NEW ISSUE

*In the opinion of Bond Counsel, under existing law, and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended, interest on the 2004 Bonds will not be included in the gross income of holders of the 2004 Bonds for federal income tax purposes. While interest on the 2004 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 2004 Bonds will be included in the "adjusted current earnings" of corporate holders of the 2004 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 2004 Bonds is exempt from Massachusetts personal income taxes, and the 2004 Bonds are exempt from Massachusetts personal property taxes. For federal and Massachusetts tax purposes, interest includes original issue discount. See "TAX EXEMPTION" herein.*

# $686,715,000

# THE COMMONWEALTH OF MASSACHUSETTS
## Special Obligation Dedicated Tax Revenue Bonds
## Series 2004

Dated: Date of Delivery | Due: January 1, as shown on the inside cover page hereof

*The 2004 Bonds will be issued by means of a book-entry-only system evidencing ownership and transfer of the 2004 Bonds on the records of The Depository Trust Company ("DTC") and its participants. Details of payment of the 2004 Bonds are more fully described in this Official Statement. The 2004 Bonds will bear interest from their date payable on January 1, 2005 and semiannually thereafter on July 1 and January 1. The 2004 Bonds are subject to redemption prior to maturity as more fully described herein.*

The 2004 Bonds are special obligations of the Commonwealth payable from and secured solely by a pledge of Pledged Receipts and moneys, securities and Reserve Credit Facilities, if any, in certain Funds established under the Trust Agreement dated as of May 1, 2004 between the Commonwealth and J.P. Morgan Trust Company, National Association, as Trustee. The Pledged Receipts include moneys received or to be received by the Commonwealth from certain hotel room occupancy taxes, a vehicular rental surcharge, sales taxes and certain other surcharges and taxes, all as described herein.

The scheduled payment of principal of and interest on the 2004 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the 2004 Bonds by Financial Guaranty Insurance Company.

FGIC Financial Guaranty Insurance Company

**THE 2004 BONDS ARE NOT GENERAL OBLIGATIONS OF THE COMMONWEALTH AND ARE NOT SECURED BY THE FULL FAITH AND CREDIT OF THE COMMONWEALTH. THE 2004 BONDS ARE PAYABLE ONLY FROM PLEDGED RECEIPTS AND OTHER MONEYS AVAILABLE TO THE OWNERS OF THE 2004 BONDS UNDER THE TRUST AGREEMENT.**

The 2004 Bonds are offered when, as and if issued and received by the Underwriters and subject to the unqualified approving opinion as to legality of Palmer & Dodge LLP, Boston, Massachusetts, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Nixon Peabody LLP, Boston, Massachusetts. The 2004 Bonds are expected to be available for delivery at DTC in New York, New York, or its custodial agent, on or about June 29, 2004.

**Bear, Stearns & Co. Inc.**

**Citigroup** | **Lehman Brothers**

**Merrill Lynch & Co.** | **JPMorgan** | **UBS Financial Services Inc.**

| | | |
|---|---|---|
| **A.G. Edwards & Sons, Inc.** | **Advest, Inc.** | **Banc of America Securities LLC** |
| **Corby Capital Markets, Inc.** | **Edward D. Jones & Co., L.P.** | **First Albany Capital** |
| **Fidelity Capital Markets** | **Goldman Sachs & Co.** | **M.R. Beal & Company** |
| **Morgan Keegan & Company, Inc.** | **RBC Dain Rauscher, Inc.** | **Southwest Securities, Inc.** |
| **Ramirez & Co., Inc.** | **Raymond James & Associates, Inc.** | **Wachovia Bank, National Association** |

June 3, 2004

# THE COMMONWEALTH OF MASSACHUSETTS

## $686,715,000

## Special Obligation Dedicated Tax Revenue Bonds

## Series 2004

| Maturity | Amount | Interest Rate | Price or Yield | Maturity | Amount | Interest Rate | Price or Yield |
|---|---|---|---|---|---|---|---|
| 2015 | $19,995,000 | MUNI-CPI Rate* | 109.111% | 2023 | $30,195,000 | 5.25 % | 4.88 % |
| 2016 | 21,075,000 | MUNI-CPI Rate* | 108.836 | 2024 | 31,820,000 | 5.25 | 4.95 |
| 2017 | 22,210,000 | MUNI-CPI Rate* | 108.309 | 2025 | 33,535,000 | 5.25 | 5.02 |
| 2018 | 23,310,000 | MUNI-CPI Rate* | 100.000 | 2026 | 35,345,000 | 5.25 | 5.09 |
| 2019 | 24,475,000 | 5.25 % | 4.59 | 2027 | 37,250,000 | 5.25 | 5.11 |
| 2020 | 25,795,000 | 5.25 | 4.66 | 2028 | 39,260,000 | 5.25 | 5.15 |
| 2021 | 27,185,000 | 5.25 | 4.73 | 2029 | 41,375,000 | 5.25 | 5.17 |
| 2022 | 28,650,000 | 5.25 | 4.80 | | | | |

$139,080,000 5.75% Term Bonds due January 1, 2032 - Priced to Yield 4.85%

$106,160,000 5.00% Term Bonds due January 1, 2034 - Priced to Yield 5.21%

* See "Appendix E – CPI Bonds."

**No dealer, broker, salesperson or other person has been authorized by the Commonwealth of Massachusetts or the Underwriters of the 2004 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 2004 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 2004 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.**

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

**In connection with this offering, the Underwriters may overallot or effect transactions which stabilize or maintain the market price of the 2004 Bonds at levels above those which might otherwise prevail on the open market. Such stabilizing, if commenced, may be discontinued at any time.**

**This Official Statement contains forecasts, projections and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates" and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. These forward-looking statements speak only as of the date of this Official Statement. The Commonwealth disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Commonwealth's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.**

## TABLE OF CONTENTS

## THE COMMONWEALTH OF MASSACHUSETTS

## CONSTITUTIONAL OFFICERS

**W. Mitt Romney** ........................................ **Governor**
**Kerry Healey** ........................................ **Lieutenant Governor**
**William F. Galvin** ........................................ **Secretary of the Commonwealth**
**Thomas F. Reilly** ........................................ **Attorney General**
**Timothy P. Cahill** ........................................ **Treasurer and Receiver-General**
**A. Joseph DeNucci** ........................................ **Auditor**

## LEGISLATIVE OFFICERS

**Robert E. Travaglini** ........................................ **President of the Senate**
**Thomas M. Finneran** ........................................ **Speaker of the House**

**OFFICIAL STATEMENT**

**$686,715,000**

**THE COMMONWEALTH OF MASSACHUSETTS**

**Special Obligation Dedicated Tax Revenue Bonds**
**Series 2004**

## INTRODUCTION

This Official Statement, including the cover page and appendices, provides information in connection with the issuance by The Commonwealth of Massachusetts (the "Commonwealth" or "Massachusetts") of its $686,715,000 Special Obligation Dedicated Tax Revenue Bonds, Series 2004 (the "2004 Bonds"). The 2004 Bonds are being issued pursuant to Chapter 152 of the Acts of 1997, as amended (the "Act") and under the Trust Agreement dated as of May 1, 2004, as supplemented by the First Supplemental Agreement dated as of May 1, 2004, each between the Commonwealth and J.P. Morgan Trust Company, National Association, as trustee (the "Trustee") (collectively, the "Trust Agreement"). The 2004 Bonds are the first issue of special obligation bonds issued by the Commonwealth under the Act and the Trust Agreement. As used in this Official Statement, the term "Bonds" refers to the 2004 Bonds and all other bonds issued under the Trust Agreement from time to time on a parity with the 2004 Bonds. All capitalized terms not otherwise defined herein shall have the meanings set forth in "Appendix B - Summary of Certain Definitions and Provisions of the Trust Agreement."

The Act authorizes the issuance of the Bonds to finance the costs incurred by the Commonwealth for constructing or renovating three convention and exhibition centers (collectively, the "2004 Projects") located, respectively, in the Cities of Boston, Springfield and Worcester, Massachusetts. The Bonds are not secured by the 2004 Projects or by any revenues derived from the 2004 Projects. To date, the Commonwealth has financed the costs of constructing or renovating the 2004 Projects on a short term basis through the issuance of general obligation bond anticipation notes, currently outstanding in the aggregate principal amount of $575,000,000 (the "Notes"). The 2004 Bonds are being issued by the Commonwealth to pay the principal of the Notes, to pay or reimburse the Commonwealth for additional costs of constructing the 2004 Projects and to pay costs of issuing the 2004 Bonds. See "Application of Proceeds," below.

