, 2022* will be subject to redemption on any date prior to their stated maturity dates on and after June 1, 2021* at the option of the Commonwealth from any monies legally available therefor, in whole or in part at any time, by lot, at 100% of the principal amount thereof, plus accrued interest to the redemption date.

Adjustments to Principal Amount.

Changes Prior to Bidding. The preliminary aggregate principal amount of the 2012 Bonds and the preliminary annual principal amounts as set forth in this Notice of Sale (the “Preliminary Aggregate Principal Amount” and the “Preliminary Annual Principal Amounts,” respectively; collectively, the “Preliminary Amounts”) may be revised before the receipt of electronic bids for the purchase of the 2012 Bonds. Any such revisions (the “Revised Aggregate Principal Amount” and the “Revised Annual Principal Amounts,” respectively; collectively, the “Revised Amounts”) WILL BE ANNOUNCED ON TM3 NOT LATER THAN 9:30 A.M. (BOSTON TIME) ON ANY ANNOUNCED DATE FOR RECEIPT OF BIDS. In the event that no such revisions are made, the Preliminary Amounts will constitute the Revised Amounts. BIDDERS SHALL SUBMIT BIDS BASED ON THE REVISED AMOUNTS.

Changes to the Winning Bid. After selecting the winning bid, the Commonwealth will determine the final aggregate principal amount of the 2012 Bonds and each final annual principal amount (the “Final Aggregate Principal Amount” and the “Final Annual Principal Amounts,” respectively; collectively, the “Final Amounts”). In determining the Final Amounts, the Commonwealth will not reduce or increase the Revised Aggregate Principal

* Preliminary, subject to change.

Amount by more than 10% of such amount. THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES (AS HEREIN DEFINED) AS A RESULT OF ANY CHANGES MADE TO THE REVISED AMOUNTS WITHIN THESE LIMITS.

The dollar amount bid by the successful bidder will be adjusted to reflect any adjustments in the aggregate principal amount of the 2012 Bonds. Such adjusted bid price will reflect changes in the dollar amount of the underwriters discount and original issue discount/premium, if any, but will not change the selling compensation per \$1,000 of par amount of the 2012 Bonds from the selling compensation that would have been received based on the purchase price in the winning bid and the initial reoffering prices. The interest rate specified by the successful bidder for each maturity as the initial reoffering prices will not change. The Final Amounts and the adjusted bid price will be communicated to the successful bidder by 10:00 a.m. (Boston time) on the business day following the sale.

Bidding Parameters. Bids must be for all of the 2012 Bonds offered and must offer to pay an aggregate price for all maturities of not less than 100% of the aggregate principal amount of the 2012 Bonds.

Bids may provide for all the 2012 Bonds to be issued as serial bonds only, or may designate consecutive annual principal amounts (bearing interest at the same rate) to be combined into no more than two Term Bonds. The 2012 Bonds will be issued as serial bonds or as serial bonds and Term Bonds in accordance with the bid submitted by the successful bidder. 2012 Bonds issued as Term Bonds shall be subject to mandatory sinking fund redemption commencing on June 1 of the first year in which maturities have been combined to form such Term Bond and continuing on June 1 in each year thereafter until the stated maturity date of such Term Bond.

Bids must state a single fixed interest rate for the 2012 Bonds of each maturity. The rate of interest stated for any given maturity shall be in a multiple of one-twentieth or one-eighth of one percent per annum. No maturity may have an interest rate of more than 5.00%. The highest such interest rate specified for a maturity and the lowest interest rate specified for any other maturity may not differ by more than three percentage points.

Bids may not include any conditions not otherwise expressly provided for herein.

Procedures for Electronic Bidding. A prospective electronic bidder must register electronically to bid for the 2012 Bonds via Parity pursuant to this Official Notice of Sale. By submitting its bid for the 2012 Bonds, a prospective bidder represents and warrants to the Commonwealth that such bidder's bid for the purchase of the 2012 Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of the 2012 Bonds.

