

REFUNDING/NEW MONEY ISSUE

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 1997 Bonds will not be included in the gross income of holders of the 1997 Bonds for federal income tax purposes. While interest on the 1997 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 1997 Bonds will be included in the "adjusted current earnings" of corporate holders of the 1997 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 1997 Bonds and any profit on the sale thereof are exempt from Massachusetts personal income taxes, and the 1997 Bonds are exempt from Massachusetts personal property taxes. See "TAX EXEMPTION" herein.



\$294,695,000

THE COMMONWEALTH OF MASSACHUSETTS

Special Obligation Revenue Bonds Consolidated Loan of 1997, Series A

Dated: September 1, 1997

Due: June 1, as shown on
the inside hereof

The 1997 Bonds will be issued by means of a book-entry-only system evidencing ownership and transfer of the 1997 Bonds on the records of The Depository Trust Company ("DTC") and its participants. Details of payment of the 1997 Bonds are more fully described in this Official Statement. The 1997 Bonds will bear interest from September 1, 1997, and interest will be payable on June 1, 1998 and semiannually thereafter on December 1 and June 1. The 1997 Bonds are subject to redemption prior to maturity, as more fully described herein.

The 1997 Bonds are special limited obligations of 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 June 1, 1994 between the Commonwealth and State Street Bank and Trust Company, as trustee. Pledged Funds are moneys received or to be received by the Commonwealth from certain Gasoline Tax revenues and certain other moneys, all as described herein. **THE 1997 BONDS ARE NOT GENERAL OBLIGATIONS OF THE COMMONWEALTH AND ARE NOT SECURED BY THE FULL FAITH AND CREDIT OF THE COMMONWEALTH. THE 1997 BONDS ARE PAYABLE ONLY FROM PLEDGED FUNDS AND OTHER MONEYS AVAILABLE TO THE OWNERS OF THE 1997 BONDS UNDER THE TRUST AGREEMENT.**

The 1997 Bonds are offered when, as and if issued and received by the Underwriters and subject to the unqualified approving opinion as to legality of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Hinckley, Allen & Snyder. The 1997 Bonds are expected to be available for delivery at DTC in New York, New York, on or about October 2, 1997.

Merrill Lynch & Co.

Goldman, Sachs & Co.

PaineWebber Incorporated

BancBoston Securities, Inc.

Fleet Securities, Inc.

Advest, Inc.

Artemis Capital Group, Inc.

A.G. Edwards & Sons, Inc.

Bear, Stearns & Co. Inc.

Corby North Bridge Securities

Cowen & Company

First Albany Corporation

Hambrecht & Quist LLC

J.P. Morgan Securities Inc.

Lehman Brothers

Prudential Securities Incorporated

Pryor, McClendon, Counts & Co., Inc.

Roosevelt & Cross, Inc.

Smith Barney Inc.

Tucker Anthony Incorporated

William E. Simon & Sons Municipal
Securities Inc.

September 18, 1997

THE COMMONWEALTH OF MASSACHUSETTS

\$294,695,000

Special Obligation Revenue Bonds
Consolidated Loan of 1997, Series A

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
1998	\$3,395,000	3.75%	100
1999	240,000	3.90	100
2000	245,000	4.10	100
2001	255,000	4.20	100
2002	265,000	4.30	100
2003	5,650,000	4.35	100
2004	5,895,000	4.45	100
2005	6,160,000	5.50	4.55%
2006	6,495,000	5.50	4.60
2007	6,855,000	5.50	4.65
2008	7,230,000	4.70	4.75
2009	25,615,000	4.80	4.85
2010	7,795,000	5.25	4.85
2011	28,350,000	5.375	4.90
2012	29,865,000	5.50	4.95
2013	31,505,000	5.50	5.00
2014	22,940,000	5.00	5.05

\$ 32,445,000 5.00% Term Bonds Due June 1, 2015, Yield 5.20%

\$ 73,495,000 5.00% Term Bonds Due June 1, 2017, Yield 5.25%

(accrued interest to be added)

FOR NEW HAMPSHIRE RESIDENTS: THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

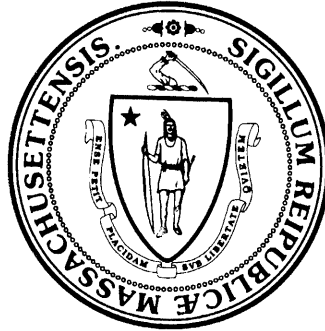
No dealer, broker, salesperson or other person has been authorized by the Commonwealth of Massachusetts or the Underwriters of the 1997 Bonds to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or 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 1997 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 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 Underwriters of the 1997 Bonds or, as to information from other sources, the Commonwealth. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Commonwealth, or its agencies, authorities and political subdivisions, since the date hereof, except as expressly set forth herein.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 1997 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL ON THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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THE COMMONWEALTH OF MASSACHUSETTS



CONSTITUTIONAL OFFICERS

Argeo Paul Cellucci..... Acting Governor and Lieutenant Governor
William F. Galvin Secretary of the Commonwealth
L. Scott Harshbarger Attorney General
Joseph D. Malone Treasurer and Receiver-General
A. Joseph DeNucci..... Auditor

LEGISLATIVE OFFICERS

Thomas F. Birmingham..... President of the Senate
Thomas M. Finneran..... Speaker of the House

OFFICIAL STATEMENT

\$294,695,000

THE COMMONWEALTH OF MASSACHUSETTS

Special Obligation Revenue Bonds Consolidated Loan of 1997, Series A

INTRODUCTION

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 \$294,695,000 Special Obligation Revenue Bonds, Consolidated Loan of 1997, Series A (the "1997 Bonds").

Section 20 of Chapter 29 of the Massachusetts General Laws and various transportation bond authorization statutes of the Commonwealth authorize the issuance of special obligation revenue bonds to finance the costs of certain highway projects in the Commonwealth. Such special obligation revenue bonds are special limited obligations of the Commonwealth. The principal of and interest on such bonds are payable from and secured solely by a pledge of and lien on certain funds, primarily a portion of the excise tax imposed by the Commonwealth on gasoline under Chapter 64A of the Massachusetts General Laws. Special obligation revenue bonds are not general obligations of the Commonwealth and are not secured by the full faith and credit of the Commonwealth.

The Commonwealth currently levies a gasoline tax of 21¢ per gallon. Under state law, a portion of the gasoline tax, 6.86¢ per gallon, is deposited in a separate fund and is available to be used for highway-related expenses, including debt service on special obligation revenue bonds.

The 1997 Bonds are the Commonwealth's fourth issue of special obligation revenue bonds. The Commonwealth issued \$103,770,000 of special obligation revenue bonds in 1992 (the "1992 Bonds"), \$300,000,000 of such bonds in 1994 (the "1994 Bonds") and \$150,000,000 of such bonds in 1996 (the "1996 Bonds"). The 1997 Bonds are being issued, in part, to refund certain of the 1992 Bonds and certain of the 1994 Bonds.

The 1992 Bonds were issued pursuant to a trust agreement under which the Commonwealth pledged 2¢ per gallon of gasoline tax revenues as security for the payment of the 1992 Bonds. Subsequently, the Commonwealth covenanted not to issue additional bonds under the 1992 trust agreement (other than refunding bonds that produce debt service savings in every fiscal year). Upon the issuance of the 1997 Bonds, the remaining outstanding principal amount of 1992 Bonds will be \$22,735,000. Of the 2¢ per gallon pledged under the 1992 trust agreement, approximately 1.79¢ per gallon will be surplus and available to pay debt service on bonds issued under the 1994 trust agreement described below.

The 1994 Bonds and the 1996 Bonds were issued, and the 1997 Bonds are being issued, pursuant to a 1994 trust agreement under which the Commonwealth has pledged a separate 4.86¢ per gallon of the gasoline tax to the payment of any bonds issued under the agreement. Upon the issuance of the 1997 Bonds, the remaining outstanding principal amount of the 1994 Bonds will be \$165,800,000. In addition, the Commonwealth has pledged that any funds pledged under the 1992 trust agreement that are not needed to pay debt service on the 1992 Bonds are pledged to the payment of bonds issued under the 1994 trust agreement. The final maturity of the 1992 Bonds will be June 1, 2002, at which time the 1992 trust agreement will terminate and the 2¢ per gallon pledged under the 1992 trust agreement will be pledged directly to the payment of bonds issued under the 1994 trust agreement, in addition to the 4.86¢ per gallon currently pledged.

Based on actual gasoline tax revenues received during fiscal 1997, revenues pledged under the 1994 trust agreement would have provided coverage of 3.25 times the estimated combined annual debt service of the 1994 Bonds, the 1996 Bonds and the 1997 Bonds, after giving effect to the refunding of certain of the 1994 Bonds. Over

the last ten fiscal years, such hypothetical coverage would have ranged between 2.96 and 3.25 times the estimated combined annual debt service of the 1994 Bonds, the 1996 Bonds and the 1997 Bonds.

The Commonwealth has covenanted not to issue additional bonds under the 1994 trust agreement other than for certain expenditures of the Metropolitan District Commission in an amount up to \$50 million and for refunding purposes. Further, additional bonds cannot be issued unless certain conditions are met, including a requirement that historical or projected revenues pledged under the agreement will not be less than 2.00 times the estimated combined annual debt service on all bonds issued under the agreement, including the additional bonds. If the \$50 million additional bonds for certain MDC expenditures were issued, it is estimated that historical or projected revenues pledged under the agreement will not be less than 3.00 times the estimated combined annual debt service on all bonds issued under the 1994 trust agreement based on 1997 revenues.

The 1994 trust agreement also establishes a debt service reserve fund requirement for bonds issued under the agreement, which is equal to 50% of maximum debt service due in any fiscal year. The Commonwealth met this requirement with regard to the 1994 Bonds and the 1996 Bonds by purchasing surety bonds equal to the aforesaid requirement, and the Commonwealth has secured a surety bond to meet the debt service reserve fund requirement for the 1997 Bonds. Under the 1994 trust agreement, if the Commonwealth fails to maintain a debt service coverage ratio of at least 2.00 as set forth in the agreement, the debt service reserve fund requirement will increase to 100% of the maximum debt service due in any fiscal year.

THE ABOVE SUMMARY IS INTENDED ONLY AS A GENERAL INTRODUCTION TO THE 1997 BONDS. FOR A MORE DETAILED DESCRIPTION OF THE 1997 BONDS, THE SPECIFIC PLEDGE AND OTHER PROVISIONS OF THE TRUST AGREEMENT UNDER WHICH THE 1997 BONDS ARE BEING ISSUED, AS WELL AS HISTORICAL INFORMATION AND PROJECTIONS CONCERNING FUNDS PLEDGED TO THE PAYMENT OF THE 1997 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 1997 Bonds. This introduction is subject in all respects to the additional information contained in this Official Statement, including Appendices A through D. 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 and Appendix B are summaries of certain provisions of the Special Obligation Act and the Trust Agreement, respectively. Appendix C contains the proposed form of legal opinion of bond counsel with respect to the 1997 Bonds. Appendix D contains the proposed form of the Commonwealth's continuing disclosure undertaking to be included in the form of the 1997 Bonds to facilitate compliance by the Underwriters 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."

THE 1997 BONDS

General

The 1997 Bonds will be dated September 1, 1997 and will initially bear interest from such date payable semiannually on June 1 and December 1 of each year, commencing June 1, 1998 (each an "Interest Payment Date"), until the principal amount is paid. The 1997 Bonds shall mature on June 1 in the years 1998 through 2017 in the 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 1997 Bonds.

Book-Entry-Only System. The 1997 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 1997 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 1997 Bonds will be paid in clearinghouse funds to DTC or its nominee as registered owner of the 1997 Bonds. The record date for payments on account of the 1997 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 1997 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

The 1997 Bonds maturing on or prior to June 1, 2008 and on June 1, 2010 to June 1, 2014, inclusive, are not subject to redemption prior to their stated dates of maturity.

Optional Redemption. The 1997 Bonds maturing on or after June 1, 2009, other than the 1997 Bonds maturing on June 1, 2010 to June 1, 2014, inclusive, are subject to redemption prior to their stated dates of maturity on or after June 1, 2008, at the option of the Commonwealth from any moneys legally available therefor, in whole or in part at any time, by lot, at the redemption prices (expressed as percentages of the principal amount thereof), plus accrued interest to the redemption date, as follows:

<u>Redemption Dates</u>	<u>Redemption Prices</u>
June 1, 2008 through May 31, 2009, inclusive	101.0%
June 1, 2009 through May 31, 2010, inclusive	100.5
June 1, 2010 and thereafter	100.0

Mandatory Sinking Fund Redemption. The 1997 Bonds maturing June 1, 2015 are also subject to mandatory sinking fund redemption in part, on the dates and in the amounts set forth below, at a redemption price equal to the principal amount of each 1997 Bond or portion thereof redeemed, plus accrued interest to the redemption date:

<u>Date</u>	<u>Amount</u>
June 1, 2014	\$ 4,080,000
June 1, 2015	28,365,000

The 1997 Bonds maturing June 1, 2017 are also subject to mandatory sinking fund redemption in part, on the dates and in the amounts set forth below, at a redemption price equal to the principal amount of each 1997 Bond or portion thereof redeemed, plus accrued interest to the redemption date:

<u>Date</u>	<u>Amount</u>
June 1, 2016	\$ 29,785,000
June 1, 2017	43,710,000

The Commonwealth shall be entitled to reduce its mandatory sinking fund redemption obligation in any year with respect to such 1997 Bonds by the principal amount of any such 1997 Bonds previously purchased or optionally redeemed by the Commonwealth.

Notice of Redemption. The Trustee shall give notice of redemption to the owners of the 1997 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

the 1997 Bonds, notices of redemption will be mailed 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 1997 Bond (having received notice from a DTC Participant or otherwise) to notify the Beneficial Owner (as defined herein) so affected, shall not affect the validity of the redemption.

Selection for Redemption. In the event that less than all of any one maturity of the 1997 Bonds are to be redeemed, and so long as the book-entry-only system remains in effect for such 1997 Bonds, the particular 1997 Bonds or portion of any such 1997 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 1997 Bonds, selection for redemption of less than all of any one maturity of 1997 Bonds will be made by the Trustee by lot in such manner, as in its sole discretion it shall deem appropriate and fair. For purposes of selection by lot within a maturity, each \$5,000 of principal amount of a 1997 Bond will be considered a separate 1997 Bond.

Plan of Finance

A portion of the 1997 Bonds are being issued pursuant to the provisions of Section 53A of Chapter 29 of the Massachusetts General Laws for the purposes of advance refunding the 1992 Bonds maturing in the years 2003 to 2013, inclusive (the "1992 Refunded Bonds") and of advance refunding the 1994 Bonds maturing in the year 2009 and the years 2011 to 2014, inclusive (the "1994 Refunded Bonds" and, collectively with the 1992 Refunded Bonds, the "Refunded Bonds"). All of the 1992 Refunded Bonds will be redeemed on June 1, 2002. All of the 1994 Refunded Bonds will be redeemed on June 1, 2004. The Commonwealth, upon delivery of the 1997 Bonds, will enter into a refunding escrow agreement (the "Escrow Agreement") with State Street Bank and Trust Company, as trustee for the 1992 Bonds and as trustee for the 1994 Bonds (the "Refunding Trustee"). The Escrow Agreement will provide for the deposit with the Refunding Trustee of a portion of the net proceeds of the 1997 Bonds, together with certain funds released from the 1992 Trust Agreement relating to debt service payments for the 1992 Refunded Bonds and certain funds released from the 1994 Trust Agreement relating to debt service payments for the 1994 Refunded Bonds, in separate accounts for the 1992 Refunded Bonds and the 1994 Refunded Bonds. Such funds shall be applied immediately upon receipt to purchase non-callable direct obligations of the United States of America—State and Local Government Series (the "Government Obligations") and to fund, if needed, a cash deposit in such accounts. The Escrow Agreement will require that maturing principal of and interest on the Government Obligations, plus the initial cash deposit, be held in trust in such accounts and be used solely for the payment of the principal of and redemption premium, if any, and interest on the Refunded Bonds. According to the report described in "VERIFICATION OF MATHEMATICAL COMPUTATIONS," the Government Obligations will mature at such times and earn interest in such amounts that, together with any initial cash deposit, will produce sufficient monies to make such payments on the Refunded Bonds to and including the date of redemption for the 1992 Refunded Bonds, June 1, 2002, and the date of redemption for the 1994 Refunded Bonds, June 1, 2004.