### Security for the Bonds

Pursuant to the Trust Agreement and the Act, the Bonds, including the 2004 Bonds, are special obligations of the Commonwealth payable from, and secured solely by, a pledge of (i) "Pledged Receipts" (hereinafter defined) and all of the Commonwealth's rights to receive the same, (ii) all moneys, securities and Reserve Credit Facilities in all Funds established under the Trust Agreement (other than the Rebate Fund) and any investment earnings thereon, and (iii) amounts payable to the Commonwealth by a counterparty pursuant to a Qualified Hedge Agreement allocable to the Bonds (collectively, the "Trust Estate"), subject only to the provisions of the Trust Agreement permitting the application of the foregoing for the purposes and on the terms and conditions set forth in the Trust Agreement. **The Bonds do not constitute general obligations of the Commonwealth and the Commonwealth's full faith and credit are not pledged to the payment of the principal of, or interest on, the Bonds.** See "Security for the Bonds" below.

The scheduled payment of principal of and interest on the 2004 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the 2004 Bonds by Financial Guaranty Insurance Company (the "Insurer"). See "Bond Insurance" below.

### 2004 Hedge Agreements

In connection with the issuance of the 2004 Bonds maturing on January 1 in each of the years 2015 through 2018, inclusive (the "CPI Bonds"), the Commonwealth expects to enter into three separate interest rate exchange agreements (the "2004 Hedge Agreements") in an aggregate notional amount equal to the aggregate principal amount of the CPI Bonds. The 2004 Hedge Agreements provide that the Commonwealth will pay the counterparties thereto (the "2004 Hedge Providers") Fixed Hedge Rates on the notional amounts under the 2004 Hedge Agreements and the 2004 Hedge Providers will pay the Commonwealth interest on the notional amounts at the floating MUNI-CPI Rate of the CPI Bonds (see Appendix E hereto). The 2004 Hedge Agreements constitute Qualified Hedge Agreements under the Trust Agreement. The Commonwealth's obligation to make Scheduled Hedge Payments to the 2004 Hedge Providers is secured by a pledge of the Trust Estate on a parity with the Bonds and any Scheduled Hedge Payments made by the 2004 Hedge Providers will be paid to the Trustee and pledged to the payment of the Bonds. See "Security for the Bonds-The 2004 Hedge Agreements" below.

**Pledged Receipts**

Under the Act, the Pledged Receipts include certain excise tax receipts and other dedicated fees and surcharges collected by the Commonwealth within the Cities of Boston and Cambridge (collectively, the "Boston/Cambridge Area"), the Cities of Springfield and Chicopee and the Town of West Springfield (collectively, the "Greater Springfield Area") and the City of Worcester (the Boston/Cambridge Area, the Greater Springfield Area and the City of Worcester are collectively referred to herein as the "Tax Base"). See "Tax Base," below.

As more fully described below, the Pledged Receipts include all receipts from the following:

- a 2.75% room occupancy excise tax (the "Convention Center Financing Fee") imposed upon the amount paid for the occupancy of rooms in hotels, motels and other lodging establishments (collectively "hotel rooms") located within all the municipalities in the Tax Base;

- a 5.7% room occupancy excise tax imposed by the Commonwealth upon the amount paid for the occupancy of certain hotel rooms in the cities of Boston, Cambridge and Springfield;

- an additional 4% room occupancy excise tax imposed by the Commonwealth upon the amount paid for the occupancy of certain hotel rooms in the City of Springfield (the foregoing room occupancy excise taxes are collectively referred to herein as the "Room Occupancy Taxes");

- a surcharge imposed by the Commonwealth on all vehicular rental transaction contracts in the City of Boston (the "Vehicular Rental Surcharge");

- a 5% retail sales tax (the "Sales Taxes") imposed by the Commonwealth on meals, beverages and tangible personal property sold in certain hotels and other retail establishments in the cities of Boston, Cambridge and Springfield;

- a 5% surcharge on the ticket price paid for water and land-based sightseeing tours and cruises in the City of Boston (the "Sightseeing Surcharge"); and

- a $2 per day parking surcharge on vehicles parking in any parking facility that may be built in conjunction with the 2004 Projects.

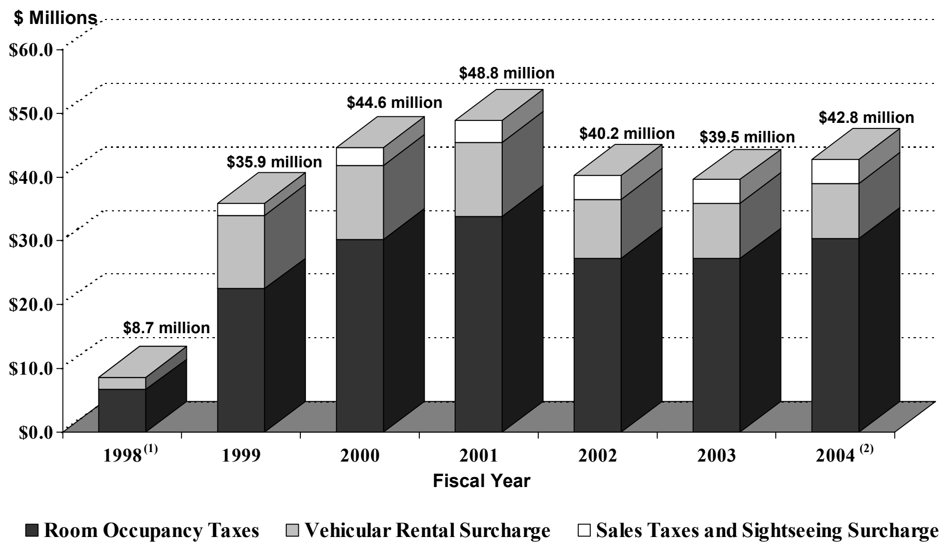
The Commonwealth has covenanted in the Act and in the Trust Agreement that so long as any Bonds are Outstanding the rates of the respective Room Occupancy Taxes, Vehicular Rental Surcharge, Sales Taxes, Sightseeing Surcharge and parking surcharges, the revenues from which constitute Pledged Receipts, will not be reduced below the rates in effect at the date of original issue of such Bonds.

Pledged Receipts are collected on a monthly and quarterly basis by the Commonwealth's Department of Revenue ("DOR") and transferred monthly to the Treasurer and Receiver-General of the Commonwealth (the "Treasurer") by the fifteenth day of the next succeeding month for deposit in the Convention Center Fund established under the Act held by the Treasurer. Pursuant to the Trust Agreement, all Pledged Receipts deposited in the Convention Center Fund during any month are then transferred to the Trustee for deposit in the Revenue Fund held by the Trustee under the Trust Agreement until the amounts deposited in the Revenue Fund are sufficient to pay the principal, Redemption Price and interest payable on the Bonds in the then current Fiscal Year and to maintain the Capital Reserve Fund established under the Trust Agreement at the Capital Reserve Fund Requirement (hereinafter defined).

**Historical Collections of Pledged Receipts**

In accordance with the Act, the Commonwealth began collecting the Room Occupancy Taxes, Vehicular Rental Surcharge, Sales Taxes and Sightseeing Surcharge which constitute Pledged Receipts for the Bonds in February, 1998. Set forth below is a graphical presentation of the actual total collections of such amounts in Fiscal Years 1998 through 2003 and projected collections for Fiscal Year 2004 based on collections received through March 31, 2004 and, with respect to the Room Occupancy Taxes, based on the projections contained in the report of Pinnacle Advisory Group attached hereto as Appendix A.

**Historical Collections of Pledged Receipts in Fiscal Years 1998 through 2003 and Projected Collections of Pledged Receipts in Fiscal Year 2004**




Source: Department of Revenue for Fiscal Years 1998-2003; Pinnacle Advisory Group for Projected Room Occupancy Tax Collections in Fiscal Year 2004.
(1) Represents collections commencing February, 1998.
(2) Projected based on actual receipts collected through March 31, 2004.

As more fully described herein, a significant portion of the Room Occupancy Taxes (over 97% in Fiscal Year 2003) is derived from collections in the Boston/Cambridge Area. Given the recession and the events of September 11, 2001, the lodging market in the Boston/Cambridge Area experienced a decline in the number of occupied room nights during Fiscal Year 2002 compared with Fiscal Year 2001, which was a record year. However, in Fiscal Year 2003 the number of occupied room nights increased by 6.3%, although, during the same period, total collections of Room Occupancy Taxes in the Boston/Cambridge Area declined due to reduced room rates. It is currently estimated that the total number of occupied room nights in the Boston/Cambridge Area in Fiscal Year 2004 will exceed Fiscal Year 2003 and that total occupied room nights in calendar year 2004 will be greater than any prior calendar year on record. See "Tax Base – Tourism and Lodging Industry in the Tax Base – Boston/Cambridge Area" below. At the same time, average daily room rates have stabilized, which, taken together with the estimated increase in total occupied room nights, is expected to produce the increase in total collections of Room Occupancy Taxes in the Boston/Cambridge Area in Fiscal Year 2004 reflected in the foregoing graph.