Each prospective electronic bidder shall be solely responsible to register to bid via Parity. Each qualified prospective electronic bidder shall be solely responsible to make necessary arrangements to access Parity for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale. Neither the Commonwealth nor Parity shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the Commonwealth nor Parity shall be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by Parity. The Commonwealth is using Parity as a communication mechanism, and not as the Commonwealth's agent, to conduct the electronic bidding for the 2012 Bonds. The Commonwealth is not bound by any advice and determination of Parity to the effect that any particular bid complies with the terms of this Official Notice of Sale. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via Parity are the sole responsibility of the bidders, and the Commonwealth is not responsible, directly or indirectly, for any such costs or expenses. To the extent that any instructions or directions set forth in Parity conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. If a prospective bidder encounters any difficulty in registering to bid or submitting, modifying or withdrawing a bid for the 2012 Bonds, such bidder should telephone Parity's new issues desk at (212) 849-5021 and notify the Commonwealth's financial advisor, Public Resources Advisory Group, by facsimile at (212) 566-7816.

Electronic bids must be submitted for the purchase of the 2012 Bonds (all or none) via Parity by 10:30 a.m. (Boston time) on May 8, 2012. Bids submitted after such time will not be deemed received via Parity for the purposes of this bidding process. Bids will be communicated electronically to the Commonwealth at 10:30 a.m. (Boston time), on May 8, 2012. Prior to that time, an eligible prospective bidder may (i) input the proposed terms of

its bid via Parity, (ii) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the 2012 Bonds, or (iii) withdraw its proposed bid. Once the bids are communicated electronically via Parity to the Commonwealth, each bid will constitute an irrevocable offer to purchase the 2012 Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on Parity shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the Commonwealth, as described under "Basis of Award" set forth below, represented by the rate or rates of interest and the bid price specified in their respective bids.

Good Faith Deposit. Upon notification from the Commonwealth, the successful bidder shall wire transfer to the State Treasurer an amount equal to 1% of the aggregate principal amount of the 2012 Bonds (the "Good Faith Deposit"), in immediately available funds, no later than 1:00 p.m. (Boston time) on the bid date. The Commonwealth will provide wiring instructions for the Good Faith Deposit to the successful bidder upon verification and award. In the event that the State Treasurer has not received such funds by the time stated, the State Treasurer may revoke his acceptance of the bid. No interest on the Good Faith Deposit will accrue to the successful bidder. The Good Faith Deposit will be applied to the purchase price of the 2012 Bonds. If the successful bidder fails to honor its accepted bid, the Good Faith Deposit will be retained by the Commonwealth.

Basis of Award. The 2012 Bonds will be awarded to the bidder offering to purchase all of the 2012 Bonds at the lowest true interest cost (TIC) to the Commonwealth. The TIC (expressed as an annual interest rate) will be determined as being twice that factor or discount rate, compounded semi-annually, which, when applied against each semi-annual debt service payment (interest, or principal and interest, as due) for the 2012 Bonds, will cause the sum of such discounted semi-annual payments to be equal to the total purchase price. The TIC shall be calculated from the expected settlement date of the 2012 Bonds, May 15, 2012.

The Commonwealth reserves the right to reject any or all proposals and to waive any irregularity or informality with respect to any proposal. Any award by the State Treasurer to a successful bidder is subject to the approval of the Governor.

Official Statement. The Preliminary Official Statement dated May 1, 2012 and the information contained therein have been deemed final by the Commonwealth as of its date within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12") with permitted omissions, but are subject to change without notice and to completion or amendment in the Official Statement in final form (the "Final Official Statement"). The Preliminary Official Statement may be viewed and downloaded from the Commonwealth's website: www.mass.gov/treasury/debt.

The Commonwealth will make available to the successful bidder, within seven (7) business days of the date of sale but no later than two (2) business days prior to the settlement, a reasonable number of copies of the Final Official Statement for delivery (at the expense of the successful bidder or bidders) to each potential investor requesting a copy of the Final Official Statement and to each person to whom such bidder and members of its bidding group initially sell the 2012 Bonds, provided that the successful bidder cooperates in providing the information required to complete the Final Official Statement. The successful bidder shall comply with the requirements of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board, including an obligation, if any, to update the Final Official Statement.