Application of Proceeds

The net proceeds of the sale of 1997 Bonds in the aggregate principal amount of \$188,755,000 will be applied as described in "Plan of Finance." The net proceeds of the sale of 1997 Bonds in the aggregate principal amount of \$105,940,000 will be applied by the State Treasurer to transportation-related capital expenditures for which the 1997 Bonds were authorized by the Legislature, or to the reimbursement of the Commonwealth for such expenditures. Any accrued interest payable upon original delivery of the 1997 Bonds will be deposited in the Debt Service Fund established under the Trust Agreement and used to pay interest on the 1997 Bonds.

AUTHORIZATION, SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Authorization

The 1997 Bonds are authorized by and issued pursuant to Section 20 of Chapter 29 of the Massachusetts General Laws (as it may be amended from time to time, the "Special Obligation Act"). The 1997 Bonds are further authorized by and issued pursuant to Chapter 33 of the Acts of 1991 ("Chapter 33"), and Section 53A of said Chapter 29. The 1997 Bonds are issued under and pursuant to a Trust Agreement dated as of June 1, 1994 (the

“Trust Agreement”) between the Commonwealth and State Street Bank and Trust Company, as trustee (the “Trustee”). See “Appendix A—Summary of Certain Provisions of the Special Obligation Act” and “FINANCING THE COMMONWEALTH HIGHWAY SYSTEM—Sources of Funding for Current Highway System Capital Plan” for a more complete description of the Special Obligation Act and the Highway Act, respectively. In June, 1994, the Commonwealth issued its \$300,000,000 Special Obligation Revenue Bonds, 1994 Series A (the “1994 Bonds”), and in March, 1996, the Commonwealth issued its \$150,000,000 Special Obligation Revenue Bonds, 1996 Series A (the “1996 Bonds”), which are secured on a parity with the 1997 Bonds. Upon the issuance of the 1997 Bonds, the remaining principal amount of the 1994 Bonds will be \$165,800,000. The Commonwealth has covenanted not to issue additional bonds on a parity with the 1994 Bonds, the 1996 Bonds and the 1997 Bonds under the Trust Agreement other than bonds issued for certain expenditures of the Metropolitan District Commission (“MDC”) with respect to its parkways, boulevards and bridges in an amount up to \$50 million or for refunding purposes (collectively, “Additional Bonds”). Additional Bonds may be issued on a parity with the 1994 Bonds, the 1996 Bonds and the 1997 Bonds under the conditions and in the manner provided in the Trust Agreement (the Additional Bonds, the 1994 Bonds, the 1996 Bonds and the 1997 Bonds are collectively referred to herein as the “Bonds”). See “Additional Bonds.”

The Bonds are special limited obligations of the Commonwealth payable solely from the sources identified herein. Under the provisions of the Special Obligation Act, the Commonwealth is authorized to issue special obligation bonds secured by all or any portion of the Highway Fund, an operating fund of the Commonwealth created under Section 34 of Chapter 90 of the Massachusetts General Laws. Under the provisions of Chapter 33 and various other transportation bond authorization statutes, the Commonwealth is authorized to issue such special obligation bonds for the payment of the costs of construction, reconstruction, resurfacing, relocation or necessary or beneficial improvement of public highways, bridges, bicycle paths or facilities, town and county ways and the costs allocated thereto, including the acquisition of those real properties and any appurtenances thereto located within a highway right-of-way corridor and for certain expenditures of the MDC with respect to its parkways, boulevards and bridges. See “FINANCING THE COMMONWEALTH HIGHWAY SYSTEM—Sources of Funding for Current Highway System Capital Plan.”

Overview of Security Provisions

The principal (including sinking fund payments) and redemption price of and interest on the 1997 Bonds (“1997 Bond Debt Service”), on the 1994 Bonds, the 1996 Bonds and on any Additional Bonds (collectively, “Debt Service”) are payable from and secured solely by 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 (i) 4.86¢ per gallon of the excise tax imposed by the Commonwealth on gasoline (other than gasoline used as aviation fuel) (the “Gasoline Tax”) under Chapter 64A of the Massachusetts General Laws (the “Gasoline Tax Act”), (ii) State Street Bank and Trust Company, as trustee (the “1992 Trustee”) under a Trust Agreement dated as of June 1, 1992 (the “1992 Trust Agreement”) with the Commonwealth, representing the excess of the 2¢ per gallon of the Gasoline Tax pledged under the 1992 Trust Agreement (the “1992 Pledged Funds”) with respect to the 1992 Bonds available after satisfaction of the debt service and reserve fund requirements and certain other obligations applicable to the 1992 Bonds (the “Surplus 1992 Pledged Funds”), (iii) immediately upon the discharge of the lien of the 1992 Trust Agreement, the full amount of the 1992 Pledged Funds and (iv) such Additional Pledged Funds, as defined herein, that the Commonwealth may subsequently determine to include within the definition of Pledged Funds in order to satisfy the debt service coverage tests imposed under the Trust Agreement to issue Additional Bonds. See “Source of Pledged Funds” and “Additional Bonds.” For a discussion of the Gasoline Tax, see “COMMONWEALTH GASOLINE TAX.”

As provided in the Special Obligation Act, all Pledged Funds shall be immediately subject to the lien of the pledge granted in the Trust Agreement for the 1997 Bonds, without any physical delivery or further act, and such lien shall be valid and binding from the date of issuance of the 1997 Bonds as against all parties having claims of any kind in tort, contract or otherwise against the Commonwealth irrespective of whether such parties have notice of such pledge. Such pledge shall be perfected by filing the Trust Agreement in the records of the State Treasurer and no filing need be made under the Massachusetts Uniform Commercial Code.

Special Obligations

The Bonds are special limited obligations of the Commonwealth and are payable solely from the sources specified in the Trust Agreement. The Bonds are not general obligations of the Commonwealth and are not secured by the full faith and credit of the Commonwealth. The 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 Bonds pursuant to the Trust Agreement.

Payments of Debt Service are to be made from Pledged Funds held by the Trustee in the Revenue Account, created by the State Treasurer under the Trust Agreement as a sub-account of the Commonwealth's Infrastructure Fund. The Infrastructure Fund was created under the Special Obligation Act as a sub-fund of the Commonwealth's Highway Fund in order to account separately for a portion of the receipts of the Gasoline Tax. The Commonwealth has covenanted that, so long as any Bonds are outstanding, no Pledged Funds shall be diverted from the purposes specified in the Special Obligation Act, and unless an appropriation has been made by the Legislature which is sufficient to pay Debt Service, the Pledged Funds shall not be applied to any other permitted use. The Legislature has previously amended and may in the future amend the Special Obligation Act and other statutes that govern Pledged Funds, including the Gasoline Tax Act. However, pursuant to the Special Obligation Act, the Commonwealth has covenanted in the Trust Agreement to maintain the portion of the Gasoline Tax credited to the Highway Fund at a rate of not less than 6.86¢ per gallon, which amount represents the full amount of the Gasoline Tax (at its current rate) credited to the Infrastructure Fund under the Special Obligation Act. Any future amendments of the Special Obligation Act would also be 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. See "Covenants of the Commonwealth." The Trust Agreement does not require the Commonwealth to increase the amount of the Gasoline Tax pledged as Pledged Funds.

The Commonwealth has waived its sovereign immunity and consented to be sued on contractual obligations, including the 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.

Source of Pledged Funds

Pledged Funds represent amounts received or to be received by the Commonwealth from 4.86¢ per gallon of the Gasoline Tax plus Surplus 1992 Pledged Funds transferred from time to time to the Trustee from the 1992 Trustee after satisfaction of the debt service requirements and other obligations under the 1992 Trust Agreement. See "Flow of Pledged Funds." The amount of initial Pledged Funds to be deposited under the Trust Agreement and allocable to 4.86¢ per gallon of the Gasoline Tax will be calculated by the Department of Revenue of the Commonwealth (the "Department of Revenue") on a monthly basis by dividing 4.86¢ per gallon by the total rate of the Gasoline Tax (the "Gasoline Tax Rate") then in effect, and multiplying the result by the total amount of the Gasoline Tax collected by the Commonwealth during such month. Surplus 1992 Pledged Funds received by the Trustee from the 1992 Trustee are required to be deposited in the Revenue Account immediately upon receipt. See "Flow of Pledged Funds." For a discussion of the Gasoline Tax, see "COMMONWEALTH GASOLINE TAX."

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"). Article 78 Revenues are revenues derived from the registration, operation or use of vehicles on public highways or from fuels used for propelling such

vehicles, including the Gasoline Tax. See “FINANCING THE COMMONWEALTH HIGHWAY SYSTEM—Legal Framework For Financing the Highway System; *Constitutional Limitations*.” Under current law, only amounts credited to the Highway Fund may be pledged as security for the Bonds. Although all Article 78 Revenues are not currently credited to the Highway 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 as Additional Pledged Funds.

In the event the Commonwealth pledges Additional Pledged Funds composed of either (a) revenues from sources other than the Gasoline Tax, 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. 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 (including the 1997 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;
- Debt Service Reserve Fund;
- Bond Related Costs Fund; and
- Rebate Fund.

(b) The State Treasurer has established the following accounts maintained as part of the Infrastructure Fund, which accounts have been deposited with the Trustee:

- Revenue Account; and
- Reserve Account.

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.”

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 and the Reserve Account are sub-accounts of the Infrastructure Fund, moneys on deposit therein may not be expended without appropriation from 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 for its general purposes unless a sufficient appropriation for Debt Service has been made and the required monthly deposits to the Funds and Accounts have been made. 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 revenue bonds payable from the Infrastructure Fund, the Legislature has never failed to make the required appropriation.

Flow of Pledged Funds

The Pledged Funds must be accounted for and deposited in accordance with the terms of the Special Obligation Act and the Trust Agreement. Set forth below is a description of the flow of the Pledged Funds under the Special Obligation 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 Highway Fund. Under the Gasoline Tax Act, upon receipt by the Department of Revenue, approximately 83.6% of the amounts due under the Gasoline Tax (currently approximately 17.56¢ per gallon) is credited to the Commonwealth’s Highway Fund. See “COMMONWEALTH GASOLINE TAX—Crediting of Receipts.” In accordance with current law, Pledged Funds are made available to pay Debt Service from the amounts of the Gasoline Tax credited to the Highway Fund, as described below.

Commonwealth Infrastructure Fund. Under the Special Obligation Act, the Commonwealth created the Infrastructure Fund as a subfund of the Highway Fund. The Special Obligation Act requires that approximately 39.1% of the portion of Gasoline Tax credited to the Highway Fund (currently approximately 6.86¢ per gallon) be credited to the Infrastructure Fund and utilized in accordance with the Special Obligation Act. Expenditures from the Infrastructure Fund may, upon appropriation by the Legislature, be made for the following purposes: (i) the payment of debt service on any special obligation bonds authorized under the Special Obligation Act; (ii) the maintenance of, or provision for, any reserves, additional security, insurance or other forms of credit enhancement for any special obligation bonds; and (iii) direct expenditures for purposes otherwise permitted for moneys on deposit in the Highway Fund, provided that any such direct expenditures may only be made in compliance with any applicable restrictions contained in any trust or other agreement relating to such special obligation bonds. Under the Special Obligation Act, no more than 20% of the amounts credited to the Infrastructure Fund may be utilized to pay debt service on bonds issued to finance the Central Artery/Third Harbor Tunnel project, or to make direct expenditures on that project. The Commonwealth has covenanted in the Trust Agreement that, unless otherwise authorized by the Legislature, it will not expend moneys credited to the Infrastructure Fund on such expenditures in excess of this limitation. See “Appendix B—Summary of Certain Provisions of the Trust Agreement—Particular Covenants of The Commonwealth.” By legislation enacted in May, 1997, the Legislature has made such limitation inapplicable to the payment of grant anticipation notes issued by the Commonwealth for the purposes of the Central Artery/Ted Williams Tunnel project. See “FINANCING THE COMMONWEALTH HIGHWAY SYSTEM—Metropolitan Highway System.”

The Special Obligation Act provides that, so long as any special obligation bonds remain outstanding, the Commonwealth shall maintain the Infrastructure Fund and shall not divert any amounts credited thereto from the purposes permitted under the Special Obligation Act. See “Appendix A—Summary of Certain Provisions of 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 Infrastructure Fund, other than Pledged Funds, without regard to the terms of the Bonds or the Trust Agreement. See “Appendix B—Summary of Certain Provisions of the Trust Agreement.”

Revenue Account. Under the Trust Agreement the State Treasurer has established the Revenue Account as a sub-account of the Infrastructure Fund, which is held by the Trustee and is subject to the pledge of the Trust Agreement. In accordance with the Special Obligation Act, Debt Service is payable from amounts credited to the Revenue Account.

Under the Trust Agreement, on or prior to the eighth business day of each month, the Commissioner of Revenue of the Commonwealth (the “Commissioner of Revenue”) must deliver to the Trustee a certificate stating the amount of Pledged Funds received by the Commonwealth and allocable to 4.86¢ per gallon of the Gasoline Tax during the preceding month, which amount must be deposited under the Trust Agreement. The amount of Pledged Funds to be deposited under the Trust Agreement in each month is calculated by the Department of Revenue by dividing 4.86¢ per gallon (or such greater amount of the Gasoline Tax as may be pledged as Additional Pledged Funds) by the total Gasoline Tax Rate then in effect, and multiplying the result by the total amount of the Gasoline

Tax collected by the Commonwealth for such month. The 1992 Trust Agreement establishes a similar procedure with respect to the 2¢ per gallon of the Gasoline Tax that constitutes the 1992 Pledged Funds. Immediately upon receipt thereof, the Trustee must deposit in the Revenue Account any Surplus 1992 Pledged Funds received from the 1992 Trustee. The State Treasurer, within two business days of the receipt of the certificate from the Commissioner of Revenue, is required under the Trust Agreement to deposit an amount equal to Pledged Funds collected in the preceding month into the Revenue Account with the Trustee.

The Trust Agreement requires the Secretary of the Executive Office for Administration and Finance (the "Secretary of Administration and Finance") and the State Treasurer, after the adoption of the Commonwealth's operating budget for a fiscal year, to deliver to the Trustee a certificate stating the amount appropriated for such fiscal year (the "Appropriated Amount") for the payment of each of the following:

- (a) the amount of Debt Service for such fiscal year;
- (b) the amount of any required deposit into the Debt Service Reserve Fund for such fiscal year;
- (c) the amount of any costs relating to the Bonds ("Bond Related Costs") for such fiscal year; and
- (d) the amount of any rebate to the United States Treasury (the "Rebate Requirement") for such fiscal year.