**Covenants Regarding Sufficiency of Pledged Receipts**

Approximately $249.7 million (net of accounting adjustments to be made by the close of Fiscal Year 2004) of excise taxes, surcharges and other fees which constitute Pledged Receipts for the Bonds have been collected and deposited in the Convention Center Fund through March 31, 2004. As of March 31, 2004, the balance on deposit in the Convention Center Fund (net of such adjustments), including such excise taxes, surcharges and other fees, and investment earnings thereon, after expenditure of a portion of the amounts previously deposited therein on costs of the Boston Convention and Exhibition Center (the "BCEC Project") and other permissible purposes under the Act, was approximately $187.5 million. In addition, in accordance with the Trust Agreement and the Act, at or prior to the delivery of the 2004 Bonds, the Treasurer, with the concurrence of the Secretary of the Executive Office for Administration and Finance of the Commonwealth (the "Secretary"), expects to withdraw from the Convention Center Fund or to deposit in one or more segregated accounts therein, free and clear of the lien and pledge of the Trust Agreement, an additional $90 million for application to costs of the 2004 Projects and other purposes set forth in the Act. At June 30, 2004, following such withdrawals or deposits and the delivery of the 2004 Bonds, the balance on deposit in the Convention Center Fund is expected to be approximately $105 million (such balance, together with any Pledged Receipts subsequently deposited and retained in the Convention Center Fund, is herein referred to as "Retained Receipts").

The Commonwealth has covenanted in the Trust Agreement and in the Act that in any Fiscal Year, until the Treasurer, with the concurrence of the Secretary, has determined that sufficient Pledged Receipts have been or will be deposited in the Revenue Fund during such Fiscal Year to make all required payments from the Revenue Fund during such Fiscal Year, including, but not limited to, amounts sufficient to pay, when due, the principal or Redemption Price of and interest on all Bonds payable in such Fiscal Year, no such Pledged Receipts or, except as otherwise described below, any other amounts held in the Convention Center Fund, will be applied to any other use.

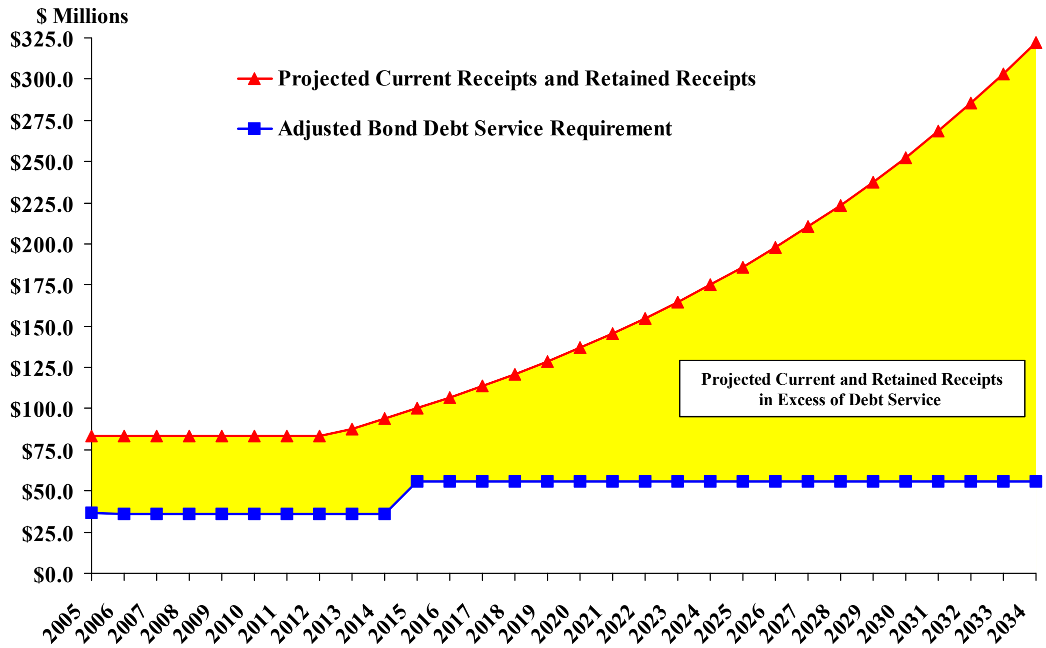
Pursuant to the Trust Agreement, if the amount of Pledged Receipts collected by the Commonwealth and deposited in the Convention Center Fund in any Fiscal Year (referred to herein as "Current Receipts") is at least equal to the Adjusted Bond Debt Service Requirement for such Fiscal Year, then commencing with the Fiscal Year ending June 30, 2005, after applying such Current Receipts to satisfy all required payments from the Revenue Fund in such Fiscal Year, including provision for the principal and interest to become due on the Bonds, the Treasurer, with the concurrence of the Secretary, may withdraw all or any portion of the Retained Receipts on deposit in the Convention Center Fund for application to any legal purpose, or he may segregate all or any portion of such Retained Receipts in one or more accounts within the Convention Center Fund, in each case free and clear of the lien and pledge of the Trust Agreement.

Notwithstanding the foregoing, prior to the withdrawal or segregation of any Retained Receipts within the Convention Center Fund from the lien and pledge of the Trust Agreement, the Treasurer is required to prepare a Projection of Pledged Receipts setting forth the estimated amount of Current Receipts expected to be collected by the Commonwealth and deposited in the Convention Center Fund in each of the next succeeding five full Fiscal Years. The Treasurer's Projection of Pledged Receipts must demonstrate that (i) the amount of Current Receipts expected to be collected by the Commonwealth in each such Fiscal Year is at least equal to the Adjusted Bond Debt Service Requirement for such Fiscal Year with respect to all Bonds Outstanding or projected to be Outstanding in such Fiscal Year and (ii) the amount of Current Receipts which are expected to be collected by the Commonwealth in each such Fiscal Year, plus the amount, if any, of Retained Receipts projected to be on deposit in the Convention Center Fund on the first day of such Fiscal Year, is an amount at least equal to 150% of the maximum Adjusted Bond Debt Service Requirement for such Fiscal Year or any future Fiscal Year with respect to all Bonds Outstanding or projected to be Outstanding in such Fiscal Year.

**Projected Collections of Pledged Receipts**

The Commonwealth has engaged the national hospitality consulting firm, Pinnacle Advisory Group, to produce a report analyzing the lodging markets in the Tax Base, including projections of Room Occupancy Tax collections for the term of the 2004 Bonds. The report of Pinnacle Advisory Group is attached hereto as Appendix A. The Commonwealth also has projected collections of the Vehicular Rental Surcharge, the Sales Taxes and the Sightseeing Surcharge for the term of the 2004 Bonds. Based on the results of Pinnacle Advisory Group's analysis and the Commonwealth's projections, and the covenants of the Commonwealth contained in the Trust Agreement described above regarding Retained Receipts and debt service coverage, set forth below is a graphical presentation of projected collections of Current Receipts in Fiscal Years 2005 through 2034, the Adjusted Bond Debt Service Requirement for the 2004 Bonds in each such Fiscal Year (reflecting the Fixed Hedge Rates payable with respect to the CPI Bonds), the minimum amount, if any, of Retained Receipts that must be retained in the Convention Center Fund in each such Fiscal Year in order to comply with such covenants and the amount by which Current Receipts and Retained Receipts are projected to exceed the Adjusted Bond Debt Service Requirement for the 2004 Bonds in each Fiscal Year. See "Pledged Receipts – Projected Collections of Pledged Receipts, Retained Receipts and Debt Service Coverage," below.

**Projected Current Receipts, and Retained Receipts –**
**Fiscal Years 2005 through 2034**




## Capital Reserve Fund

As additional security for the Bonds, the Trust Agreement requires a Capital Reserve Fund to be established and provides for its funding and maintenance in an amount at least equal to the lesser of (i) 10% of the original principal amount of all Bonds Outstanding, (ii) 125% of the average aggregate amount of principal and interest becoming due in any Fiscal Year on all Bonds Outstanding, or (iii) the maximum Adjusted Bond Debt Service Requirement in any Fiscal Year on all Bonds Outstanding (the "Capital Reserve Fund Requirement"). If at any time the amounts on deposit and available therefor in the Debt Service Fund and the Redemption Fund are insufficient to pay the principal or the Redemption Price of, and interest on, the Bonds then due the Trustee shall withdraw from the Capital Reserve Fund and deposit in the Debt Service Fund the amount necessary to meet the deficiency.