Reoffering Price Certification. At the time of settlement of the 2012 Bonds, the successful bidder for the 2012 Bonds shall furnish to the Commonwealth a certificate acceptable to Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel, to the effect that (i) all of the 2012 Bonds of each maturity thereof have been the subject of a bona fide initial offering to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers)(the "General Public") at a price not higher than, or a price corresponding to a yield not lower than, those shown for each maturity on the inside cover page of the Final Official Statement, (ii) as of the sale date of the 2012 Bonds, the successful bidder reasonably expected that the first price at which at least 10% of the 2012 Bonds of each maturity would be sold is the price, or a price corresponding to the yield, shown for each maturity on the inside cover page of the Final Official Statement and (iii) based on the records of and information available to the successful bidder the first price at which at least 10% of each maturity of the 2012 Bonds was sold to the General Public is the respective initial offering price for such maturity described in (ii) above. In the event that the successful bidder cannot provide the certification in (iii) above, as to a particular maturity, such bidder shall instead provide a statement as to why the expectation described in (ii) above was not satisfied. In addition to executing and delivering a certificate as described in the previous paragraph, the successful

bidder may be required to (a) demonstrate that it has made a bona-fide offering of all such 2012 Bonds to the General Public at prices no higher than, or prices corresponding to yields no lower than, the initial public offering prices, (b) provide an explanation of why any 2012 Bonds sold by the successful bidder between the bid date and the date of the delivery were sold for a price higher than, or a price corresponding to a yield lower than, the initial public offering prices, and (c) provide documentation identifying the initial purchaser of the 2012 Bonds, as applicable, including information sufficient to enable the Commonwealth and Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. to determine that such purchasers are the General Public. If any maturity of the 2012 Bonds was also offered to institutional or other investors at a discount from the price at which such maturity was offered to the general public, the successful bidder will be asked for additional certifications as to actual and expected 2012 Bond sales at such discounted price.

Continuing Disclosure. To assist bidders in complying with paragraph (b)(5) of Rule 15c2-12, the Commonwealth will undertake in the 2012 Bonds to provide annual reports and notices of certain events. A description of this undertaking is set forth in Appendix C of the Preliminary Official Statement and will also be set forth in the Final Official Statement.

Expenses. Each bid will be deemed to be an all-in bid. The successful bidder will be under no obligation to pay the Commonwealth's issuance costs. The Commonwealth will not pay the expenses of the successful bidder in connection with the purchase of the 2012 Bonds.

Settlement. The 2012 Bonds will be delivered on May 15, 2012, in New York, New York, at DTC against payment of the purchase price therefor (less the amount of the Good Faith Deposit). The successful bidder must make payment of the purchase price of the 2012 Bonds by 10:00 a.m. (Boston time) on May 15, 2012 in immediately available funds in Boston.

There will also be furnished the usual closing papers, including (a) a certificate signed by the Attorney General of the Commonwealth stating that no litigation of any kind is now pending or, to her knowledge, threatened seeking to restrain or enjoin the issuance or delivery of the 2012 Bonds or the levy or collection of the Pledged Funds, or in any manner questioning the proceedings or authority under which the 2012 Bonds are issued, or affecting the validity of the 2012 Bonds, or contesting in any way the completeness, accuracy or fairness of the Preliminary Official Statement or Final Official Statement or contesting the title to his office of any official signing the 2012 Bonds or the Final Official Statement; and (b) a certificate signed by the State Treasurer and the Secretary of Administration and Finance to the effect that, except for the initial offering prices or yields of the 2012 Bonds on the inside cover page of the Final Official Statement and any other information concerning the reoffering of the 2012 Bonds included therein at the request of the successful bidder and the information in the Preliminary Official Statement and Final Official Statement under the heading "Book-Entry-Only System" and in any Appendix other than Appendices A and B, to the best of their respective knowledge and belief, the Preliminary Official Statement, as of the date of sale of the 2012 Bonds, and the Final Official Statement, both as of the date of sale and the date of settlement of the 2012 Bonds, did not contain any untrue statement of a material fact and did not omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