Disbursements from Revenue Account. Under the Trust Agreement, on the last business day of each month the Trustee transfers amounts on deposit in the Revenue Account as follows:

- (i) *first*, to the Debt Service Fund, all amounts on deposit in the Revenue Account until the amount on deposit in the Debt Service Fund (including investment earnings) equals the sum of (a) Debt Service due on the next Interest Payment Date and (b) if a principal installment on the Bonds is not due on the next Interest Payment Date, one-half of the principal installment due on the next principal payment date (collectively, the "Debt Service Fund Requirement"); provided, however, that the aggregate amount deposited therein during a fiscal year may not exceed the Appropriated Amount for such fiscal year for such purpose;
- (ii) *second*, to the Debt Service Reserve Fund, an amount equal to the sum of (a) one-thirty-sixth (1/36th) of the Funded Debt Service Reserve Fund Requirement, as defined herein, and (b) any amounts which previously were required to be deposited and for which amounts were not available from the Revenue Account, until the amount on deposit therein (including investment earnings) equals the Funded Debt Service Reserve Fund Requirement; provided, however, that if notice shall have been given to the Trustee pursuant to the Trust Agreement of a change in the amount of the Debt Service Reserve Fund Requirement the foregoing provision shall apply to the amount of the Funded Debt Service Reserve Fund Requirement calculated without regard to such notice and the Trustee shall, in addition, deposit an amount equal to one-twelfth (1/12th) of the difference between the Funded Debt Service Reserve Fund Requirement prior to such notice and the revised Funded Debt Service Reserve Fund Requirement until the amount on deposit therein (including investment earnings) equals the revised Funded Debt Service Reserve Fund Requirement; and provided, further, that the aggregate amount deposited therein during a fiscal year may not exceed the Appropriated Amount for such fiscal year for such purpose;
- (iii) *third*, to the Reserve Account, any amount set forth in (ii) above in excess of the Appropriated Amount for such purpose for such fiscal year; provided, however, that such amounts deposited in the Reserve Account must be transferred to the Debt Service Reserve Fund upon the delivery to the Trustee of a certificate by the Secretary of Administration and Finance and the State Treasurer that an appropriation is then in effect permitting such deposit in the Debt Service Reserve Fund;
- (iv) *fourth*, to the Bond Related Costs Fund, the amount, if any, necessary to pay Bond Related Costs; provided, however, that the aggregate amount deposited therein during a fiscal year may not exceed the Appropriated Amount for such fiscal year for such purpose; and

- (v) *fifth*, to the Rebate Fund, the amount, if any, necessary to pay the Rebate Requirement; provided, however, that the aggregate amount deposited therein during a fiscal year may not exceed the Appropriated Amount for such fiscal year for such purpose.

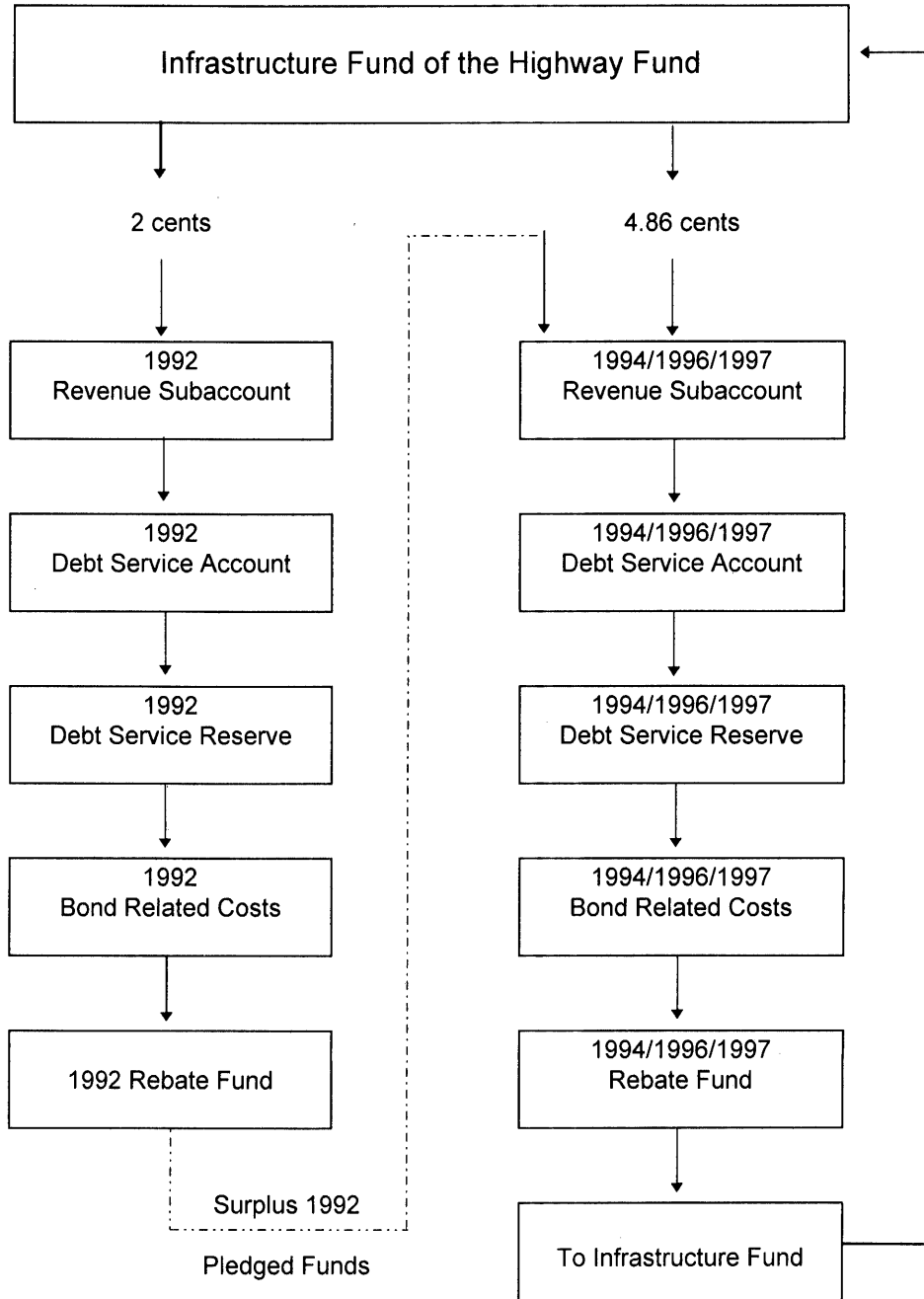
Under the Trust Agreement, (a) if the Appropriated Amount is not sufficient to fund Debt Service in any fiscal year, then all Pledged Funds remaining on deposit in the Revenue Account after the transfers to the Funds and Accounts described above, must remain on deposit therein until a sufficient appropriation is made; (b) if the Appropriated Amount is not sufficient to fund the required deposits to the Debt Service Reserve Fund in any fiscal year, the amount of Pledged Funds transferred by the Trustee from the Revenue Account to the Reserve Account must remain on deposit therein until a sufficient appropriation is made as described in (iii) above; and (c) 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—Flow of Funds.”

If there is an Appropriated Amount sufficient to pay Debt Service due in a fiscal year, the balance remaining in the Revenue Account after the deposit of the amounts described above (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) are transferred by the Trustee to the State Treasurer on the last 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 Highway Fund. For a discussion of permitted Highway Fund expenditures, see “FINANCING THE COMMONWEALTH HIGHWAY SYSTEM—Legal Framework for Financing the Highway System; *Statutory Framework*.” See “Appendix B—Summary of Certain Provisions of the Trust Agreement—Flow of Funds.”

Disbursements from Debt Service Fund. The Trustee must pay out of the Debt Service Fund to the respective paying agents for any Bonds (i) on or before each Interest Payment Date the amount required for interest and principal installments payable on such date and (ii) on or before each redemption date for Bonds, the amount required for the payment of interest and redemption price of the Bonds then to be redeemed. Amounts accumulated in the Debt Service Fund with respect to any sinking fund payment may, and if so directed by the State Treasurer shall, be applied by the Trustee, under certain circumstances, to the purchase or redemption of Bonds subject to that Sinking Fund Payment. See “Appendix B—Summary of Certain Provisions of the Trust Agreement—Debt Service Fund.”

FLOW OF PLEDGED FUNDS

6.86 cents of Gasoline Tax



The 1992 Bonds (other than the 1992 Refunded Bonds) are currently outstanding in the aggregate principal amount of \$22,735,000 and mature on June 1 in the years 1998 through 2002. The total principal and interest requirements with respect to the 1992 Bonds (other than the 1992 Refunded Bonds) are approximately \$5.4 million per year. Approximately 0.21¢ of the 2¢ per gallon of the Gasoline Tax constituting 1992 Pledged Funds collected during fiscal 1997 would have been required to pay such debt service obligations with respect to the 1992 Bonds other than the 1992 Refunded Bonds. The actual amount of Surplus 1992 Pledged Funds to be available for transfer to the Trustee from time to time hereafter will depend upon the amount of actual Gasoline Tax receipts while the 1992 Bonds remain outstanding. Upon the discharge and release of the lien of the 1992 Trust Agreement on June 1, 2002, the full amount of the 2¢ per gallon of the Gasoline Tax pledged to the 1992 Bonds and any other amounts then constituting 1992 Pledged Funds will become Pledged Funds under the Trust Agreement.

For a more complete discussion of the flow of Pledged Funds, including the required deposits from the Infrastructure Fund to the Funds and Accounts, see “Appendix B—Summary of Certain Provisions of the Trust Agreement.”

Debt Service Reserve Fund

Under the Trust Agreement, the Debt Service Reserve Fund Requirement is defined to be the least of (i) 10% of the original principal amount of all Series of Bonds Outstanding, subject to adjustment as provided in the Trust Agreement with respect to original issue discount, (ii) 125% of the average annual aggregate amount of Debt Service (calculated as provided in the Trust Agreement) due in any fiscal year on all Bonds Outstanding or (iii) 50% (or in the event the Commonwealth fails to maintain a Debt Service coverage ratio of at least 2.00 as set forth in the Trust Agreement, 100%) of the maximum amount of Debt Service (calculated as provided in the Trust Agreement) due in any fiscal year. The Funded Debt Service Reserve Requirement is defined in the Trust Agreement as the Debt Service Reserve Fund Requirement less the stated and unpaid amount of all Reserve Credit Facilities as defined in the Trust Agreement. See “Appendix B—Summary of Certain Provisions of the Trust Agreement—Definitions.” The Trust Agreement provides that once an amount equal to the Debt Service Fund Requirement has been transferred from the Revenue Account to the Debt Service Fund, and provided that sufficient amounts have been appropriated therefor, the Trustee must transfer, on the last business day of each month, amounts from the Revenue Account into the Debt Service Reserve Fund equal to one-thirty-sixth (1/36th) of the Funded Debt Service Reserve Fund Requirement, plus any amounts not funded in prior months, until the amount on deposit therein (including investment earnings) equals the Funded Debt Service Reserve Fund Requirement. In the event that a sufficient appropriation is not made for this purpose, the amounts otherwise to be transferred to the Debt Service Reserve Fund must be transferred to the Reserve Account and held therein until a sufficient appropriation is made. See “Flow of Pledged Funds” and “Appendix B—Summary of Certain Provisions of the Trust Agreement—Debt Service Reserve Fund.”

If the amounts on deposit and available in the Debt Service Fund, the Bond Related Costs Fund or the Redemption Fund are insufficient to pay the Debt Service then due, the Trustee must withdraw from the Debt Service Reserve Fund and deposit in the Debt Service Fund the amount necessary to meet the deficiency. If the amounts transferred from the Debt Service Reserve Fund are insufficient to pay such deficiency, the Trustee must withdraw from the Reserve Account the amount necessary to meet the balance of such deficiency; provided, however, that the aggregate of such amounts deposited into the Debt Service Fund from the Reserve Account may not in any fiscal year, together with all other amounts deposited in the Debt Service Fund (other than from the Debt Service Reserve Fund) during such fiscal year, exceed the Appropriated Amount for Debt Service for such fiscal year.

Reserve Credit Facilities. The Trust Agreement authorizes the Commonwealth to obtain Reserve Credit Facilities for the purpose of satisfying the Debt Service Reserve Fund Requirement. See “Appendix B—Summary of Certain Provisions of the Trust Agreement—Reserve Credit Facilities.”

Additional Bonds

Pursuant to the Trust Agreement, one or more series of Additional Bonds may be issued for the purpose of (i) paying all or a portion of the cost (not to exceed \$50 million) of certain MDC projects or refunding any Bonds or any 1992 Bonds, (ii) the making of deposits in the Debt Service Fund and the Debt Service Reserve Fund, (iii) the payment of the costs of issuance of such Additional Bonds, (iv) the payment of the principal of and interest and premium, if any, on notes issued in anticipation of such Additional Bonds in accordance with the Trust Agreement or (v) any combination of the foregoing.

A series of Additional Bonds may be issued only upon receipt by the Trustee of, among other things:

- (i) A certificate of the State Treasurer or his or her designee stating that, as of the delivery of such Additional Bonds and application of their proceeds, no Event of Default, as described in the Trust Agreement, will have happened and then will be continuing;
- (ii) 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 Additional Bonds;
- (iii) If the Commonwealth is not pledging any Additional Pledged Funds, then a certificate of the State Treasurer showing that the amount of Pledged Funds for any 12 consecutive months during the 18-month period described in (ii) above was not less than 200% of the maximum aggregate Adjusted Bond Debt Service Requirement (as defined in the Trust Agreement, see "Appendix B—Summaries 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;
- (iv) If the Commonwealth is pledging Additional Pledged Funds, one or more of the following certificates: (A) if the Additional Pledged Funds shall have been collected by the Commonwealth for at least 12 consecutive months of the 18-month period described in (ii) above, a certificate of the State Treasurer showing that the amount of Pledged Funds and Additional Pledged Funds, for any 12 consecutive months during such 18-month period was not less than 200% 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; (B) if the Additional Pledged Funds have not been collected by the Commonwealth during at least 12 consecutive months during such 18-month period, a certificate of the State Treasurer showing 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 200% 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; and (C) if any Additional Pledged Funds are derived from revenues other than the Gasoline Tax, or a certificate is delivered under (B) above, then a certificate from each rating agency which is then maintaining an outstanding rating on the Bonds, stating that the issuance of such Additional Bonds shall not adversely affect their rating on the Bonds then outstanding; and
- (v) A certificate of the Secretary of Administration and Finance that the amount of such Additional Bonds is within the limitations established by the capital spending plan of the Commonwealth in effect as of the date of issuance of such Additional Bonds.

The 1997 Bonds are being issued pursuant to (iii) above.

Additional Bonds may be issued at any time to refund in whole or in part any outstanding Bonds, provided that the State Treasurer, certifies that the Adjusted Bond Debt Service Requirement on any Bonds to be outstanding immediately after the issuance of the refunding Additional 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 Additional Bonds. If the Commonwealth cannot satisfy the requirement of the preceding sentence, the Commonwealth may nevertheless issue refunding Additional Bonds by complying with the tests relating to the issuance of Additional Bonds for non-refunding purposes.

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—Authorization and Issuance of Additional Bonds.”

Additional Bonds may be issued as Variable Rate Bonds or Tender Bonds. The Commonwealth has covenanted in the Trust Agreement that (a) it will not issue Variable Rate Bonds if, upon such issuance, the aggregate principal amount of Variable Rate Bonds then outstanding exceeds 15% of the aggregate principal amount of all Bonds outstanding; and (b) it will only issue Tender Bonds secured by a Liquidity Facility, and the provider of the Liquidity Facility must have a rating on its short term obligations within the highest rating category from each rating agency then maintaining a rating on Bonds outstanding. See “Appendix B—Summary of Certain Provisions of the Trust Agreement—Authorization of 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 Gasoline Tax or other Article 78 Revenues, to the extent such portions of the Gasoline Tax or Article 78 Revenues 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 with the owners of the Bonds that so long as any Bonds remain outstanding (i) that it shall at all times maintain the portion of the Gasoline Tax credited to the Highway Fund at a rate of not less than 6.86¢ per gallon (which amount represents the 2¢ per gallon pledged to the 1992 Bonds under the 1992 Trust Agreement and the 4.86¢ pledged to the Bonds under the Trust Agreement); (ii) that it shall not limit or alter the rights vested in the Commonwealth to collect Pledged Funds, including the Gasoline Tax and any other Article 78 Revenues which may subsequently be pledged as Additional Pledged Funds, and to deposit such amounts as provided in the Trust Agreement; and (iii) 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 Special Obligation Act creates additional covenants with the owners of Bonds. However, 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 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. See “Appendix B—Summary of Certain Provisions of the Trust Agreement—Particular Covenants of the Commonwealth.”