In lieu of cash or securities, the Trust Agreement authorizes the Commonwealth to satisfy the Capital Reserve Fund Requirement in whole or in part by depositing letters of credit, insurance policies, surety bonds or similar instruments with the Trustee (as more fully described in Appendix B hereto, "Reserve Credit Facilities"), in each case making funds available for the same purposes and subject to the same conditions as cash or securities held in the Capital Reserve Fund would be available to the Trustee. The Commonwealth will satisfy the Capital Reserve Fund Requirement allocable to the 2004 Bonds by depositing with the Trustee a Municipal Bond Debt Service

Reserve Fund Policy with a policy limit of $55,769,787.50 (the "Surety Bond") to be issued by the Insurer concurrently with the delivery of the 2004 Bonds.

If on the last day of any Fiscal Year during which Bonds are Outstanding the balance on deposit in the Capital Reserve Fund (including the stated and undrawn amount of the Surety Bond) is less than the Capital Reserve Fund Requirement, the Commonwealth covenants under the Trust Agreement to increase the 2.75% Convention Center Financing Fee imposed within Boston to the maximum rate permitted by law (currently 4.30%) until the balance on deposit in the Capital Reserve Fund is again equal to the Capital Reserve Fund Requirement. See "Security for the Bonds – Capital Reserve Fund," below.

**Additional Bonds**

The Trust Agreement permits the issuance of Additional Bonds for the purpose of paying or providing for all or any portion of the cost of any Project, making deposits to the Debt Service Fund and the Capital Reserve Fund, paying costs of issuance of Bonds and paying the principal of, and interest and premium, if any, on, notes or other obligations issued in anticipation of Bonds.

Prior to the issuance of any Additional Bonds, the Commonwealth must demonstrate that the amount of Pledged Receipts collected during any twelve consecutive months out of the preceding eighteen months was at least equal to 150% of the maximum Adjusted Bond Debt Service Requirement due in the current or any future Fiscal Year for all Bonds Outstanding including the proposed Additional Bonds. Alternatively, the Commonwealth may deliver a Projection of Pledged Receipts to the Trustee demonstrating, among other things, that the estimated amount of Pledged Receipts that are expected to be collected in each of the five full Fiscal Years following the issuance of the proposed Additional Bonds is expected to be at least equal to the Adjusted Bond Debt Service Requirement for each such Fiscal Year with respect to all Bonds Outstanding, including the proposed Additional Bonds, and, in the fifth such Fiscal Year, the Pledged Receipts collected in such Fiscal Year will at least equal 150% of the maximum Adjusted Bond Debt Service Requirement for such Fiscal Year or any future Fiscal Year with respect to all Bonds Outstanding including the proposed Additional Bonds. See "Security for the Bonds – Issuance of Additional Bonds and Refunding Bonds," below.

**THE ABOVE SUMMARY IS ONLY A GENERAL INTRODUCTION TO THE 2004 BONDS. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED IN THIS OFFICIAL STATEMENT ARE ONLY SUMMARIES AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. FOR A MORE DETAILED DESCRIPTION OF THE 2004 BONDS, THE SPECIFIC PLEDGE AND OTHER PROVISIONS OF THE TRUST AGREEMENT, AS WELL AS HISTORICAL AND PROJECTED INFORMATION CONCERNING THE PLEDGED RECEIPTS, THE READER SHOULD EXAMINE THE ENTIRETY OF THIS OFFICIAL STATEMENT INCLUDING THE APPENDICES HERETO.**

## THE MASSACHUSETTS LODGING INDUSTRY

Massachusetts has a population of over 6.4 million and has a diverse economy supported by a highly educated and skilled work force, ranking second among the fifty states in 2002 in the percentage of residents over the age of 25 who have a bachelors degree or higher. The major sectors of the Commonwealth's economy consist of high technology, higher education, healthcare and finance. Among the major employers in Massachusetts are: in education, Boston College, Boston University, Harvard University, Massachusetts Institute of Technology, Tufts University and The University of Massachusetts; in health care: Baystate Medical Center, Beth Israel Deaconess Hospital, Boston Medical Center, Brigham & Women's Hospital, Massachusetts General Hospital, and the University of Massachusetts Medical Center; and in business: Bank of America Corporation, Fidelity Investments, Friendly Ice Cream Corporation, The Gillette Company, John Hancock Insurance and Financial Services, Raytheon Company, State Street Bank and Trust Company and Verizon New England.

As more fully described in the report of the Pinnacle Advisory Group attached hereto as Appendix A, travel and tourism represents a substantial component of the Massachusetts economy, generating more that $11 billion in direct expenditures each year. In 2003, an estimated 28 million person trips were hosted by the Commonwealth. Visitors come to the area for a variety of reasons including business, conventions and trade shows or as tourists. Of the total direct expenditures in the Commonwealth, the Travel Industry Association of America estimates that approximately 23% is spent on lodging.

There are approximately 72,000 hotel rooms in the Commonwealth, of which approximately 20,800 are located in the Tax Base for the Bonds. Over the last five years, the supply of hotel rooms in the Commonwealth has grown at a compound annual rate of 3.4% compared to a national growth rate of 2.6%. Hotel rooms in the Boston/Cambridge Area, the Greater Springfield Area and the City of Worcester represented approximately 29% of the available hotel rooms in the Commonwealth in calendar year 2003 and produced over 40% of the total hotel room excise tax revenues collected state-wide in that year.

Commercial travelers are drawn to the Commonwealth by its major industries, which include high technology, education, healthcare, biotechnology and finance. One of the primary drivers of the Commonwealth's economy is higher education. There are over 65 colleges and universities in the Greater Boston area alone that provide a highly educated workforce while also serving as major research centers. The Commonwealth's primary industries are also travel intensive in that they often require collaborative work, thereby attracting visitors from other parts of the country and the world.

Leisure travelers are attracted by the Commonwealth's numerous historic attractions and resort destinations. In addition to its numerous attractions, Boston is considered the gateway to New England for many national and international visitors that arrive in the area via Logan International Airport. The Greater Springfield area is home to several attractions including the Basketball Hall of Fame and the Six Flags Amusement Park. Worcester's central location within the region makes it a convenient base for visitors exploring the area.

Group travelers to Massachusetts are composed of a mix of tour and social groups that can be categorized as leisure visitors, corporate groups visiting for training or meetings, and convention groups which are visiting to attend conferences or trade shows. With the completion of the BCEC Project, which is one of the 2004 Projects, in the summer of 2004, Boston will have two world-class convention centers. The renovation and expansion of the civic and convention facilities in Worcester and Springfield also are being financed in part by the 2004 Bonds. All three areas are also popular stops for tour and travel groups that are exploring the region.

## TAX BASE

As noted above, the principal of and interest on the 2004 Bonds are payable from and secured by a pledge of and lien on Pledged Receipts collected by the Commonwealth within the Tax Base, which includes the Boston/Cambridge Area, the Greater Springfield Area and the City of Worcester. In addition, the Act also creates two special taxing districts in Boston and Springfield within which certain Pledged Receipts also are generated to pay principal of and interest on the 2004 Bonds; these special taxing districts are the Boston Convention Center Finance District (the "BCEC Finance District") and the Springfield Civic and Convention Center Finance District (the "SCCC Finance District"), respectively. Set forth below is a brief description of the economy and the tourism and lodging industry within the municipalities in the Tax Base for the Bonds. Reference is made to the report of the Pinnacle Advisory Group contained in Appendix A to the Official Statement for a more detailed description of the economy of each municipality and the lodging industry in the Tax Base.

### Economies within the Tax Base

*Boston/Cambridge Area Economy*

Boston is the twentieth largest city in the United States and is the economic center of both the Commonwealth and the New England region. In 2000, Boston had a population of 589,141, as reported by the Bureau of the Census, and had 688,077 jobs as reported by the U.S. Bureau of Economic Analysis from data of the Massachusetts Division of Employment and Training. The ratio of jobs to population indicates that Boston provides a direct source of employment and income for an area that extends well beyond its borders. Measured in terms of jobs, Boston's economy comprises approximately 18% of the Massachusetts economy and 10% of that of the six New England states. According to the U.S. Department of Housing and Urban Development FY 2002 Income Guidelines, the Boston metropolitan area has a median family income of $74,200, which is 36% above the U.S. median family income of $54,400. The high income in the Boston area helps support retail establishments, such as restaurants, that are important to tourism industries.

During the late 1990's, Boston and New England's economic expansion enabled Boston to gain national prominence as an ideal location for commercial businesses and industries. Over the last several years, Boston has emerged as one of the top four financial centers in the world, and in particular is considered the nation's mutual fund capital. While money management companies dominate downtown Boston's economic activity, high technology companies continue to fuel the Cambridge and suburban markets; the number of computer software firms in the greater Boston area has more than doubled in the last seven years. Additionally, higher education is a major industry with over 65 colleges and universities in the greater Boston area at which over 275,000 students are enrolled. Greater Boston is also an international center of medical care with 130 hospitals in the metropolitan area, 22 of which are in Boston. Nine Boston hospitals rank among the top 11 in research funding by the National Institutes of Health.