Legal Opinions. The approving opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel, in substantially the form set forth in the Preliminary Official Statement, will be furnished to the successful bidder. The Preliminary Official Statement contains a discussion of the effect of the Internal Revenue Code of 1986, as amended, on the exclusion from gross income of interest on the 2012 Bonds and a discussion of Bond Counsel's opinion insofar as it concerns such exclusion. An opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel and Disclosure Counsel, will also be furnished to the successful bidder to the effect that (i) the information contained in the Preliminary Official Statement and the Final Official Statement under the headings "The 2012 Bonds," "Security and Sources of Payment for the 2012 Bonds" and in Appendices A and B, insofar as such information constitutes summaries of certain provisions of the 2012 Bonds and applicable Massachusetts law, presents a fair summary of such provisions and that the statements in the Preliminary Official Statement and the Final Official Statement under the caption "Tax Exemption" and in the summary tax opinion contained on the cover of the Preliminary Official Statement and the Final Official Statement, insofar as such statements purport to summarize certain provisions of the Internal Revenue Code of 1986 or purport to summarize such counsel's opinion regarding the 2012 Bonds, are correct in all material respects, and (ii) in the course of such counsel's participation in the preparation of the Preliminary Official Statement and the Final Official Statement, no facts came to such counsel's attention that have caused it to conclude

that the Preliminary Official Statement, as of its date, or the Final Official Statement, as of the date of sale or the date of settlement of the 2012 Bonds (except for the financial and statistical data included therein, the initial offering prices or yields of the 2012 Bonds on the inside cover page of the Final Official Statement, any other information concerning the reoffering of the 2012 Bonds included therein at the request of the successful bidder and the stabilization clause, if any, and the information in the Preliminary Official Statement and the Final Official Statement under the headings “Book-Entry-Only System,” “Ratings” and “Competitive Sale of Bonds” and in any other document specifically referenced therein, as to which no opinion need be expressed) contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

CUSIP Numbers. CUSIP numbers will be applied for by the successful bidder with respect to the 2012 Bonds, and the Commonwealth will assume no obligation for the assignment or printing of such numbers on the 2012 Bonds or for the correctness of such numbers. Neither failure to print such numbers on any 2012 Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and make payment for the 2012 Bonds. The CUSIP Service Bureau charge for the assignment of CUSIP numbers on the 2012 Bonds shall be the responsibility of and shall be paid for by the successful bidder.

Right to Modify or Amend Notice of Sale. The Commonwealth reserves the right to modify or amend this Official Notice of Sale prior to the bid date. If any modifications occur, supplemental information with respect to the 2012 Bonds will be communicated by posting on TM3 not later than 9:30 a.m. (Boston time) on any announced date for receipt of bids, and bidders shall bid upon the 2012 Bonds based upon the terms thereof set forth in this Official Notice of Sale, as so modified by such supplemental information.

Change of Bid Date or Time. The Commonwealth reserves the right to change the date and/or time established for the receipt of bids. Any such change will be announced by posting on TM3 no later than 9:30 a.m. (Boston time) on the announced bid date. If any date and/or time fixed for the receipt of bids and the sale of the 2012 Bonds is changed, an alternative sale date and time will be announced at least one business day prior to such alternative sale date. On any such alternative sale date and time, any bidder may submit bids electronically as described above for the purchase of the 2012 Bonds in conformity in all respects with the provision of this Official Notice of Sale, except for the date and/or time of sale and except for any changes announced by posting on TM3 at the time the sale date and/or time are announced.

Minority/Women Business Enterprises. It is the policy of the Commonwealth that appropriate consideration be given to firms who (a) are minority business enterprises and women’s business enterprises and (b) have significant local ownership or presence. The State Treasurer requests and strongly urges bidders to make a good-faith effort to meet this goal by including such firms in their management group or syndicate and/or in the provision of legal services or other advisory services.

Additional Information. Further information concerning the Commonwealth and the 2012 Bonds is contained in the Preliminary Official Statement dated May 1, 2012, to which prospective bidders are directed, and to which this Official Notice of Sale is attached. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Official Notice of Sale. Copies of the Preliminary Official Statement and this Official Notice of Sale may be viewed and downloaded at the Commonwealth’s website: www.mass.gov/treasury/debt. Additional information may be obtained from Colin A. MacNaught, Assistant Treasurer for Debt Management, Office of the Treasurer and Receiver General (617) 367-3900, ext. (226).

THE COMMONWEALTH OF MASSACHUSETTS

/s/ Steven Grossman

Steven Grossman
Treasurer and Receiver-General