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 which relate to the maintenance of the Gasoline Tax Rate, 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 GASOLINE TAX

The following is a summary of the Commonwealth's Gasoline Tax. This summary does not purport to be complete and, accordingly, is qualified by reference to Chapter 64A of the Massachusetts General Laws, the Gasoline Tax Act. The Legislature has altered and may in the future alter the Gasoline Tax Act. See "1990 Legislation."

Pledged Funds include 4.86¢ of the Gasoline Tax, calculated by the Department of Revenue on a monthly basis by dividing 4.86¢ per gallon by the total Gasoline Tax Rate then in effect and multiplying the result by the total amount of the Gasoline Tax collected by the Commonwealth during such month plus the Surplus 1992 Pledged Funds transferred from time to time to the Trustee from the 1992 Trustee. See "AUTHORIZATION, SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Source of Pledged Funds" and "Flow of Pledged Funds."

General

The Commonwealth has imposed a tax on fuel since 1928. Fuel, as defined in the Gasoline Tax Act, 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 ("Gasoline"). The term Gasoline does not include diesel fuel, which is taxed as a "special fuel" under Chapter 64E of the Massachusetts General Laws. See "FINANCING THE COMMONWEALTH HIGHWAY SYSTEM—Legal Framework for Financing the Highway System." The Gasoline Tax Act 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 the Gasoline Tax Act are not included within the definition of Gasoline Tax or Pledged Funds.

Gasoline Tax Rate

Under the Gasoline Tax Act, the Gasoline Tax Rate is the greater of 21¢ per gallon or 19.1% of the average wholesale selling price of Gasoline as measured on a quarterly basis. The average wholesale selling price is defined by regulation as the weighted average, rounded to the nearest whole cent, of the per gallon wholesale selling price of various grades and types of Gasoline for the preceding quarter. The average wholesale selling price does not include state or federal taxes. The Commissioner of Revenue is required to announce, on or before the last day of March, June, September and December, the average wholesale selling price per gallon of Gasoline for the preceding calendar quarter, which will serve as a basis for determining the Gasoline Tax Rate for the succeeding calendar quarter. Gasoline is currently taxed at the statutory minimum rate of 21¢ per gallon.

Comparison of Gasoline Tax Rates for Selected Northeastern States

The table below lists gasoline tax rates effective as of July 1, 1997, exclusive of local taxes, license and inspection fees of selected northeastern states.

Connecticut	36.0¢
Maine	19.0
Massachusetts	21.0
New Hampshire	18.0
New Jersey	10.5
New York	8.0
Rhode Island	28.0
Vermont	15.0

SOURCE: Federation of Tax Administrators

Gasoline Tax 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 currently fewer than 250 Distributors who file Gasoline Tax returns with the Commissioner of Revenue.

Crediting of Receipts

Gasoline Tax receipts, net of refunds and abatements, are credited to several budgeted funds of the Commonwealth. Fifteen percent of the Gasoline Tax revenues are credited to the General Fund to be used solely for mass transportation purposes. One and four-tenths percent (1.4%) of the receipts are credited to certain environmental budgeted funds. The remaining 83.6% (currently 17.56¢) of Gasoline Tax receipts are credited to the Highway Fund in two components. Fifteen percent of the Gasoline Tax receipts are credited to the Highway Fund for the sole purpose, subject to appropriation, of reimbursing municipalities for costs incurred in constructing, maintaining and policing streets and roads. Sixty-eight and six-tenths percent (68.6%) of Gasoline Tax receipts are credited to the Highway Fund for general Highway Fund purposes, of which, 47.62% (currently 6.86¢ per gallon) is credited to the Infrastructure Fund. See “FINANCING THE COMMONWEALTH HIGHWAY SYSTEM—Legal Framework for Financing the Commonwealth Highway System; Statutory Framework” and “1990 Legislation.”

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. 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 Turnpike Authority, (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 .5% of annual Gasoline Tax receipts are refunded or abated.

1990 Legislation

During the 1990 legislative session, a two-stage increase in the Commonwealth's Gasoline Tax Rate was enacted. The first stage of this increase became effective on July 28, 1990 and raised the Gasoline Tax Rate to a minimum of 17¢ per gallon. The second stage of the increase became effective on January 1, 1991 and raised the Gasoline Tax Rate to a minimum of 21¢ per gallon. Prior to 1990, the last increase in the Gasoline Tax Rate had been enacted in 1983, when the Gasoline Tax Rate was adjusted to provide for a statutory minimum rate of 11¢ per gallon.

The Legislature has previously altered and may in the future alter (1) the imposition of the Gasoline Tax on Gasoline, including its imposition on different or alternative fuels; (2) the Gasoline Tax Rate; (3) the allocation of Gasoline Tax receipts between the various Commonwealth operating funds, including the Highway Fund and General Fund, and (4) the distribution of Gasoline Tax receipts to cities, towns and counties. The authority of the Legislature to make such changes in Gasoline Tax, the Gasoline Tax Rate and the allocation and use of Gasoline Tax receipts is subject to the requirement of the Massachusetts Constitution that amounts representing Article 78 Revenues, including Gasoline 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 further restricted by the Trust Agreement in which the Commonwealth has covenanted with the owners of the Bonds to at all times maintain the portion of Gasoline Tax credited to the Highway Fund at a rate of not less than 6.86¢ per gallon (or at such higher rate as may be pledged as Additional Pledged Funds), which amount represents the 2¢ per gallon of the Gasoline Tax pledged to the 1992 Bonds under the 1992 Trust Agreement and the 4.86¢ per gallon of the Gasoline Tax pledged to the Bonds under the Trust Agreement, and not in any way to impair the rights and remedies of said owners under the Trust Agreement.

Historical Information Regarding Gasoline Tax

The level of Gasoline Tax receipts are directly related to the consumption of gasoline 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, and the availability of alternative fuels.

The following tables set forth certain information regarding historical gasoline sales and collections of the Gasoline Tax.

HISTORICAL GASOLINE SALES

Fiscal Year	Average Price of Gasoline ⁽¹⁾	Gasoline Consumed (millions of gallons) ⁽²⁾	Percentage Change	Non-Agricultural Employment (thousands) ⁽³⁾	Percentage Change
1997	\$1.316	2,544	1.56%	3,069	2.37%
1996	1.232	2,505	2.62	2,998	2.07
1995	1.180	2,441	1.84	2,937	2.54
1994	1.137	2,397	0.93	2,864	2.04
1993	1.241	2,375	0.59	2,807	0.33
1992	1.268	2,361	(4.53)	2,799	(3.87)
1991	1.322	2,473	(0.72)	2,911	(4.97)
1990	1.113	2,491	(0.12)	3,063	(2.38)
1989	1.026	2,494	2.51	3,138	1.26
1988	0.996	2,433	2.40	3,098	2.53

SOURCES: "Average Price of Gasoline" and "Non-Agricultural Employment," Bureau of Labor Statistics. "Gasoline Consumed," Department of Revenue, Office of Tax Policy Analysis.

- (1) Weighted average retail price of a gallon of all grades of gasoline during each fiscal year, including all applicable taxes.
- (2) Net of tax-free gallons. See "Refunds and Abatements from Gasoline Tax."
- (3) Seasonally adjusted. Calculated as fiscal year average of monthly employment.

HISTORICAL COLLECTION OF GASOLINE TAX Historical Annual Collection of Gasoline Tax

Fiscal Year	Average Gasoline Tax Rate ⁽¹⁾	Gasoline Tax Receipts (in thousands) ⁽²⁾	Percentage Change	One Cent of Gasoline Tax (in thousands)	Percentage Change
1997 (estimated)	\$.210	\$535,825	0.73%	\$25,515	0.73%
1996	.210	531,920	3.59	25,330	3.59
1995	.210	513,462	2.08	24,451	2.08
1994	.210	503,010	(0.02)	23,953	(0.02)
1993	.210	503,121	2.82	23,958	2.82
1992	.210	489,307 ⁽³⁾	16.76 ⁽³⁾	23,300	(1.59)
1991	.177	419,065 ⁽⁴⁾	54.60 ⁽⁴⁾	23,676	(3.92)
1990	.110	271,065	(1.41)	24,642	(1.41)
1989	.110	274,950	0.36	24,995	0.36
1988	.110	273,953	2.29	24,905	2.29

SOURCES: "Average Gasoline Tax Rate," Department of Revenue, Office of Tax Policy Analysis. "Gasoline Tax Receipts" and "One Cent of Gasoline Tax," fiscal 1988-1996, Office of the Comptroller and Department of Revenue, Office of Tax Policy Analysis and fiscal 1997, Department of Revenue, Office of Tax Policy Analysis.

- (1) Average of Gasoline Tax Rate in effect during each fiscal year.
- (2) Includes all Gasoline Tax collected by the Commonwealth and credited to various budgeted funds. See "COMMONWEALTH GASOLINE TAX—Crediting of Receipts." Net of refunds and abatements from Gasoline Tax. See "COMMONWEALTH GASOLINE TAX—Refunds and Abatements from Gasoline Tax."
- (3) Reflects full fiscal year impact of increase in Gasoline Tax Rate from 17¢ per gallon to 21¢ per gallon, which was effective January 1, 1991 and therefore impacted Gasoline Tax receipts for approximately 5 months of fiscal 1991. It is estimated that this increase raised an additional \$54.2 million during fiscal 1992 as compared with fiscal 1991.
- (4) Reflects increases in Gasoline Tax Rate from 11¢ per gallon to 17¢ per gallon effective July 28, 1990, and from 17¢ per gallon to 21¢ per gallon effective January 1, 1991, which, it is estimated, raised an additional \$155.84 million in fiscal 1991 as compared with fiscal 1990.

**Historical Monthly Collection of Gasoline Tax
Most Recent 24 Months Ending July 1997**

<u>Month</u>	<u>Gasoline Tax Receipts (in thousands)⁽¹⁾</u>	<u>One Cent of Gasoline Tax (in thousands)</u>
August, 1995	\$45,620	\$2,172
September, 1995	56,132	2,673
October, 1995	40,161	1,912
November, 1995	46,453	2,212
December, 1995	42,527	2,025
January, 1996	44,639	2,126
February, 1996	39,329	1,873
March, 1996	40,901	1,948
April, 1996	39,643	1,888
May, 1996	42,887	2,042
June, 1996	49,029	2,335
July, 1996	45,549	2,169
August, 1996	44,060	2,098
September, 1996	48,838	2,326
October, 1996	42,423	2,020
November, 1996	48,961	2,331
December, 1996	42,207	2,010
January, 1997	47,023	2,239
February, 1997	42,563	2,027
March, 1997	39,505	1,881
April, 1997	44,019	2,096
May, 1997	43,860	2,089
June, 1997	46,815	2,229
July, 1997	46,399	2,209

SOURCE: Department of Revenue, Office of Tax Policy Analysis.

(1) Net of refunds and abatements from Gasoline Tax. See "COMMONWEALTH GASOLINE TAX—Refunds and Abatements from Gasoline Tax"

Projected Collection of Gasoline Tax and Pledged Funds

The Commonwealth does not perform an official forecast of Gasoline Tax receipts beyond the next fiscal year. For fiscal 1998, the Department of Revenue has projected that Gasoline Tax receipts will equal approximately \$541.3 million, or 0.86%, more than the estimated Gasoline Tax receipts for fiscal 1997. Based upon this assumption, Pledged Funds collected during fiscal 1998 will equal approximately \$540.4 million. 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.

DEBT SERVICE REQUIREMENTS

Fiscal Year	1994 Bonds and 1996 Bonds Debt Service ⁽¹⁾	1997 Bonds			Total Debt Service
		Principal	Interest	Total	
1998	\$ 31,569,082.50	\$ 3,395,000.00	\$ 10,005,937.48 ⁽²⁾	\$ 13,400,937.48 ⁽²⁾	\$ 44,970,019.98 ⁽²⁾
1999	31,558,582.50	240,000.00	14,944,392.50	15,184,392.50	46,742,975.00
2000	31,568,457.50	245,000.00	14,935,032.50	15,180,032.50	46,748,490.00
2001	31,568,045.00	255,000.00	14,924,987.50	15,179,987.50	46,748,032.50
2002	31,569,235.00	265,000.00	14,914,277.50	15,179,277.50	46,748,512.50
2003	31,570,425.00	5,650,000.00	14,902,882.50	20,552,882.50	52,123,307.50
2004	31,568,460.00	5,895,000.00	14,657,107.50	20,552,107.50	52,120,567.50
2005	31,573,230.00	6,160,000.00	14,394,780.00	20,554,780.00	52,128,010.00
2006	31,568,900.00	6,495,000.00	14,055,980.00	20,550,980.00	52,119,880.00
2007	31,569,935.00	6,855,000.00	13,698,755.00	20,553,755.00	52,123,690.00
2008	31,569,550.00	7,230,000.00	13,321,730.00	20,551,730.00	52,121,280.00
2009	13,521,625.00	25,615,000.00	12,981,920.00	38,596,920.00	52,118,545.00
2010	32,578,475.00	7,795,000.00	11,752,400.00	19,547,400.00	52,125,875.00
2011	12,435,665.00	28,350,000.00	11,343,162.50	39,693,162.50	52,128,827.50
2012	12,448,415.00	29,865,000.00	9,819,350.00	39,684,350.00	52,132,765.00
2013	12,438,390.00	31,505,000.00	8,176,775.00	39,681,775.00	52,120,165.00
2014	12,435,315.00	27,020,000.00	6,444,000.00	33,464,000.00	45,899,315.00
2015	12,437,265.00	28,365,000.00	5,093,000.00	33,458,000.00	45,895,265.00
2016	12,437,955.00	29,785,000.00	3,674,750.00	33,459,750.00	45,897,705.00
2017		<u>43,710,000.00</u>	<u>2,185,500.00</u>	<u>45,895,500.00</u>	<u>45,895,500.00</u>
	\$467,987,007.50	\$294,695,000.00	\$226,226,719.98	\$520,921,719.98	\$988,908,727.48

(1) Does not include debt service on the 1994 Refunded Bonds.

(2) Net of accrued interest on the 1997 Bonds.

DEBT SERVICE COVERAGE

The following table shows the ratios of historical collections of Pledged Funds to hypothetical maximum annual Debt Service. For the purposes of the table, debt service on the Refunded Bonds has been excluded from the column describing maximum 1992 Bond debt service. Under the Trust Agreement, the Commonwealth is not obligated to maintain any debt service coverage ratio. In order to issue Additional Bonds, the Commonwealth will be required to comply with certain debt service coverage tests. See "AUTHORIZATION, SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Additional Bonds."