The Boston economy experienced historically high economic activity in the late 1990's and early 2000's as Boston's office, hotel, and housing markets were among the strongest in the nation. Beginning in early 2001, the Boston economy, along with the national economy, began to experience a decrease in economic activity, which resulted in the decrease of employment and tax revenues. Recently, Boston's economy appears to be improving as the rising stock markets are contributing to the financial recovery of the local financial services industry and increased defense spending and corporate demand for information technology product are assisting the area defense contractors and high technology companies. Additionally, the Greater Boston area's biotechnology and healthcare industries are in the midst of significant expansions as exemplified by the recent selection of Boston University Medical Center for a $120 million federal grant to develop a national biocontainment laboratory.

Boston is served by a transportation network that offers residents and visitors access to a variety of modes of travel. The Massachusetts Turnpike (I-90) and Interstate 93 are the major routes serving Boston. The Massachusetts Turnpike traverses east/west from Boston into New York State. Interstate 93 (I-93) and Interstate 95 (I-95) traverse north/south, with I-93 providing access to points in northern New England and I-95 providing access to southerly destinations such as New York City and Washington D.C. A substantial portion of Boston's road transportation infrastructure has been rebuilt in recent years through the construction of the Central Artery Project, also known as the "Big Dig," the largest public works project in the country, involving the depression of the six-lane elevated section of I-93 between in downtown Boston and the extension of the Massachusetts Turnpike from I-93 to Logan International Airport. This project is expected to be substantially complete by 2005.

In January 2003, the Massachusetts Bay Transportation Authority ("MBTA") opened sections of the new "Silver Line" of its subway system providing transportation from Dudley Square in the Roxbury neighborhood of Boston to South Station in the financial district and on to Logan International Airport via the South Boston Waterfront and the BCEC Project.

Air transportation to the Boston/Cambridge Area is principally provided by Logan International Airport, the largest airport in the six-state New England region. Logan International Airport is currently served by over 55 scheduled and non-scheduled airlines. Included are 8 major domestic carriers, 16 non-US flag carriers and 13 regional and commuter airlines. The $1.2 billion Logan Modernization Project currently under construction will allow for an increased volume of flights and passengers to the Boston/Cambridge Area. The project includes the construction of new terminals, a new airport loop, a new stop on the MBTA's mass transit line, and a new runway.

*Greater Springfield Area Economy*

The Greater Springfield Area is located in the Pioneer Valley region of Massachusetts, an area about the same size as Rhode Island and the fourth-largest metropolitan area in New England. The Pioneer Valley region is located in the midwestern section of Massachusetts and is composed of the 43 cities and towns of the Hampden and Hampshire county areas. The economy of the Greater Springfield Area is diverse with its primary business activities occurring in the service, farming, education and manufacturing sectors. Reflecting the national trend, the area's employment structure has shifted from traditional labor-intensive manufacturing jobs to service and retail jobs. Major employers in the area surrounding the Greater Springfield Area include: Massachusetts Mutual Life Insurance Company (which is headquartered in Springfield), Baystate Medical Center, Mercy Hospital and Solutia (formerly Monsanto). These companies are also some of the largest commercial hotel demand generators in the area. The government also is a major employer in the area.

As of October 2003, Springfield had a labor force of 69,048 of which 5,370 were registered as unemployed resulting in an unemployment rate of 7.8%. For the same period, West Springfield had a labor force of 14,679 with 750 unemployed and an unemployment rate of 5.1% while Chicopee had a labor force of 28,860 with 1,834 unemployed and an unemployment rate of 6.4%. During the same period, the Massachusetts unemployment rate was 5.3%.

The Greater Springfield Area offers an excellent transportation infrastructure due to its proximity to Bradley International Airport to the south, in Connecticut, and the surrounding road network, including the two major regional interstate highways, the Massachusetts Turnpike and I-91. The Massachusetts Turnpike runs the length of the Commonwealth from Boston in the east to New York in the west where it connects to the New York State Thruway. Interstate-91 runs north from New Haven, Connecticut, through Massachusetts and Vermont to the Canadian border. Locally, the area also is served by Interstates 291 and 391.

Bradley International Airport is the second largest airport in the New England region, located 12 miles south of Springfield and 12 miles north of Hartford, Connecticut off I-91. Bradley International Airport is currently served by 12 major carriers including Southwest, Delta, United and US Airways. Between 1992 and 2002 passenger traffic at the airport grew at a compound annual rate of 3.6% from approximately 4.5 million to 6.5 million.

*Worcester Economy*

Worcester is 39 miles from Boston, 52 miles from Springfield, and 43 miles from Providence, Rhode Island. By population, Worcester is the second largest city in Massachusetts and the third largest city in New England, with 172,648 people according to the 2000 federal census. Worcester has a diverse economy with a mixture of manufacturing, services, wholesale and retail trade, finance, insurance and real estate. Large corporations, including UMass Memorial Health Care, Allegro Microsystems, Verizon Communications and Massachusetts Electric Company, all have offices in or are based in Worcester. In addition, Worcester is home to 15 colleges, universities and vocational-technical schools, including UMass Medical School, College of the Holy Cross, Worcester State College and Clark University, with a total student enrollment in Worcester of more than 40,000.

Worcester has identified critical and emerging industries which will be vital to its future economic strength and has established goals and strategies which complement these crucial industry sectors. Local, state and federal resources are in place to support and encourage future development occurring in these areas. Biotechnology research and development has emerged as a major growth industry in Worcester in recent years. The Massachusetts Biotechnology Research Park is located on 75 acres of land in Worcester. Fifty-eight companies are currently located in the Biotechnology Research Park, employing approximately 2,700 people. When fully occupied the park is expected to provide over 2.5 million square feet of biomedical research and development space.

Worcester is conveniently accessible via highway transportation by several major routes including the Massachusetts Turnpike and I-290 running east-west, as well as I-495 and state-Route 12 running north-south.

**Tourism and Lodging Industry in the Tax Base**

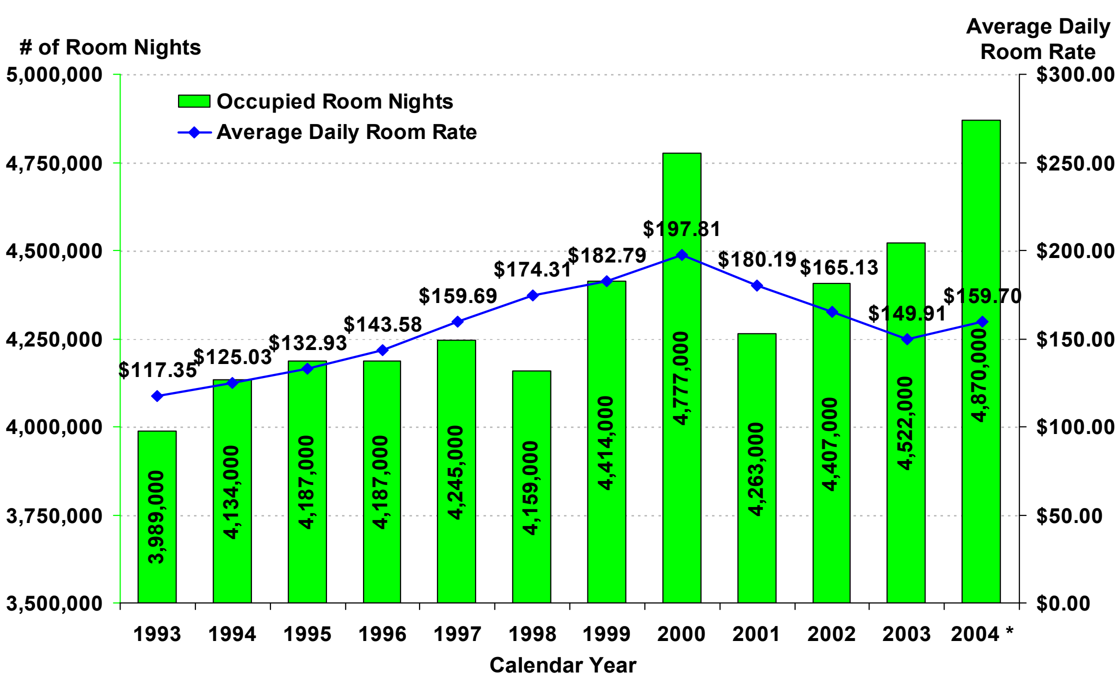
*Boston/Cambridge Area*

According to the Greater Boston Convention and Visitors Bureau, an estimated 13.4 million tourists, business travelers and convention and meeting delegates visited the Boston metropolitan area in 2003, up by approximately 4% from the 12.9 million visitors in 2002 and up approximately 34% from the 10 million visitors in 1995. Boston is an attractive destination for conventions, meetings, and trade-and-gate shows. Currently, Boston has three small and medium convention sites: the John B. Hynes Veterans Memorial Convention Center, the World Trade Center and the Bayside Exposition Center. Together, these facilities have a combined full capacity of over one million people per year. In addition, when the BCEC Project opens in July, 2004, it will provide facilities suitable for large national conventions. In 2004, Boston is expected to host over 350 events, meetings, conventions and expositions, including a total of 17 which are defined as events that would each use over 2,000 hotel rooms on the peak night, which usually requires at least three hotels. The Democratic National Committee has agreed to host the 2004 Democratic Party Convention in Boston in July, 2004, and the Mac World computer show also has agreed to return to Boston in the summer of 2004.