**Historical Revenues/Hypothetical Debt Service Coverage
1997 Bonds**

Fiscal Year	Two Cents of Gasoline Tax (in thousands) ⁽¹⁾	Maximum 1992 Bond Debt Service (in thousands) ⁽²⁾	Surplus 1992 Pledged Funds (in thousands) ⁽¹⁾	4.86 Cents of Gasoline Tax (in thousands)	Total Pledged Funds (in thousands)	Combined 1994 Bond, 1996 Bond and 1997 Bond Debt Service (in thousands) ⁽³⁾	Debt Service Coverage Ratio
1997 (estimated)	\$51,012	\$5,375	\$45,637	\$124,032	\$169,669	\$52,133	3.25
1996	50,753	5,375	45,378	123,402	168,780	52,133	3.24
1995	48,901	5,375	43,526	118,830	162,356	52,133	3.11
1994	47,905	5,375	42,530	116,410	158,940	52,133	3.05
1993	47,916	5,375	42,541	116,437	158,978	52,133	3.05
1992	46,601	5,375	41,226	113,240	154,466	52,133	2.96
1991	47,396	5,375	42,021	115,172	157,193	52,133	3.02
1990	49,285	5,375	43,910	119,761	163,671	52,133	3.14
1989	49,991	5,375	44,616	121,478	166,094	52,133	3.19
1988	49,810	5,375	44,435	121,037	165,472	52,133	3.17

SOURCES: "Two Cents of Gasoline Tax" and "4.86 Cents of Gasoline Tax," fiscal 1988-1996, Office of the Comptroller and Department of Revenue, Office of Tax Policy Analysis and fiscal 1997, Department of Revenue, Office of Tax Policy Analysis. "Combined 1994 Bond, 1996 Bond and 1997 Bond Debt Service" and "Debt Service Coverage Ratio," Office of the State Treasurer.

- (1) Net of refunds and abatements from Gasoline Tax. See "COMMONWEALTH GASOLINE TAX—Refunds and Abatements from Gasoline Tax."
- (2) Does not include debt service for the 1992 Refunded Bonds.
- (3) Does not include debt service for the 1994 Refunded Bonds.

FINANCING THE COMMONWEALTH HIGHWAY SYSTEM

The Commonwealth is directly responsible under its operating budget for the maintenance and operation of over 12,600 lane miles of highways and over 2,800 bridges (the "Highway System"). The Massachusetts Highway Department has the primary responsibility for the operation and maintenance of the Highway System. In fiscal 1998, the Legislature has appropriated approximately \$72 million for the operations of the Massachusetts Highway Department, exclusive of capital funds and emergency snow and ice removal costs. The Commonwealth also provides funding to the MDC for the operation and maintenance of MDC highways, parkways, boulevards and bridges. In fiscal 1998, the Executive Office for Administration and Finance estimates that the Commonwealth will expend approximately \$9.4 million, exclusive of capital funds and emergency snow and ice removal costs, for such purposes. The Highway System does not include the Massachusetts Turnpike or the Sumner, Callahan or Ted Williams Tunnels, which are owned and operated by the Massachusetts Turnpike Authority, or the Tobin Memorial Bridge, which is owned and operated by the Massachusetts Port Authority.

The Commonwealth currently finances capital projects for the Highway System in accordance with a constitutional and statutory framework established for such purposes and with the five-year capital spending plan formulated by the Executive Office for Administration and Finance.

Legal Framework For Financing the Highway 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 Commonwealth currently imposes the following taxes and fees, the revenues from which are classified as Article 78 Revenues: (1) the Gasoline Tax; (2) certain other fuel taxes imposed under Chapter 64E and 64F of the Massachusetts General Laws ("Other Fuel Taxes"); (3) motor vehicle registration fees imposed under Section 33 of Chapter 90 of the Massachusetts General Laws ("Registration Fees"); (4) motor vehicle license fees imposed under Section 33 of Chapter 90 of the Massachusetts General Laws ("License Fees"); and (5) miscellaneous fees and other revenues imposed under Section 33 of Chapter 90 of the Massachusetts General Laws, relating to the operation and use of motor vehicle transportation ("Other Non-Tax Revenues"). Under current law, except for 16.4% of Gasoline Tax receipts (15% is credited to the General Fund and 1.4% is credited to various environmental budgeted funds), all of these revenues are credited to the Highway Fund.

Other Fuel Taxes include special fuel taxes imposed under Chapter 64E 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 Gasoline Tax. Diesel fuel and liquefied gases, such as propane gas, are included in the definition of special fuels. The special fuels tax rate and collection procedures are the same as those which are imposed by the Gasoline Tax, except the 21¢ statutory minimum price per gallon does not apply to liquefied gases. Other Fuel Taxes also include motor carrier taxes 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. Receipts from both taxes are currently credited to the Highway Fund, with portions earmarked for local use.

The Registration and License Fees are collected by the Registrar of Motor Vehicles or his or her 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. Section 33 of 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 Governor of the Commonwealth began to phase in the elimination of period passenger vehicle registration fees in favor of a one-time fee, which will become fully effective in fiscal 1999. The Governor also implemented a sharply reduced passenger vehicle operating license renewal fee which will be fully effective in fiscal 2002. Other Non-Tax Revenues include other fees collected by the Registrar of Motor Vehicles under Chapter 90.

Pledged Funds currently represent the amounts derived from 4.86¢ of the Gasoline Tax and Surplus 1992 Pledged Fund transferred from time to time to the Trustee from the 1992 Trustee (currently estimated to be approximately 1.79¢ per gallon upon issuance of the 1997 Bonds, based on fiscal 1997 Gasoline Tax Receipts; see "AUTHORIZATION, SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Flow of Pledged Funds"). Under the Trust Agreement, in connection with the issuance of Additional Bonds, and to the extent permitted by law, the Commonwealth may pledge as Additional Pledged Funds additional amounts of the Gasoline Tax, as well as other Article 78 Revenues. Under current law, only amounts credited to the Highway Fund may be pledged as security for the Bonds. See "AUTHORIZATION, SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Source of Pledged Funds" and "—Additional Bonds."

Statutory Framework. The Commonwealth has established a statutory framework governing the expenditure of Article 78 Revenues. Under Chapter 90 of the Massachusetts General Laws, which chapter governs public highways, the Commonwealth established the Highway Fund, into which most of the Article 78 Revenues are credited. In addition, the Commonwealth has credited the receipts of certain other taxes and fees to the Highway Fund, including a portion of the tax imposed on cigarettes under Chapter 64C of the Massachusetts General Laws.

The following table sets forth the historical amounts credited to the Highway Fund.

HISTORICAL AMOUNTS CREDITED TO HIGHWAY FUND⁽¹⁾
(in thousands)

<u>Fiscal Year</u>	<u>Gasoline Taxes⁽²⁾</u>	<u>Other Fuel Taxes</u>	<u>Registration and License Fees</u>	<u>Other Non-Tax Revenues</u>	<u>Total</u>
1997 (estimated)	\$447,965	\$66,528	\$295,130	\$37,050	\$846,673
1996	445,695	65,259	263,196	40,388	814,538
1995	429,254	63,625	302,863	40,769	836,511
1994	420,515	59,189	283,688	48,973	812,365
1993	420,609	53,682	330,685	52,919	857,895
1992	409,060	51,364	300,371	50,019	810,814
1991	354,540	44,768	293,083	62,726	755,117
1990	229,998	30,890	307,681	60,435	629,004
1989	233,295	31,921	226,025	77,326	568,567
1988	232,449	31,565	156,897	110,211	531,122

SOURCES: "Gasoline Taxes," "Other Fuel Taxes," "Registration and License Fees" and "Other Non-Tax Revenues," fiscal 1988-1996, Office of the Comptroller and fiscal 1997, Executive Office for Administration and Finance, Fiscal Affairs Division.

- (1) Excludes the portion of Cigarette Tax collected under Chapter 64C of the Massachusetts General Laws which was previously credited to the Highway Fund.
- (2) Net of refunds and abatelements from Gasoline Tax. Represents only that portion of the Gasoline Tax that is credited to the Highway Fund. See "COMMONWEALTH GASOLINE TAX—Refunds and Abatelements from Gasoline Tax."

Section 34 of Chapter 90 provides that the moneys credited to the Highway Fund, subject to appropriation by the Legislature, shall be used for the purposes listed therein, including administration of the laws relating to the use and operation of motor vehicles in the Commonwealth; maintaining, repairing and improving the Highway System, and local and MDC highways; the payment of debt service on Commonwealth general and special obligation highway bonds; and the maintenance of the department of state police. Historically, the Commonwealth has not funded all Highway System expenditures from amounts credited to the Highway Fund. The Legislature has also appropriated amounts for such purposes from both the General Fund and the Local Aid Fund. In fiscal years 1979 and 1980, and 1984 through 1987, the Commonwealth transferred amounts previously credited to the General Fund to the Highway Fund. In fiscal years 1988 and 1991, the Commonwealth transferred amounts previously credited to the Highway Fund to the General Fund. These transfers were authorized by the Legislature and were made to alleviate deficits which existed in the respective fund to which amounts were transferred. In connection with the enactment of the fiscal 1994 budget, the Legislature amended Section 34 of Chapter 90 to provide that revenues credited to the Highway Fund shall not be transferred to any other fund of the Commonwealth for any purpose.

In 1994, the voters in the statewide general election approved an initiative petition, effective December 8, 1994, that would slightly increase the portion of Gasoline Tax revenue credited to the Highway Fund, prohibit the transfer of money from the Highway Fund to other funds for non-highway purposes and exclude the Highway Fund balance from the computation of the "consolidated net surplus" for purposes of state finance laws. The initiative petition also provides that no more than 15% of Gasoline Tax revenues may be used for mass transportation purposes, such as expenditures related to the Massachusetts Bay Transportation Authority. This law is not a constitutional amendment and is subject to amendment or repeal by the Legislature, which may also, notwithstanding the terms of the initiative petition, appropriate moneys from the Highway Fund in such amounts and for such purposes as it determines, subject only to the constitutional restrictions described above concerning Article 78 Revenues. The Legislature has twice postponed the effective date of the provision that would exclude the Highway Fund balance from the computation of the "consolidated net surplus." The most recent postponement changed the effective date of the provision to July 1, 1998.

Sources of Funding for Current Highway System Capital Plan

The Commonwealth's capital spending plan currently provides for the expenditure in fiscal 1998 through fiscal 2002 of approximately \$9.6 billion by the Commonwealth for Highway System and other transportation (exclusive of MBTA) purposes. This amount includes approximately \$2.2 billion in expenditures to be funded by the issuance of Commonwealth bonds, \$1.4 billion in expenditures to be funded by third-party payments from certain independent authorities of the Commonwealth, \$1.5 billion in expenditures to be funded by the issuance of Commonwealth notes in anticipation of federal grants expected to be received after fiscal 2002 and approximately \$4.5 billion in expenditures to be funded by federal highway grants. A more detailed description of the Commonwealth's capital spending plan is contained in the Commonwealth's Information Statement. See "AVAILABILITY OF OTHER INFORMATION." The following describes the sources of funding for the expenditures to be funded by Commonwealth bonds.

General Obligation Highway Bonds. Until 1992, the Commonwealth issued only general obligation bonds for the purpose of funding capital projects relating to the Highway System. Under the provisions of the Massachusetts Constitution and relevant statutes, the Commonwealth is permitted to expend Article 78 Revenues and other moneys credited to the Highway Fund to pay debt service on such bonds. The full faith and credit of the Commonwealth are pledged to the payment of the debt service on such general obligation bonds.

Special Obligation Bonds. Under the Special Obligation Act, the Commonwealth is authorized to issue special obligation bonds of the Commonwealth to finance capital expenditures otherwise permitted to be made from the Highway Fund. The bonds issued thereunder may be secured by all or any portion of the moneys credited to the Highway Fund, will not constitute general obligations of the Commonwealth, and the full faith and credit of the Commonwealth will not be pledged to the payment of debt service thereon. The 1992 Bonds were the first issue of special obligation bonds issued under the Special Obligation Act. The 1997 Bonds are the fourth issue of special

obligation bonds issued under the Special Obligation Act and the third issue under the Trust Agreement and are payable only from the Pledged Funds.

In order for the Commonwealth to meet the debt service coverage tests imposed under the Trust Agreement to issue Additional Bonds it may pledge Additional Pledged Funds, which, to the extent permitted by law, may be composed of all or a portion of Article 78 Revenues, including a greater portion of the Gasoline Tax. See "Legal Framework for Financing the Commonwealth Highway System" and "AUTHORIZATION, SECURITY AND SOURCES OF PAYMENT FOR THE BONDS -- Additional Bonds."

Metropolitan Highway System

As part of the completion of the federal interstate highway system, the Commonwealth has undertaken a major transportation construction project to depress a portion of Interstate 93 in downtown Boston (the "Central Artery"), which is now elevated highway, and to construct a new tunnel under Boston Harbor, the Ted Williams Tunnel, to link the current terminus of the Massachusetts Turnpike with Logan Airport and roads leading to the area north of Boston. This project, known as the Central Artery/Ted Williams Tunnel project, will complete Interstate 90, which runs from the New York border to Boston, and connect it with Interstate 93 in downtown Boston. In early 1995, the Governor of the Commonwealth proposed legislation, in conjunction with the Central Artery/Ted Williams Tunnel project, to provide for the establishment of an integrated system of tunnels and highways to be owned and operated by the Massachusetts Turnpike Authority and to be known as the Metropolitan Highway System. Later that year, the Legislature enacted interim legislation providing for the transfer of the Ted Williams Tunnel to the Turnpike Authority and requiring the Turnpike Authority to make an initial payment of \$100 million to the Commonwealth. The interim legislation also called for further study of the Metropolitan Highway System concept, with a report to be filed by December, 1996. Following completion of that report, the Legislature enacted legislation in March, 1997, establishing the Metropolitan Highway System. The system comprises the Boston extension portion of the Massachusetts Turnpike, the Central Artery and the Sumner, Callahan and Ted Williams Tunnels. The legislation provides that as the various components of the system not previously owned by the Turnpike Authority are completed, each such completed segment will be transferred to the Turnpike Authority and thereafter be owned and operated by it, as was done with the Ted Williams Tunnel.

The Central Artery/Ted Williams Tunnel project is currently expected to be completed in 2004. Project costs to date have been funded by federal highway assistance, the proceeds of Commonwealth general and special obligation bonds and \$100 million from the Turnpike Authority. Future project costs not funded by federal highway grants are expected to be paid by the Commonwealth from the proceeds of general or special obligation bonds and grant anticipation notes, contributions from the Turnpike Authority and the Massachusetts Port Authority and proceeds from the sale or other disposition of air rights associated with the Metropolitan Highway System. Additional Bonds cannot be issued for such purpose, and any special obligation bonds issued for such purpose would have to be subordinated to the Bonds. See "AUTHORIZATION, SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Additional Bonds."

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 1997 Bonds, or in any way contesting or affecting the validity of the 1997 Bonds or the Trust Agreement, including the pledge of Pledged Funds.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company, New York, New York (“DTC”) will act as securities depository for the 1997 Bonds. The 1997 Bonds will initially be issued exclusively in book-entry form and the ownership of one fully registered 1997 Bond for each maturity set forth on the inside cover page hereof, each in the aggregate principal amount of such maturity, will be deposited with DTC.

DTC 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 securities that its participants (the “DTC Participants”) deposit with DTC. DTC also facilitates the settlement among DTC Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of the DTC Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as banks, securities brokers and dealers, and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (the “Indirect Participants”). The rules applicable to DTC and the DTC Participants are on file with the Securities and Exchange Commission.

Purchases of 1997 Bonds under the DTC system must be made by or through DTC Participants, which will receive a credit for the 1997 Bonds in the records of DTC. The ownership interest of each actual purchaser of each 1997 Bond (the “Beneficial Owner”) is in turn to be recorded on the DTC Participants’ and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations of their purchase providing details of the 1997 Bonds acquired, as well as periodic statements of their holdings, from the DTC Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 1997 Bonds will be accomplished by entries made on the books of DTC Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 1997 Bonds, except in the event that use of the book-entry system for the 1997 Bonds is discontinued.

To facilitate subsequent transfers, all 1997 Bonds deposited by DTC Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of the 1997 Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 1997 Bonds; DTC’s records reflect only the identity of the DTC Participants to whose accounts such 1997 Bonds are credited, which may or may not be the Beneficial Owners. The DTC Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants, and by DTC Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the 1997 Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each DTC Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the 1997 Bonds. 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 voting rights to those DTC Participants having the 1997 Bonds credited to their accounts on the record date (identified in a listing attached to the omnibus proxy).