The Boston/Cambridge Area contains the largest single lodging market in Massachusetts with nearly 29% of all hotel rooms in the Commonwealth. In Fiscal Year 2003, Room Occupancy Tax collections in the Boston/Cambridge Area were more than 97% of total Room Occupancy Tax collections in the Tax Base for the Bonds. As more fully described in the report of Pinnacle Advisory Group attached hereto as Appendix A, throughout most of the 1990's the lodging market in the Boston/Cambridge Area was one of the strongest and fastest growing markets in the nation with occupancy levels in the high 70th percentiles and significant increases in average room rates. While the overall financial performance of the lodging market in the Boston/Cambridge Area declined between calendar years 2000 and 2001, the total number of occupied room nights increased in each of the two succeeding calendar years and the market's average annual occupancy and average daily room rate remain among the highest in the nation. Specifically, in calendar year 2003 the occupancy level for the Boston and Cambridge lodging market was approximately 17% above the national average while the average daily room rate was approximately 80% above the nation as a whole.

As more fully described in Appendix A, based on calendar year market data through March 2004, the total number of occupied room nights in the Boston/Cambridge Area continues to increase relative to the three prior calendar years. Total occupied room nights for calendar year 2004 are now projected to be the highest level on record. At the same time, room rates, which declined in the prior three calendar years, appear to have stabilized and are now projected to show an increase for calendar year 2004 as shown in the following graph.

**Boston/Cambridge Area Occupied Room Nights and Average Daily Room Rate (Calendar Years 1993 - 2004)**




Source: Pinnacle Advisory Group.
* Projected.

*Greater Springfield Area*

As more fully described in Appendix A, the Greater Springfield Area has become a popular tourist destination in recent years. It is home to the new Basketball Hall of Fame, which opened in September 2002 on the riverfront in Springfield. It is also home to Six Flags New England Amusement Park in the nearby Town of Agawam, Massachusetts (which recently added a new water park), the Eastern States Exposition (known as "The Big E") in West Springfield and the Dr. Seuss National Memorial Sculpture Garden and the Quadrangle Museums located in Springfield. In addition to its attractions, the area is a popular "stopover" location due to its location at the intersection of two major regional interstate highways, the Massachusetts Turnpike and Interstate Route 91.

The primary convention facility in the Greater Springfield Area is the Springfield Civic Center, which currently is an arena that primarily serves as the home to the Springfield Falcons minor league hockey team and the arena for various events such as the Harlem Globetrotters, professional wrestling and dance competitions. According to the Massachusetts Convention Center Authority, in 2002 the facility had a total attendance of approximately 200,000. The Springfield Civic Center is undergoing a complete renovation and will be renamed in accordance with the terms of the naming rights contract awarded to Mass Mutual Financial Group. The project, funded from the proceeds of the 2004 Bonds, is scheduled to be completed in 2005, and includes approximately 147,000 square feet of new building and the renovation of approximately 215,000 square feet of the existing facility, providing an exhibit hall, meeting rooms, a ballroom, pre-function space, a kitchen and corporate hospitality and support spaces. The new facility will target regional conventions and is expected to bring an additional 25 conventions a year to western Massachusetts.

The lodging market in the Greater Springfield Area was heavily affected by the recession of the early 1990's and the addition of a significant amount of new supply in 1988 and 1989. In the late 1990's the area recovered as demand produced by manufacturing facilities was replaced by leisure demand generated by the area attractions, most notably, Six Flags Amusement Park. Additionally, the area benefited from increased air traffic at Bradley Airport, which brought in additional visitors.

*Worcester*

The Worcester area offers a variety of attractions including Mechanics Hall, the Higgins Armory Museum (specializing in medieval armory), and the Worcester Art Museum. In addition, Worcester's central location and strong transportation network makes it a convenient base from which to explore the central Massachusetts region. Furthermore, Worcester benefits from the numerous colleges and universities including College of the Holy Cross, Clark University, and Worcester Polytechnic Institute, which attract leisure visitors throughout the year.

The Worcester convention market is served by the Worcester Centrum Centre, which offers a total of more than 95,000 square feet of meeting and exhibit space, including a main exhibit hall of approximately 50,000 square feet. The Worcester Centrum Centre complex is marketed as a single facility offering both an arena a convention complex. Substantial renovations of the complex, to be permanently financed by a portion of the proceeds of the 2004 Bonds, were completed in 1997. The facility has become a major event venue for New England. With the majority of its attendees arriving via private automobile (with 17,000 parking spaces within walking distance), the complex has been virtually unaffected by the recent national downturn in convention activity and serves as a focal point for downtown activity. In the fiscal year ended June 30, 2003, the facility hosted 352 events with total attendance of 697,888.

## PLEDGED RECEIPTS

The principal of and interest on the Bonds are payable from and secured by a pledge of and lien on Pledged Receipts collected by the Commonwealth within the Boston/Cambridge Area, the Greater Springfield Area and the City of Worcester, including the Room Occupancy Taxes, Vehicular Rental Surcharge and other revenues described below. In the case of the Cities of Boston and Springfield, the Act also creates two special tax districts discussed above, the BCEC Finance District comprised generally of the South Boston Seaport District surrounding the site of the BCEC Project, and the SCCC Finance District comprised generally of the four city blocks in downtown Springfield surrounding the Springfield Civic and Convention Center.

**Room Occupancy Taxes**

The Act imposes a 2.75% Convention Center Financing Fee on the amount paid for the occupancy of all hotel rooms in all municipalities within the Tax Base, regardless of when a hotel was first opened for patronage. In addition, the Act dedicates to the payment of the Bonds the receipts from the 5.7% Room Occupancy Tax imposed by the Commonwealth on the amount paid for the occupancy of any room in a hotel, motel or other lodging establishment which was first opened for patronage on or after July 1, 1997, either in Boston, located outside the BCEC Finance District, or in Cambridge, and on the amount paid for the occupancy of any room in a hotel, motel or other lodging establishment located in Boston within the BCEC Finance District, regardless of when a hotel was first opened for patronage. In Springfield, the Act dedicates the receipts from the 5.7% Room Occupancy Tax imposed by the Commonwealth as well as the 4% "local option" Room Occupancy Tax imposed by the Commonwealth at the option of the City of Springfield, in each case only on the amount paid for the occupancy of any room in a hotel, motel or other lodging establishment located within the SCCC Finance District which was first opened for patronage on or after July 1, 2000.

The Room Occupancy Taxes are imposed on the total amount of rent paid for the transfer of occupancy of any room in the applicable hotels, motels, lodging houses or bed and breakfast establishments (having four or more rooms) at the applicable rates described above. The Room Occupancy Taxes are collected by the operator of each lodging establishment and paid to DOR as described below under the subheading "Collection and Administration of Pledged Receipts."

The 5.7% Room Occupancy Tax described above that is imposed on certain hotels in Boston, Cambridge and Springfield constitutes a portion of the 5.7% statewide tax on the amount paid for the occupancy of rooms in lodging establishments in all cities and towns in the Commonwealth, including those within the Tax Base. Only the portion of the statewide 5.7% Room Occupancy Tax comprising the 5.7% Room Occupancy Taxes described above is pledged as security for the Bonds. All other collections from the 5.7% statewide Room Occupancy Tax, including the tax imposed on hotels which were opened for business prior to July 1, 1997 in Cambridge and in Boston (outside of the BCEC Finance District) and the tax imposed on hotels in Springfield located outside of the SCCC Finance District, are not pledged as security for the Bonds and are not otherwise available to pay debt service on the Bonds.

**Vehicular Rental Surcharge**

The Vehicular Rental Surcharge is imposed by the Commonwealth on each vehicular rental transaction contract in Boston at the rate of $10 per transaction, $9 of which will constitute a portion of the Pledged Receipts securing the Bonds and the remaining $1 of which is distributed to the City of Boston. The $1 per vehicular rental transaction that is distributed to Boston has been pledged by the City of Boston to pay debt service on bonds issued by Boston to finance costs of the BCEC Project that are assumed by the City under the Act, and is not pledged or otherwise available to pay debt service on the Bonds. The Vehicular Rental Surcharge is collected by vehicle lessors in Boston and paid to DOR as described below under the subheading "Collection and Administration of Pledged Receipts."