NEITHER THE COMMONWEALTH NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR BY ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT; THE PAYMENT OF, OR THE PROVIDING OF NOTICE TO, THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS; OR WITH RESPECT TO ANY OTHER ACTION TAKEN BY DTC AS BONDOWNER.

Beneficial Owners of the 1997 Bonds will not receive or have the right to receive physical delivery of such 1997 Bonds, and will not be or be considered to be owners thereof. So long as Cede & Co. is the registered owner of the 1997 Bonds, as nominee of DTC, references herein to the holders or registered owners of the 1997 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the 1997 Bonds.

DTC may discontinue providing its services as securities depository with respect to the 1997 Bonds at any time by giving reasonable notice to the Commonwealth. Under such circumstances, unless a substitute depository is retained by the Commonwealth, 1997 Bonds will be delivered and registered as designated by the Beneficial Owners. The Beneficial Owner, upon registration of 1997 Bonds held in the Beneficial Owner's name, will become the Bondholder.

The Commonwealth may determine that continuation of the system of book-entry transfers through DTC (or a successor depository) is not in the best interest of the Beneficial Owners. In such event, 1997 Bonds will be delivered and registered as designated by the Beneficial Owners.

The principal of and interest and premium on the 1997 Bonds will be paid to DTC or its nominee, Cede & Co., as registered owner of the 1997 Bonds. Upon receipt of moneys, DTC's practice is to credit the accounts of the DTC Participants on the payable date in accordance with their respective holdings shown on the records of DTC unless DTC has reason to believe it will not receive payment on the payable date. Payments by DTC Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is now 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 DTC Participant or Indirect Participant and not DTC or the Commonwealth, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of the principal of and interest and premium on the 1997 Bonds to DTC is the responsibility of the Commonwealth; disbursement of such payments to DTC Participants and Indirect Participants shall be the responsibility of DTC; and disbursement of such payments to Beneficial Owners shall be the responsibility of the DTC Participants and the Indirect Participants.

Neither the Commonwealth nor the Trustee can give any assurances that DTC Participants or others will distribute payments of principal of and interest on the 1997 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.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY 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 1997 Bonds have been assigned ratings by Fitch Investors Service, LP, Moody's Investors Service, LP and Standard & Poor's Ratings Group of "AA-," "Aa3" and "AA," respectively.

Such ratings reflect only the respective views of such organizations, and an explanation of the significance of such ratings may be obtained from the rating agency furnishing the same. There is no assurance that a rating will continue for any given period of time or that a rating will not be revised or withdrawn entirely by any or all of such rating agencies, if, in its or their judgment, circumstances so warrant. Any downward revision or withdrawal of a rating could have an adverse effect on the market prices of the 1997 Bonds.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase all of the 1997 Bonds from the Commonwealth at a discount from the initial offering prices of the 1997 Bonds equal to .995% of the aggregate principal amount of the 1997 Bonds. The Underwriters may offer and sell the 1997 Bonds to certain dealers and others (including dealers depositing 1997 Bonds into investment trusts) at prices lower than the public offering prices (or yields higher than the offering yields) stated on the inside cover page hereof. The principal offering prices (or yields) set forth on the inside cover page hereof may be changed from time to time after the initial offering by the Underwriters.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Deloitte & Touche LLP will verify from the information provided to them the mathematical accuracy as of the date of the closing of the 1997 Bonds of (1) the computations contained in the provided schedules to determine that the anticipated receipts from the securities and cash deposits listed in the underwriter's schedules, to be held in escrow, will be sufficient to pay, when due, the principal, interest and call premium payment requirements, if any, of the Refunded Bonds, and (2) the computations of yield on both the securities and the 1997 Bonds contained in the provided schedules used by Bond Counsel in its determination that the interest on the 1997 Bonds is exempt from tax. Deloitte & Touche LLP will express no opinion on the assumptions provided to them, nor as to the exemption from taxation of the interest on the 1997 Bonds.

TAX EXEMPTION

Bond Counsel is of the opinion that, under existing law, interest on the 1997 Bonds will not be included in the gross income of holders of such 1997 Bonds for federal income tax purposes. This opinion is expressly conditioned upon compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), which requirements must be satisfied after the date of issuance of the 1997 Bonds in order to assure that the interest on the 1997 Bonds is and continues to be excludable from the gross income of the holders of such 1997 Bonds. Failure to comply could cause the interest on the 1997 Bonds to be included in the gross income of the holders thereof, retroactive to the date of issuance of such 1997 Bonds. In particular, and without limitation, those requirements include restrictions on the use, expenditure and investment of 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 its continued compliance with such requirements.

In the opinion of Bond Counsel, under existing law, interest on the 1997 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 1997 Bonds will be included in "adjusted current earnings" of corporate holders of such 1997 Bonds and therefore will be taken into account under section 56(g) of the Code in the computation of the alternative minimum tax applicable to certain corporations.

Bond Counsel has not opined as to other federal tax consequences of holding the 1997 Bonds. However, prospective purchasers of such 1997 Bonds should be aware that (i) section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the 1997 Bonds or, in the case of a financial

institution, that portion of a holder's interest expense allocated to such 1997 Bonds, (ii) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(i) reduces the deduction for losses incurred by 15% of the sum of certain items, including interest on the 1997 Bonds, (iii) interest on the 1997 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 1997 Bonds, may be subject to federal income taxation under section 1375 of the Code for S corporations that have Subchapter S 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 Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the 1997 Bonds and (vi) receipt of investment income, including interest on the 1997 Bonds, may disqualify the recipient thereof from obtaining the earned income credit under section 32(i) of the Code.

In the opinion of Bond Counsel, interest on the 1997 Bonds and any profit on the sale thereof are exempt from Massachusetts personal income taxes, and the 1997 Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the 1997 Bonds. Prospective purchasers should be aware, however, that the 1997 Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the 1997 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 1997 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 1997 Bond is equal to the excess, if any, of the stated redemption price at maturity of such 1997 Bond over the initial offering price thereof to the public, excluding underwriters and other intermediaries, at which price a substantial amount of all such 1997 Bonds with the same maturity was sold. Original issue discount accrues actuarially over the term of a 1997 Bond. Holders should consult their own tax advisers with respect to the computations of original issue during the period in which any such 1997 Bond is held.

On the date of delivery of the 1997 Bonds, the original purchasers thereof will be furnished with an opinion of Bond Counsel substantially in the form attached hereto. See "Appendix C—Form of Opinion of Bond Counsel."

OPINIONS OF COUNSEL

The unqualified approving opinion as to the legality of the 1997 Bonds will be rendered by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. of Boston, Massachusetts, Bond Counsel to the State Treasurer. The proposed form of the opinion of Bond Counsel is attached as Appendix C. Certain legal matters will be passed upon for the State Treasurer by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. of Boston, Massachusetts, as disclosure counsel to the State Treasurer. Certain legal matters will be passed upon for the Underwriters by their counsel, Hinckley, Allen & Snyder, Boston, Massachusetts.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with paragraph (b)(5) of Rule 15c2-12, the Commonwealth will undertake in the 1997 Bonds to provide annual reports and notices of certain events. A description of this undertaking is set forth in Appendix D attached hereto.

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.

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.

AVAILABILITY OF OTHER INFORMATION

For additional information about the Commonwealth, specific reference is made to the Commonwealth's Information Statement dated February 13, 1997 (the "February Information Statement"), as it appears in the Official Statement dated February 20, 1997 of the Massachusetts Bay Transportation Authority with respect to its 1997 Series A Notes (the "MBTA Official Statement"), and to the Commonwealth's Information Statement Supplement dated August 27, 1997 (the "Supplement"). Copies of the Supplement and the MBTA Official Statement have been filed with each Nationally Recognized Municipal Securities Information Repository currently recognized by the Securities and Exchange Commission. In addition, the MBTA Official Statement has been filed with the Municipal Securities Rulemaking Board. The Supplement and the February Information Statement must be read collectively and in their entirety in order to obtain the appropriate fiscal, financial and economic information concerning the Commonwealth through August 27, 1997. See "AVAILABILITY OF OTHER INFORMATION." ***It should be noted, however, that the 1997 Bonds are not general obligations of the Commonwealth and are not secured by the full faith and credit of the Commonwealth. The 1997 Bonds are payable only from Pledged Funds and other moneys available to the owners of the 1997 Bonds under the Trust Agreement. See "AUTHORIZATION, SECURITY AND SOURCES OF PAYMENT FOR THE BONDS—Special Obligations."***

Exhibits B and C to the Information Statement contain the Commonwealth's audited fiscal 1996 combined financial statements (statutory basis) and fiscal 1996 general purpose financial statements (GAAP basis), respectively. The Commonwealth does not prepare audited financial statements solely with respect to amounts of the Gasoline Tax credited to the Infrastructure Fund or the obligations of the Commonwealth under the 1992 Trust Agreement or the Trust Agreement, and, accordingly, no such audited information is included in this Official Statement or expected to be available in the future. The information relating to the Gasoline Tax receipts has been obtained from the Department of Revenue or the Office of the Comptroller of the Commonwealth and is unaudited.

Questions regarding this Official Statement or requests for additional information concerning the Commonwealth should be directed to Jeffrey S. Stearns, Assistant Deputy Treasurer, One Ashburton Place, Boston, Massachusetts 02108, telephone 617/367-3900, or Lowell L. Richards, III, Assistant Secretary for Capital Resources, 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 R. Regier or Navjeet K. Bal, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, Massachusetts 02111, telephone 617/542-6000.

THE COMMONWEALTH OF MASSACHUSETTS

By /s/ Joseph D. Malone
Treasurer and Receiver-General

By /s/ Charles D. Baker
Secretary of Administration and Finance

September 18, 1997

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SUMMARY OF CERTAIN PROVISIONS OF THE SPECIAL OBLIGATION ACT

The following is a brief summary of certain provisions of the Special Obligation Act (referred to in this summary as the "Act"), pursuant to which the 1997 Bonds are being issued. The Act is codified as Section 20 of Chapter 29 of the Massachusetts General Laws. The Act may be amended after the issuance of the 1997 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 Act contains certain covenants of the Commonwealth, the Trust Agreement provides that any provision of the 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. See "Appendix B—Summary of Certain Provisions of the Trust Agreement." This summary of the Act does not purport to be complete, and reference is made to the Act for a full and complete statement of its terms and provisions.

Infrastructure Fund

The Act establishes in the Highway Fund a subfund to be known as the Infrastructure Fund, which is to be invested by the State Treasurer and which is deemed to be a part of the Highway Fund. Forty-seven and sixty-two hundredths percent of the receipts paid into the treasury of the Commonwealth and directed by the Gasoline Tax Act to be credited to the Highway Fund for general Highway Fund purposes are directed by the Act to be credited to the Infrastructure Fund. Such receipts, together with investment earnings thereon, are referred to throughout the Act as "special receipts." Expenditures may be made from the Infrastructure Fund, subject to appropriation, only for the following purposes: (i) for the payment of the principal, including sinking fund payments, of and premium, if any, and interest on special obligation bonds of the Commonwealth issued pursuant to the Act for one or more of the purposes for which Highway Fund moneys may be expended, (ii) for the maintenance of, or provision for, any reserves, additional security, insurance or other form of credit enhancement required or provided for in any trust agreement entered into pursuant to the Act to secure such bonds, (iii) for direct expenditures for any such purposes for which Highway Fund moneys may be expended, any such direct expenditures to be made only in compliance with any applicable restrictions relating thereto, including without limitation any coverage requirements contained in any such trust agreement or credit enhancement agreement, and (iv) for capital projects and capital assistance funds for regional transit authorities as described in section twenty-three of chapter eight hundred and eleven of the acts of nineteen hundred and eighty-five.

Special Obligation Bonds

Bonds issued in accordance with the provisions of the Act are special obligations of the Commonwealth payable from special receipts to the extent available and in any case payable solely from moneys credited to the Highway 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 State Treasurer, with the concurrence of the Secretary of Administration and Finance and the Secretary of Transportation and Construction, on behalf of the Commonwealth, which trust agreement may pledge or assign all or any part of moneys credited to the Highway Fund and rights to receive the same, whether existing or coming into existence and whether held or thereafter acquired, and the proceeds thereof. The State Treasurer is also authorized, with the concurrence of the Secretary of Administration and Finance and the Secretary of Transportation and Construction, 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 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 State Treasurer, and no filing need be made under the Massachusetts Uniform Commercial Code.

The 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 State 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 (referred to in the Act as "pledged funds") and other matters deemed necessary or desirable by the State Treasurer for the security of such special obligation bonds, and may also regulate the custody, investment and application of moneys. 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 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 or notes issued by the Commonwealth, and in consideration of the acceptance of payment for any such special obligation bonds or notes, the Commonwealth covenants in the Act with the purchasers and all subsequent holders and transferees of any such special obligation bonds or notes that while any such special obligation bond or note shall remain outstanding, and so long as the principal of or interest on any such special obligation bond or note shall remain unpaid, (i) special receipts shall not be diverted from the purposes identified herein, (ii) no pledged funds shall be diverted from the Highway Fund, (iii) 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 and notes 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 bonds or notes, no pledged funds shall be applied to any other use and (iv) so long as such revenues are necessary, as determined by the State 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 and excises directed by the General Laws to be credited to the Highway Fund shall not be reduced below the amount in effect at the time of issuance of any such bond or note.

Limitation on Central Artery/Third Harbor Tunnel Expenditures

Notwithstanding the provisions of any other general or special law to the contrary, the Act provides that no more than 10% of the net fiscal year receipts in any fiscal year prior to July 1, 2000, of the Gasoline Tax Act may be expended for the construction of the Central Artery/Third Harbor Tunnel project. If, in any such fiscal year, less than 10% of the net fiscal year receipts is expended for such construction, the difference between 10% of the net fiscal year receipts and the amount actually expended on such construction during that fiscal year will be available during that or any subsequent fiscal year for any other construction or reconstruction purpose, or in any subsequent fiscal year for Central Artery/Third Harbor Tunnel construction, provided, however, that amounts of said 10% net fiscal year receipts expended in any fiscal year for purposes other than the Central Artery/Third Harbor Tunnel construction project will be available for expenditure for Central Artery/Third Harbor Tunnel construction in any subsequent fiscal year. If the above-described difference is used in a subsequent year for such Central Artery/Third Harbor Tunnel construction, the total amount used for such Central Artery/Third Harbor Tunnel construction during that subsequent fiscal year may exceed the 10% of net fiscal year receipts permitted by the Act, but the total amount used for such construction may not exceed 20% of the net fiscal year receipts in that subsequent fiscal year. Further, notwithstanding the foregoing, no more than 20% of the special receipts received in any fiscal year may be paid in that or any subsequent fiscal year for debt service on bonds or notes, or portions thereof, issued to finance the Central Artery/Third Harbor Tunnel project, or for direct expenditures on such project, and any trust agreement or credit enhancement agreement entered into by the Commonwealth pursuant to the Act must contain a covenant to that effect. (By legislation enacted in May, 1997, the Legislature has made such limitation inapplicable to the payment of grant anticipation notes issued by the Commonwealth for the purposes of the Central Artery/Ted Williams Tunnel project.)

APPENDIX B

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, to which reference is hereby made. Copies of the Trust Agreement are available from Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, MA 02111, Attn: John R. Regier, Bond Counsel to the Commonwealth.

Definitions

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

"Act" shall mean the provisions of Section 20 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.

"Adjusted Bond Debt Service Requirements" shall mean:

- (i) With respect to Variable Rate Bonds, the aggregate Bond Debt Service Requirements based upon an interest rate equal to the Variable Rate Ceiling; 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, but shall be deemed to include all periodic Bond Related Costs and other payments to the provider of any Liquidity Facility, and 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;
- (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; and
- (v) the amount of any investment earnings and return of principal or projected investment earnings and projected return of principal, as the case may be, allocable to amounts in the Debt Service Reserve Fund, shall be deducted from the Adjusted Bond Debt Service Requirements for the applicable period.