**Other Revenues**

In addition to the Room Occupancy Taxes and the Vehicular Rental Surcharge described above, the excise tax receipts and surcharges and other fees described below are included in the Pledged Receipts for the Bonds.

In Boston, the Act dedicates to the payment of the Bonds (i) the 5% Sightseeing Surcharge, imposed on the ticket price paid for water and land-based sightseeing tours and cruises in Boston (ii) the 5% Sales Tax collected within any establishment first opened for business on or after July 1, 1997 which is located within the BCEC Finance District and (iii) the 5% Sales Tax collected within any hotel first opened for occupancy on or after July 1, 1997 which is located outside of the BCEC Finance District. In Cambridge, the Act dedicates to the payment of the Bonds the 5% Sales Tax collected within any hotel first opened for occupancy on or after July 1, 1997. In Springfield, the Act dedicates to the payment of the Bonds (i) the 5% Sales Tax collected within any hotel first opened for occupancy on or after July 1, 2000 and located in the SCCC Finance District and (ii) the 5% Sales Tax collected within any establishment located within the Springfield Civic and Convention Center (the "SCCC Project").

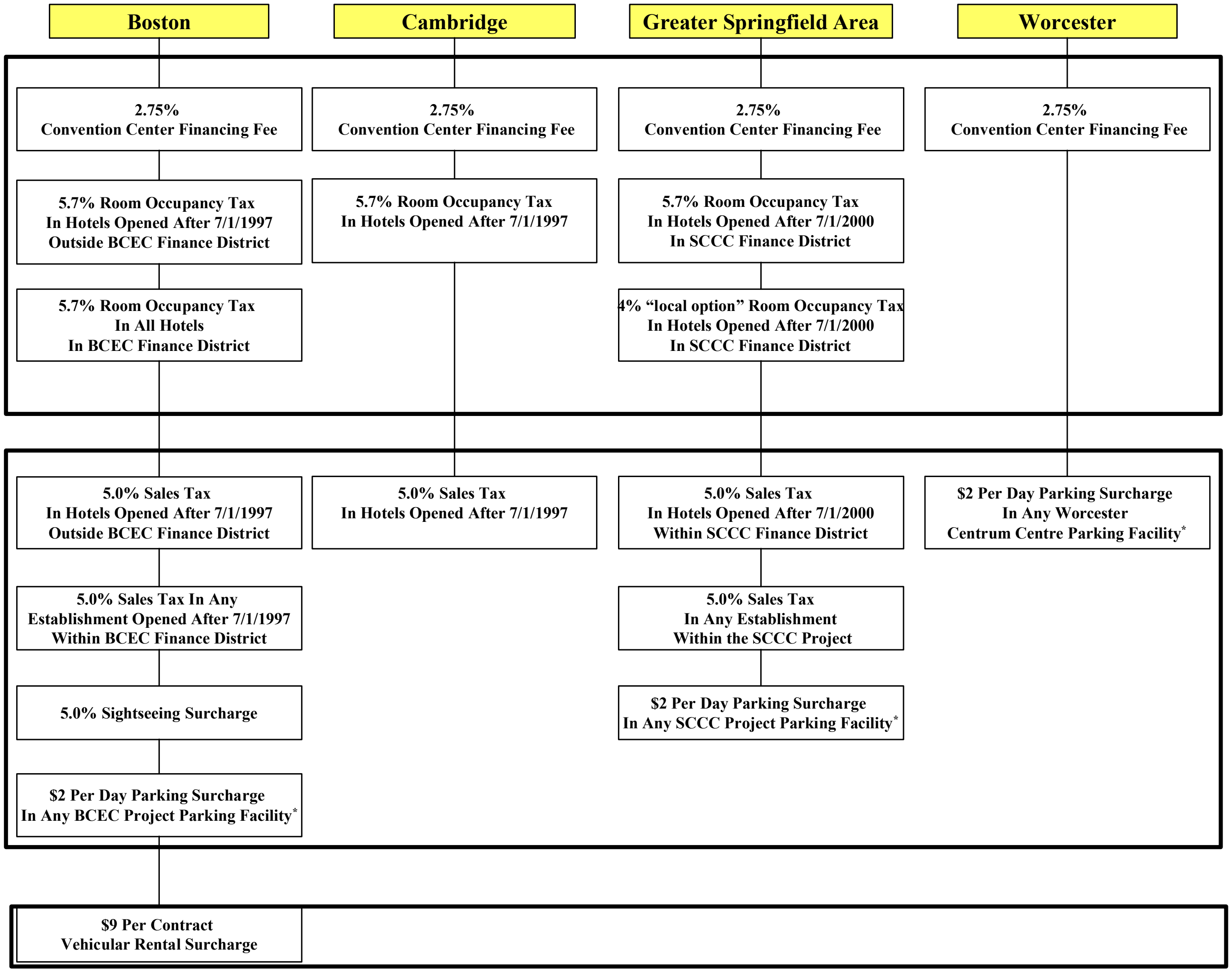
The 5% Sales Tax described above that is collected within certain hotels and establishments in Boston, Cambridge and Springfield constitutes a portion of the 5% statewide Sales Tax imposed on all sales of meals, beverages and tangible personal property sold in the Commonwealth. Only the collections from the 5% Sales Tax in the hotels and other establishments described above are pledged as security for the Bonds. Any other collections from the statewide Sales Tax are not pledged and will not be otherwise available to pay debt service on the Bonds.

The 5% Sightseeing Surcharge is imposed on any ticket purchased for a water or land-based sightseeing tourist venue, entertainment cruise and trolley tour which is conducted, partly or entirely, within Boston. The Sightseeing Surcharge applies to any individual or group admission charge for such tours and cruises, provided that the Sightseeing Surcharge is not imposed on the sale of tickets for schools or youth groups or the sale of tickets to children if the ticket costs less than $6.

The Act also dedicates to the payment of the Bonds a $2 per day parking surcharge on vehicles parking in any parking facility which may hereafter be constructed in conjunction with or as a part of any of the 2004 Projects. Currently, no such parking facility has been constructed.

Set forth on the following page is a tabular presentation of the excise taxes, surcharges and other fees constituting Pledged Receipts for the Bonds.

**Pledged Receipts for the Bonds**




* Currently no such parking facility has been constructed.

**Collection and Administration of Pledged Receipts**

All Pledged Receipts are collected by DOR, which is located within the Commonwealth's Executive Office for Administration and Finance. Pledged Receipts from the Room Occupancy Taxes and the Sales Tax (if more than $1,200 is estimated to be owed annually) are required to be paid on a monthly basis to DOR by all lodging establishments and other applicable businesses, respectively, conducting business within the Tax Base. Pledged Receipts from the Vehicular Rental Surcharge, the Sales Tax (if less than $1,200 is estimated to be owed annually), the Sightseeing Surcharge and the parking surcharge are required to be paid to DOR on a quarterly calendar year basis by applicable businesses and establishments operating within the Tax Base. By the fifteenth day of each month, DOR transfers all Pledged Receipts received during the prior month to the Treasurer for allocation to the Convention Center Fund.

The Processing Division and Excises Unit of DOR are responsible for entering tax return and payment data into DOR's MassTax computer system, which then tabulates all Pledged Receipts that DOR receives and sends bills and demand notices to any late payers. Under the laws of the Commonwealth, DOR has the power to seek a lien upon, to levy and to seize any real or personal property of lodging establishments or other applicable businesses within the Tax Base that neglect or otherwise refuse to remit to DOR all Pledged Receipts owed to the Commonwealth.

Individuals from the Audit Division of DOR regularly visit the municipalities in the Tax Base to ensure that all lodging establishments and other applicable businesses operating within the Tax Base are registered with DOR and are properly submitting Pledged Receipts to DOR. Individuals from the Audit Division also conduct on-site audits of lodging establishments and other applicable businesses to ensure that all Pledged Receipts paid to DOR are accurately derived from the business activity reflected in the financial and business records of those lodging establishments and businesses. The Audit Division employs approximately 265 individuals, in the Commonwealth and in other states, who are collectively responsible for auditing the collections of all taxes owed to the Commonwealth, including the Pledged Receipts. The Revenue Accounting Bureau of DOR ensures that all reported Pledged Receipts generated within the Tax Base are properly accounted for and credited to the Convention Center Fund each month.

**Historical Collection of Pledged Receipts**

The following table shows historical collections of the Room Occupancy Taxes, Vehicular Rental Surcharge, Sales Taxes and Sightseeing Surcharge in all the municipalities within the Tax Base in Fiscal Years 1998 through 2003 and for the first nine months of Fiscal Years 2003 and 2004, respectively.