“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.

“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 and any other person authorized by law to perform a duty or sign a document under the Trust Agreement.

“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 which may be issued as special obligation bonds under the provisions of the Act.

“Bonds” shall mean any of the Bonds of the Commonwealth authenticated and delivered under the Trust Agreement.

“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.

“1992 Bonds” shall mean any outstanding bonds issued pursuant to the 1992 Trust Agreement.

“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.

“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 and, if authorized by a Supplemental Trust Agreement, shall include a Reserve Credit Facility.

“Debt Service Fund Requirement” shall mean, as of any particular date of computation, (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 there be no such date with respect to such Bonds, the date of issuance thereof, 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 there be no such date with respect to such Bonds, the date of issuance thereof, to such Principal Installment payment date.

“Debt Service Reserve Fund Requirement” shall mean, as of any particular date of computation and subject to the proviso below, the amount described in (i), (ii) or (iii) below, whichever amount is the smallest:

- (i) ten percent (10%) of the original principal amount of all Series of Bonds Outstanding, provided that if a Series had more than a de minimis amount (as

defined in U.S. Treas. Reg. §1.148-1) of original issue discount or premium, the issue price (as so defined) of such Series, net of pre-issuance accrued interest (as so defined), shall be used to measure said ten percent limitation in lieu of the original principal amount;

- (ii) one hundred twenty-five percent (125%) of the average annual aggregate amount of Principal Installments and interest becoming due in any Fiscal Year on all Bonds Outstanding, using the Assumed Rate for any Variable Rate Bonds (or any Reimbursement Obligations issued in connection therewith which are deemed to be Bonds as described in “Credit Enhancement/LiquidityFacilities” below); or
- (iii) fifty percent (50%) of the maximum aggregate amount of Principal Installments and interest becoming due in the current or any future Fiscal Year on all Bonds Outstanding, using the Assumed Rate for any Variable Rate Bonds (or any Reimbursement Obligations issued in connection therewith which are deemed to be Bonds as described in “Credit Enhancement/LiquidityFacilities” below), less, in any such Fiscal Year, any amounts received as payment of accrued interest from the sale of any Bonds which amounts are deposited in the Debt Service Fund;

provided, however, that if the Trustee shall receive the notice described in “Covenant as to Gasoline Taxes and Infrastructure Fund” below, the amount in (iii) above shall become “one hundred percent (100%)” rather than “fifty percent (50%).”

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

“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.

“Funded Debt Service Fund Requirement” shall mean, as of any particular date of computation, an amount equal to the Debt Service Reserve Fund Requirement less the stated and unpaid amounts of all Reserve Credit Facilities and any amount required to reimburse any provider of a Reserve Credit Facility, to the extent provided in a Supplemental Trust Agreement.

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

“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.

“Highway Fund” shall mean the Highway Fund of the Commonwealth so designated by Section 34 of Chapter 90 of the Massachusetts General Laws, as amended, or any other fund or account of the Commonwealth or any agency thereof created in replacement thereof.

“Infrastructure Fund” shall mean the subfund of the Highway 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.

“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.

“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) 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;
- (iii) 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;
- (iv) 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;
- (v) (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;

- (vi) 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%;
- (vii) Money market funds rated in the highest short-term Rating Category by each Rating Agency then maintaining a rating on any Bonds;
- (viii) Commercial paper rated in the highest short-term Rating Category by each Rating Agency then maintaining a rating on any Bonds;
- (ix) Advanced-Refunded Municipal Bonds;
- (x) Short-term or long-term obligations the interest on which is excludable from gross income for Federal income tax purposes and that are rated in the three highest rating categories by each Rating Agency then maintaining a rating on any Bonds Outstanding;
- (xi) 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 that portion of the Gasoline Tax equal to four and eighty-six hundredths cents (\$.0486) per gallon;
- (ii) all moneys received or to be received by the Trustee from the 1992 Trustee pursuant to the 1992 Trust Agreement;
- (iii) immediately upon the discharge and release of the lien of the 1992 Trust Agreement in accordance with the “Defeasance” section thereof, all moneys received or to be received by the Commonwealth from that portion of the Gasoline Tax equal to two cents (\$.02) per gallon, together with any other amounts then constituting “Pledged Funds” within the meaning of the 1992 Trust Agreement; and

- (iv) to the extent permitted in the Trust Agreement such Addition 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.

“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, Standard & Poor’s Corporation and Fitch Investors Service and their 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.

“Reserve Credit Facility” shall mean one or more of the following which may be deposited in the Debt Service Reserve Fund:

- (i) an irrevocable, unconditional and unexpired letter of credit or other financial commitment issued by a banking institution the unsecured long-term obligations of which are rated, by each Rating Agency then maintaining a rating on the Bonds Outstanding, at least equal to “A,” but in no event lower than the Rating Category designated by such Rating Agency for the Bonds Outstanding, or, if any such Rating Agency does not maintain a rating on such banking institution, it shall confirm that the deposit of the Reserve Credit Facility shall not result in a reduction of its rating on the Bonds Outstanding, or
- (ii) an irrevocable and unconditional policy or policies of insurance in full force and effect and issued by a municipal bond insurer having a rating, from each Rating Agency then maintaining a rating on the Bonds Outstanding, at least equal to “A,” but in no event lower than the Rating Category designated by such Rating Agency for the Bonds Outstanding, or, if any such Rating Agency does not maintain a rating on such insurer, it shall confirm that the deposits of the Reserve Credit Facility shall not result in a reduction of its rating on Bonds Outstanding,

in each case providing for the payment of sums for the payment of Principal Installments and interest on Bonds in the manner provided under “Debt Service Reserve Fund and Reserve Account” below.

“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.

“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.

“1992 Trust Agreement” shall mean the Trust Agreement dated as of June 1, 1992 between the Commonwealth and the 1992 Trustee relating to Special Obligation Revenue Bonds issued pursuant to the provisions of Section 20 of Chapter 29 of the Massachusetts General Laws, as such agreement may be amended and supplemented from time to time.

The Pledge

There are pledged for the payment of principal and Redemption Price of and interest on the 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 amounts, securities and Reserve Credit Facilities 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 (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 Gasoline Tax 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.

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.

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 or Discount 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. Variable Rate Bonds shall not exceed fifteen percent (15%) of the aggregate principal amount of all Bonds Outstanding. Any Variable Rate Bonds shall bear a ceiling (the “Variable Rate Ceiling”) on the interest payable thereunder. Upon the date of issuance of any Variable Rate Bonds, an Authorizing Officer will determine the interest rate (the “Assumed Rate”) which is the average interest rate expected to be paid on such Variable Rate Bonds for the balance of the Fiscal Year in which such Bonds are issued. Not later than fifteen (15) business days after the commencement of each Fiscal

Year thereafter, an Authorizing Officer will establish an Assumed Rate for such Variable Rate Bonds which shall be the Assumed Rate thereof for such Fiscal Year.

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 must be secured at all times 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.

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 (not to exceed \$50 million) of certain MDC projects or refunding any Bonds or any 1992 Bonds, (ii) the making of deposits in the Debt Service Fund and the Debt Service Reserve Fund, (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) 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 eighteen (18) month period ending with the last full month immediately preceding the issuance of the Additional Bonds;
- (iii) 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 twelve (12) consecutive months out of such eighteen (18) month period referred to in subparagraph (ii) above was not less than two hundred percent (200%) 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 Gasoline Tax or any other Additional Pledged Funds which amounts shall have been collected by the Commonwealth for at least twelve (12) consecutive months of the eighteen (18) month period described in subparagraph (ii) above, (x) a certificate of the Comptroller and/or the Commissioner of Revenue showing Pledged Funds for eighteen (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 (ii) above for any twelve (12) consecutive months during the eighteen (18) month period described in (x) above shall be not less than two hundred

percent (200%) 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 Gasoline Tax or any other Additional Pledged Funds, which Additional Pledged Amounts have not been collected by the Commonwealth during at least twelve (12) consecutive months of the eighteen (18) month period described in subparagraph (ii) 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 two hundred percent (200%) 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;

- (iv) If the Commonwealth shall deliver a certificate described in (iii)(B) above, which shall include as a basis for calculation of Pledged Funds any Additional Pledged Funds, other than an additional portion of the Gasoline Tax or a certificate pursuant to (iii)(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;
- (v) A certificate of the Secretary of Administration and Finance that the amount of such Additional Bonds are within the limitations established by the Capital Spending Plan in effect as of the date of issuance of such Additional Bonds.

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 that the Adjusted Bond Debt Service Requirement in each Fiscal Year in which Bonds will be Outstanding as computed in (b) of this paragraph will not be greater than the Adjusted Bond Debt Service Requirement in each such Fiscal Year as computed in (a) of this paragraph; 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.

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 on a subordinated basis. 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.

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 Gasoline Tax or any other amounts not included as Pledged Funds.

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 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.

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.

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) Debt Service Reserve Fund;
- (iv) Bond Related Costs Funds; and
- (v) 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 and Reserve Account to be maintained as part of the Infrastructure Fund which are to be held by the Treasurer so long as Bonds shall remain Outstanding. Such Accounts shall be deposited with the Trustee and shall be subject to the pledge created under the Trust Agreement.

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.

Revenue Account

The Commissioner of Revenue shall deliver to the Trustee within eight (8) business days after the end of the month, commencing with the end of the month immediately following the month in which the Bonds are issued, a certificate stating the amount of Pledged Funds collected by the Commonwealth during such month. Such amount shall be paid by the Treasurer to the Trustee within the two (2) business days thereafter from amounts credited to the Infrastructure Fund, or from amounts otherwise credited to the Highway Fund if the amounts credited to the Infrastructure Fund are less than the Pledged Funds calculated as described above, and deposited by the Trustee in the Revenue Account and applied as set forth below.

Immediately upon receipt thereof, the Trustee shall deposit in the Revenue Account any Pledged Funds received from the 1992 Trustee pursuant to the 1992 Trust Agreement, to be applied as set forth below.

So long as the Act shall require that the expenditure of amounts in the Infrastructure 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) that portion of the Debt Service Reserve Fund Requirement, if any, required to be funded for such Fiscal Year;
- (iii) the Bond Related Costs, if any, for such Fiscal Year; and
- (iv) the Rebate Fund Requirement, if any, for such Fiscal Year.

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.

Flow of Funds

On the last business day of each calendar month beginning with the second month immediately following the month in which the Bonds are delivered, 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 which together with other amounts on deposit in such fund, will equal the Debt Service Fund Requirement calculated as of the next succeeding interest payment date or Principal Installment payment date, as the case may be; provided, however, 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 Debt Service Reserve Fund, an amount equal to one-thirty-sixth ($1/36$ th) of the Funded Debt Service Reserve Fund Requirement (including any amounts required to be deposited in preceding months for which amounts were not available) until the amount on deposit therein equals the Funded Debt Service Reserve Fund Requirement; provided, however, that if notice shall have been given to the Trustee pursuant to "Covenant as to Gasoline Taxes and Infrastructure Fund" below of a change in the amount of the Debt Service Reserve Fund Requirement, the foregoing provision shall apply to the amount of the Funded Debt Service Reserve Fund Requirement calculated without regard to such notice and the Trustee shall, in addition, deposit an amount equal to one-twelfth ($1/12$ th) of the difference between the Funded Debt Service Reserve Fund Requirement prior to such notice and the revised Funded Debt Service Reserve Fund Requirement (including any amounts required to be deposited in preceding months for which amounts were not available) until the amount on deposit therein equals the revised Funded Debt Service Reserve Fund Requirement; provided, further, that the aggregate amount deposited in the Debt Service Reserve Fund during a Fiscal Year shall not exceed the Appropriated Amount during such Fiscal Year for such purpose unless the Treasurer shall certify in writing to the Trustee that any deposits of any such amounts shall not be subject to appropriation;
- (iii) To the Reserve Account, any amount set forth in subparagraph (ii) above in excess of the Appropriated Amount for such purpose for such Fiscal Year; provided, however, that such amounts deposited in the Reserve Account shall be transferred to the Debt Service Reserve Fund upon the delivery of a certificate by the Secretary of Administration and Finance and the Treasurer to the Trustee to the effect that an appropriation is then in effect permitting such deposit in the Debt Service Reserve Fund;
- (iv) To the Bond Related Costs Fund, at such times and in such amounts, if any, as necessary to pay Bond Related Costs; 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;
- (v) To the Rebate Fund, the amount of the Rebate Fund Requirement, 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.

Upon deposit of the amounts described above and so long as there shall be Appropriated Amounts sufficient to pay the amounts set forth in subparagraph (i) above (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 (iv) and (v) above for which Appropriated Amounts are insufficient) shall be transferred by the Trustee on the last business day of each month 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.

Debt Service Fund

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 forty-fifth (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.

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 is insufficient to pay the principal and Redemption Price of and interest on the Bonds then due, the Trustee shall withdraw from the Redemption Fund and deposit in the Debt Service Fund the amount necessary to meet the deficiency (other than amounts held therein for the redemption of Bonds 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 at prices not exceeding the applicable Redemption Prices (plus accrued interest) had such Bonds 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.

Debt Service Reserve Fund and Reserve Account

If at any time the amounts on deposit and available therefor in the Debt Service Fund, the Bond Related Costs Fund, or the Redemption Fund are insufficient to pay the principal, the Redemption Price of, and interest on the Bonds then due, the Trustee shall withdraw from the Debt Service Reserve Fund and deposit in the Debt Service Fund the amount necessary to meet the deficiency. If the amounts transferred from the Debt Service Reserve Fund are insufficient to pay such deficiency, the Trustee shall withdraw from the Reserve Account the amount necessary to meet the balance of such deficiency; provided, however, that the aggregate of such amount deposited therein from the Reserve Account shall not in any Fiscal Year, together with all other amounts deposited in the Debt Service Fund (other than from the Debt Service Reserve Fund) during such Fiscal Year, exceed the Appropriated Amount for the purpose of paying the principal, the Redemption Price of, and interest due on the Bonds Outstanding during such Fiscal Year. Amounts so withdrawn from the Debt Service Reserve Fund shall be derived, first, from cash or Permitted Investments on deposit therein and, second, from draws or demands on Reserve Credit Facilities held as a part thereof upon the

terms and conditions set forth in any such Reserve Credit Facility or as set forth in the Applicable Supplemental Trust Agreement setting forth such Reserve Credit Facility.

If any draws are made from Reserve Credit Facilities and cash or Permitted Investments, amounts paid into the Debt Service Reserve Fund to replenish such amounts shall be paid first pro rata to the providers of the Reserve Credit Facilities to the extent of draws thereunder and then deposited in the Debt Service Reserve Fund.

If on any interest payment date, the amount on deposit in the Debt Service Reserve Fund and the Reserve Account is in excess of the Funded Debt Service Reserve Fund Requirement (calculated as of such interest payment date after the payment of the amount due on such date for the interest and Principal Installments on all Bonds Outstanding) the Trustee shall transfer such excess, first from the Reserve Account and then from the Debt Service Reserve Fund, to the Treasurer free and clear of the lien granted under the Trust Agreement and such amount may be thereupon applied to any purpose permitted by law.

Whenever the Trustee shall determine that the amount of cash and Permitted Investments on deposit in the Debt Service Reserve Fund and Reserve Account, together with all other funds available for the purpose, is equal to or in excess of the Redemption Price of all Bonds Outstanding, the Trustee, at the direction of an Authorized Officer, shall transfer the balance of such cash and Permitted Investments from the Debt Service Reserve Fund and Reserve Account to the Redemption Fund in connection with the redemption of all Bonds Outstanding; provided, however, that such amount deposited therein from the Reserve Account, together with all other amounts deposited therein (other than from the Debt Service Reserve Fund) during such Fiscal Year, shall not in such Fiscal Year exceed the Appropriated Amount for the purpose of paying the Redemption Price of all Bonds Outstanding during such Fiscal Year.

At any time, the Trustee shall, upon the written direction of an Authorized Officer, transfer any amount in the Debt Service Reserve Fund or the Reserve Account to the Bond Related Costs Fund in exchange for one or more Reserve Credit Facilities with aggregate stated and unpaid amounts not less than the amount so transferred; provided, however, that the aggregate amount so transferred from the Reserve Account during a Fiscal Year, together with amounts transferred to the Bond Related Costs Fund from the Revenue Account, 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.

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 is insufficient to pay the principal and Redemption Price of and interest on the Bonds 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 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 during such Fiscal Year.

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.

Investments

Except as otherwise described below under "Defeasance", money held for the credit of any Fund or Account under the Trust Agreement shall be invested 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. Amounts on deposit in the Debt Service Fund, the Debt Service Reserve Fund or the Reserve Account may only be invested in Permitted Investments of the type described in subparagraphs (i), (ii), (iii), (iv), (vi), (vii), (ix) or (xi) of the definition of Permitted Investments. Amounts on deposit in the Debt Service Reserve Fund or the Reserve Account may not be invested in any such Permitted Investments which mature or are otherwise not redeemable at the option of the holder for a period of more than five (5) years after the purchase thereof. 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 amortized cost. Unless otherwise provided in the Trust Agreement, Permitted Investments in any fund or account thereunder shall be valued at least once in each Fiscal Year on the last day thereof. Notwithstanding the foregoing, Permitted Investments in the Debt Service Reserve Fund shall be valued at amortized cost for all purpose of the Trust Agreement unless and until a withdrawal from such Fund shall be required, in which event such investments shall thereafter be valued at amortized cost or market, whichever is lower, until the balance in such Fund, on the basis of such valuation, shall equal the Funded Debt Service Fund Requirement.

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.

Extension of Payment of Bonds

The Commonwealth agrees not to directly or indirectly extent 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.

Covenant as to Gasoline Taxes and Infrastructure Fund

So long as any Bonds are Outstanding, the Commonwealth covenants to maintain that portion of the Gasoline Tax credited to the Highway Fund at all times at a rate of not less than six and eighty-six hundredths cents (\$.0686) per gallon or at such higher rate as may be established in a Supplemental Trust Agreement in connection with the pledge of Additional Pledged Funds. In addition, the Commonwealth covenants not to 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 not to 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 1992 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. 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 penultimate 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 for such Fiscal Year and the Adjusted Bond Debt Service Requirement for all Bonds Outstanding during such Fiscal Year. Such certificate shall also demonstrate whether the amount of Pledged Funds received by the Treasurer during any twelve (12) consecutive months out of the eighteen (18) month period ended at the end of such Fiscal Year was not less than two hundred percent (200%) of the maximum aggregate Adjusted Bond Debt Service Requirement due in the then current or any future Fiscal Year on Bonds Outstanding. If the certificate demonstrates that such amount was less than two hundred percent (200%) of such requirement as aforesaid, such certificate shall contain a notice to the Trustee that the definition of "Debt Service Reserve Fund Requirement" shall immediately be modified in accordance with the proviso at the end of said definition.

Unless otherwise permitted by law, no more than twenty percent (20%) of amounts to be credited to the Infrastructure Fund under the Act and received in any Fiscal Year shall be paid in such Fiscal Year or any subsequent Fiscal Year for any principal or interest on any bonds or notes or portions thereof, including any Bonds Outstanding, issued to finance the central artery/third harbor tunnel project, so-called, or for direct expenditures on such project.

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

Capital Spending Plan

The Secretary of Administration and Finance at the date of delivery of the 1994 Bonds filed with the Trustee the capital spending plan (the "Capital Spending Plan") of the Commonwealth then in effect and thereafter, has filed and so long as any Bonds shall remain Outstanding, shall file with the Trustee any amendments or supplements thereto and any subsequent Capital Spending Plan prepared for the Commonwealth.

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.

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.

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 Gasoline Taxes and Infrastructure 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 thirty (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 thirty (30) day period, it shall not constitute an Event of Default hereunder if corrective action is instituted by the Commonwealth within such period and diligently pursued until the default is remedied.

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, as follows:
 - (a) unless the principal amount of all of the Bonds shall have become due and payable,

First: To the payment to the persons entitled thereto to all installments of interest then due 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 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 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 shall have become due and payable, to the payment of the principal amount and interest then due and unpaid upon the 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 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.

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.

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 twenty-five percent (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.

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.

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 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, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties under the Trust Agreement except for its own negligence or bad faith nor shall any Fiduciary be liable for 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.

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 thirty (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.

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 sixty (60) days' written notice to the Treasurer and giving not less than thirty (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.

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 ninety (90) days, prior written notice to the Trustee for such other reason as shall be determined in the sole discretion of the Treasurer.

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 successor 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 fifty million dollars (\$50,000,000), if there be such a bank or trust company or national

banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all duties imposed upon it by the Trust Agreement.

Supplemental Trust Agreement Effective upon Filing

The 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, Liquidity Facility, or Reserve Credit Facility;
- (vii) to exercise any provision in the Trust Agreement or to make such determinations thereunder as expressly provided therein to be exercised or determined in a Supplemental Trust Agreement;
- (viii) to confirm, as further assurance, any pledge under and the subjection to any lien or pledge created or to be created by the Trust Agreement of the 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.

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.

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 if 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.

Unclaimed Funds

Any moneys held by the Fiduciary in trust for the payment and discharge of any Bonds which remain unclaimed for three (3) 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 (3) 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.

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.

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PROPOSED FORM OF OPINION OF BOND COUNSEL

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

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.
One Financial Center
Boston, Massachusetts 02111

701 Pennsylvania Avenue, N.W.
Washington, D.C. 20004
Telephone: 202/434-7300
Fax: 202/434-7400

Telephone: 617/542-6000
Fax: 617/542-2241

[To the Underwriters]

Re: The Commonwealth of Massachusetts Special Obligation Revenue Bonds, Consolidated Loan of 1997, Series A.

We have acted as bond counsel in connection with the issuance by The Commonwealth of Massachusetts (the "Commonwealth") of its Special Obligation Revenue Bonds, Consolidated Loan of 1997, Series A, dated September 1, 1997 (the "Bonds"). We have examined Section 20 of Chapter 29 of the Massachusetts General Laws, as amended (the "Act"), Section 53A of said Chapter 29, Chapter 33 of the Acts of 1991, as amended, and other applicable statutes. We have also examined an executed counterpart of the Trust Agreement dated as of June 1, 1994 (the "Trust Agreement") between the Commonwealth and State Street Bank and Trust Company, as trustee (the "Trustee"), as supplemented by a Supplemental Trust Agreement dated as of September 1, 1997 (the "Supplemental Trust Agreement" and, collectively with the Trust Agreement, the "Agreement"), and such certified proceedings and other papers as we have deemed necessary to render this opinion. Reference is made to the Trust Agreement dated as of June 1, 1992, as supplemented by a First Supplemental Trust Agreement dated June 10, 1992 and by a Second Supplemental Trust Agreement dated June 28, 1994 (as supplemented, the "1992 Agreement"), between the Commonwealth and State Street Bank and Trust Company, as trustee (the "1992 Trustee"). Capitalized terms not otherwise defined herein are used herein as defined in the Trust Agreement.

The Bonds are issued pursuant to the Trust Agreement. Bonds issued under the Trust Agreement, including the Bonds, are payable from and secured by a pledge of (i) all moneys received or to be received by the Commonwealth from that portion of the excise imposed on fuel (other than aviation fuel) by the provisions of Chapter 64A of the Massachusetts General Laws in effect as of the date hereof (the "Gasoline Tax") equal to four and eighty-six hundredths cents per gallon, (ii) all moneys received or to be received by the Trustee from the 1992 Trustee pursuant to the 1992 Agreement, (iii) immediately upon the discharge and release of the lien of the 1992 Agreement, all moneys received or to be received by the Commonwealth from that portion of the Gasoline Tax equal to two cents per gallon, together with any other amounts then constituting "Pledged Funds" within the meaning of the 1992 Agreement, and (iv) any additional portions of the Gasoline Tax or other funds which may be pledged by the Commonwealth in accordance with the provisions of the Trust Agreement (collectively, the "Pledged Funds").

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

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

1. The Commonwealth has the right and power under the Act to enter into the Trust Agreement and the Supplemental Trust Agreement, and each 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 Executive Office of Transportation and Construction of the Commonwealth.
2. The Trust Agreement and the Supplemental Trust Agreement have been duly authorized, executed and delivered by the Commonwealth, are in full force and effect and constitute valid and binding obligations of the Commonwealth enforceable upon the Commonwealth in accordance with the respective terms thereof. No other authorization for the Agreement is required.
3. Pursuant to the Act, the Trust Agreement creates the valid pledge which it purports to create of the Pledged Funds, rights, moneys, securities, credit facilities and funds held under the Trust Agreement, in the manner and to the extent provided in the Agreement, for the security of the Bonds on a parity with other bonds (if any) to be issued under the Trust Agreement, subject to no prior lien granted under the Act.
4. The 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 the Agreement. The 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 Bonds are payable solely from the sources provided therefor in the Agreement.
5.
 - (a) Interest on the Bonds is excluded from gross income for federal income tax purposes. This opinion is subject to the condition that the Commonwealth comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Commonwealth has covenanted to comply with each such requirement. Failure to comply with certain of such requirements could cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.
 - (b) While interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed under federal tax law on individuals and corporations, interest on the Bonds will be included in the "adjusted current earnings" of corporate holders of the Bonds and therefore will be taken into account in computing the alternative minimum tax imposed on certain corporations.
 - (c) We express no opinion regarding other federal tax consequences arising with respect to the Bonds.
6. Interest on the Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion as to other Massachusetts tax consequences arising with respect to the Bonds nor as to the taxability of the Bonds or the income therefrom under the laws of any state other than Massachusetts.
7. For federal and Massachusetts 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 Bonds with the same maturity was sold. Original issue discount accrues actuarially over the term of a Bond.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the 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.

Very truly yours,

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

Commonwealth of Massachusetts

Special Obligation Revenue Bonds
Consolidated Loan of 1997, 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 Bonds to provide to each nationally recognized municipal securities information repository (each, a "NRMSIR") within the meaning of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule") and to the state information depository for the Commonwealth, if any (the "SID"), within the meaning of the Rule, no later than 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 each NRMSIR and the SID 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 September 18, 1997 (the "Official Statement") relating to the Commonwealth's Special Obligation Revenue Bonds, Consolidated Loan of 1997, 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 GASOLINE TAX - Historical Information Regarding Gasoline Tax"
2. Summary presentation of actual Gasoline Tax receipts on a ten-year comparative basis, concluding with the prior fiscal year.	"COMMONWEALTH GASOLINE TAX - Historical Information Regarding Gasoline Tax"
3. Summary presentation of actual monthly Gasoline Tax receipts for the two most recently completed fiscal years.	"COMMONWEALTH GASOLINE TAX - Historical Information Regarding Gasoline Tax"
4. Aggregate annual fiscal year debt service requirements for special obligation bonds issued under the 1994 trust agreement, beginning with the current fiscal year.	"DEBT SERVICE REQUIREMENTS - Total Debt Service"
5. Summary presentation of actual Highway Fund revenues on a ten-year comparative basis, concluding with the prior fiscal year.	"FINANCING THE COMMONWEALTH HIGHWAY SYSTEM - Legal Framework for Financing the Highway System"

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 each NRMSIR. If the document incorporated by reference is a Final Official Statement within the meaning of the Rule, it will also be available from the Municipal Securities Rulemaking Board ("MSRB"). The Commonwealth's annual financial statements for each fiscal year shall consist of (i) combined financial statements prepared in accordance with a basis of accounting that

demonstrates compliance with the Massachusetts General Laws and other applicable state finance laws, if any, in effect from time to time and (ii) general purpose financial statements prepared in accordance with generally accepted accounting principles in effect from time to time. 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 Bonds to provide in a timely manner to the MSRB and to the SID notice of any of the following events with respect to the Bonds (numbered in accordance with the provisions of the Rule), if material:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (vii) modifications to rights of Bondholders;
- (viii) giving of notice of optional redemption of Bonds;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the Bonds; and
- (xi) rating changes.

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 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 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 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 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 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 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 Bonds, (d) to modify the contents,

presentation and format of the annual financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the undertakings in a manner consistent with the provisions of state legislation establishing the SID or otherwise responding to the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the owners of the Bonds, as determined either by a party unaffiliated with the Commonwealth (such as Commonwealth disclosure counsel or Commonwealth bond counsel) or by the vote or consent of owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment.

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1-2. NAME OF ISSUER AND DESCRIPTION OF ISSUE : THE COMMONWEALTH OF MASSACHUSETTS
SPECIAL OBLIGATION REVENUE BONDS
CONSOLIDATED LOAN OF 1997, SERIES A

3. STATE : MA

4. DATED DATE : 09/01/1997

5. DATE OF FINAL MATURITY OF OFFERING : 06/01/2017 6. DATE OF SALE : 09/18/1997

7. PAR VALUE OF OFFERING : \$ 294,695,000

8. PAR AMOUNT UNDERWRITTEN (if there is no underwriting syndicate): \$

9. AMENDED OR STICKERED OS? NO NUMBER OF SERIES IN OS :
(Enter Y or N) (Fill out one form for each series)

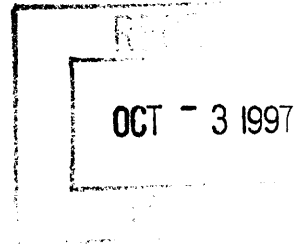
10. CHECK ALL THAT APPLY:

- a. At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value of more at least as frequently as every nine months until maturity, earlier redemption, or purchase by the issuer or its designated agent.
- b. At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value of more at least as frequently as every two years until maturity, earlier redemption, or purchase by the issuer or its designated agent.
- c. This offering is exempt from SEC rule 15c2-12 under section (c) (1) of that rule. Section (c) (1) of SEC rule 15c2-12 states that an offering is exempt from the requirements of the rule if the securities offered have authorized denominations of \$100,000 or more and or sold to no more than 35 persons each of whom the participating underwriter believes: (1) has the knowledge and expertise necessary to evaluate the merits and risks of the investment; and (2) is not purchasing for more than one account, with a view toward distributing the securities.

11. MANAGING UNDERWRITER : Merrill Lynch & Co.

16. CUSIP NUMBERS (and corresponding maturity dates)

06/01/1998	576004CM5	06/01/1999	576004CN3
06/01/2000	576004CP8	06/01/2001	576004CQ6
06/01/2002	576004CR4	06/01/2003	576004CS2
06/01/2004	576004CT0	06/01/2005	576004CU7
06/01/2006	576004CV5	06/01/2007	576004CW3
06/01/2008	576004CX1	06/01/2009	576004CY9
06/01/2010	576004CZ6	06/01/2011	576004DA0
06/01/2012	576004DB8	06/01/2013	576004DC6
06/01/2014	576004DD4	06/01/2015	576004DE2
06/01/2017	576004DG7		



17. MSRB rule G-34 requires that CUSIP numbers be assigned to each new issue of municipal securities unless the issue is ineligible for CUSIP number assignment under the eligibility criteria of the CUSIP Service Bureau.

Check here if the issue is ineligible for CUSIP number assignment.

State the reason why the issue is ineligible for CUSIP number assignment:

18. Submit two copies of the completed form along with the official statement to: Municipal Securities Rulemaking Board, 1640 King Street, Suite 300, Alexandria, VA 22314. Incomplete submissions will be returned for correction.