**Historical Collections of Pledged Receipts - Fiscal Years 1998 through 2003 and Year To Date Fiscal Years 2003 and 2004** [1]

| Fiscal Year | Room Occupancy Taxes | Vehicular Rental Surcharge | Sales Taxes and Sightseeing Surcharge | Total |
|---|---|---|---|---|
| 1998[2] | $ 6,662,265 | $ 1,918,899 | $89,084 | $ 8,670,248 |
| 1999 | 22,492,409 | 11,529,850 | 1,828,377 | 35,850,636 |
| 2000 | 30,205,370 | 11,570,477 | 2,820,273 | 44,596,120 |
| 2001 | 33,780,677 | 11,607,998 | 3,436,452 | 48,825,127 |
| 2002 | 27,219,077 | 9,250,292 | 3,749,667 | 40,219,036 |
| 2003 | 27,177,474 | 8,652,549 | 3,710,343 | 39,540,367 |
| 2003 YTD[3] | 20,522,174 | 7,148,193 | 3,084,889 | 30,755,256 |
| 2004 YTD[3] | 21,464,600 | 6,891,749 | 3,676,824 | 32,033,173 |

Source: Department of Revenue
[1] Reflects adjustments from the Commonwealth's statutory basis annual financial statements.
[2] Represents collections commencing February, 1998.
[3] Represents year-to-date collections through March 31 of the Fiscal Year.

**Projected Collections of Pledged Receipts, Retained Receipts and Debt Service Coverage**

The table set forth below presents projected collections of Pledged Receipts in Fiscal Years 2005 through 2034 ("Current Receipts"), the projected minimum amount, if any, of Pledged Receipts which must be retained in the Convention Center Fund in each such Fiscal Year ("Retained Receipts") in order to comply with the Commonwealth's covenants in the Trust Agreement regarding debt service coverage, the Adjusted Bond Debt Service Requirement for the 2004 Bonds in each such Fiscal Year and the ratio of total Current Receipts and Retained Receipts to the Adjusted Bond Debt Service Requirement for the 2004 Bonds in each such Fiscal Year.

The projected Room Occupancy Taxes from Fiscal Year 2005 through 2034 shown in the table below are based on the Room Occupancy Tax projections contained in the report of Pinnacle Advisory Group attached hereto as Appendix A. For a complete summary of the projected Room Occupancy Tax collections and the assumptions contained therein regarding the projected growth of hotel room supply, hotel room occupancy and average daily hotel room rates in the Tax Base, see "Appendix A – Projected Room Occupancy Tax Collections for the Massachusetts Convention Center Fund."

Due to the fixed nature of the Vehicular Rental Surcharge at $9 per vehicular rental transaction, and due to the absence of sufficient data about the future growth of the vehicle rental market in Boston, the projections of total Pledged Receipts contained below assume that annual Vehicular Rental Surcharge collections will remain constant at the amount collected in Fiscal Year 2003.

With respect to projected collections of Sales Taxes and the Sightseeing Surcharge set forth below, such Pledged Receipts are assumed to increase at an annual growth rate of 3.0%, representing the historical average rate of inflation. While the Commonwealth has assumed an increase in Sales Tax collections due to inflation for the purposes of the projections contained herein, no estimate has been made for the growth in the number of hotels or other business establishments subject to the Sales Taxes in the Tax Base. In particular, the BCEC Finance District is in the early stages of development from an undeveloped industrial area to a commercial and residential area containing a significant number of hotels, restaurants and retail sales outlets. Although no estimate can be made of the increase in collections of the Sales Taxes resulting from the expected increase in the number of hotels, restaurants and retail sales outlets in the BCEC Finance District, the increase is expected to be substantial.

As noted above, at June 30, 2004, following the date of delivery of the 2004 Bonds, the balance of Retained Receipts on deposit in the Convention Center Fund is expected to be approximately $105 million. In accordance with the covenants of the Commonwealth contained in the Trust Agreement, prior to the withdrawal of any Retained Receipts from the Convention Center Fund, the Treasurer is required to prepare a Projection of Pledged Receipts for each of the next succeeding five full Fiscal Years demonstrating that (i) the amount of Current Receipts expected to be collected by the Commonwealth in each of such Fiscal Years is at least equal to the Adjusted Bond Debt Service Requirement for such Fiscal Year with respect to all Bonds Outstanding or projected to be Outstanding in such Fiscal Year and (ii) the amount of Current Receipts which are expected to be collected by the Commonwealth in each of such Fiscal Years, plus the amount, if any, of Retained Receipts projected to be on deposit in the Convention Center Fund on the first day of such Fiscal Year, is an amount at least equal to 150% of the maximum Adjusted Bond Debt Service Requirement for such Fiscal Year or for any future Fiscal Year with respect to all Bonds Outstanding or projected to be Outstanding in such Fiscal Year. The table on the following page sets forth the minimum amount of Retained Receipts, if any, that are expected to be retained in the Convention Center Fund in each of the Fiscal Years 2005 through 2034 in order to comply with the foregoing covenants based on the projected collections of Current Receipts for each such Fiscal Year.

**Projected Collections of Pledged Receipts, Retained Receipts and Debt Service Coverage in Fiscal Years 2005 through 2034**

| | Current Receipts | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Fiscal Year | Room Occupancy Tax | Vehicular Rental Surcharge | Sales Taxes and Sightseeing Surcharge | Total Current Receipts | Required Balance of Retained Receipts | Total Current Receipts and Reatined Receipts Available for Debt Service | Adjusted Bond Debt Service Requirement [(1)] | Debt Service Coverage |
| 2005 | $ 34,417,588 | $ 8,652,549 | $ 3,936,304 | $ 47,006,441 | $ 36,648,240 | $ 83,654,681 | $ 36,497,702 | 2.29x [(2)] |
| 2006 | 39,366,248 | 8,652,549 | 4,054,393 | 52,073,191 | 31,581,491 | 83,654,681 | 36,296,058 | 2.30x [(2)] |
| 2007 | 44,579,533 | 8,652,549 | 4,176,025 | 57,408,107 | 26,246,575 | 83,654,681 | 36,296,058 | 2.30x [(2)] |
| 2008 | 49,346,149 | 8,652,549 | 4,301,306 | 62,300,004 | 21,354,678 | 83,654,681 | 36,296,058 | 2.30x [(2)] |
| 2009 | 54,107,573 | 8,652,549 | 4,430,345 | 67,190,467 | 16,464,214 | 83,654,681 | 36,296,058 | 2.30x [(2)] |
| 2010 | 58,606,866 | 8,652,549 | 4,563,255 | 71,822,670 | 11,832,011 | 83,654,681 | 36,296,058 | 2.30x [(2)] |
| 2011 | 63,462,981 | 8,652,549 | 4,700,153 | 76,815,683 | 6,838,998 | 83,654,681 | 36,296,058 | 2.30x [(2)] |
| 2012 | 68,657,838 | 8,652,549 | 4,841,158 | 82,151,545 | 1,503,136 | 83,654,681 | 36,296,058 | 2.30x [(2)] |
| 2013 | 74,206,817 | 8,652,549 | 4,986,392 | 87,845,758 | - | 87,845,758 | 36,296,058 | 2.42x |
| 2014 | 80,131,907 | 8,652,549 | 5,135,984 | 93,920,440 | - | 93,920,440 | 36,296,058 | 2.59x |
| 2015 | 86,457,085 | 8,652,549 | 5,290,064 | 100,399,698 | - | 100,399,698 | 55,766,189 | 1.80x |
| 2016 | 92,752,528 | 8,652,549 | 5,448,765 | 106,853,843 | - | 106,853,843 | 55,768,101 | 1.92x |
| 2017 | 99,437,336 | 8,652,549 | 5,612,228 | 113,702,114 | - | 113,702,114 | 55,766,870 | 2.04x |
| 2018 | 106,573,400 | 8,652,549 | 5,780,595 | 121,006,545 | - | 121,006,545 | 55,765,210 | 2.17x |
| 2019 | 114,149,233 | 8,652,549 | 5,954,013 | 128,755,796 | - | 128,755,796 | 55,769,094 | 2.31x |
| 2020 | 122,204,794 | 8,652,549 | 6,132,634 | 136,989,976 | - | 136,989,976 | 55,769,506 | 2.46x |
| 2021 | 130,708,834 | 8,652,549 | 6,316,613 | 145,677,996 | - | 145,677,996 | 55,768,781 | 2.61x |
| 2022 | 139,740,846 | 8,652,549 | 6,506,111 | 154,899,506 | - | 154,899,506 | 55,768,113 | 2.78x |
| 2023 | 149,341,726 | 8,652,549 | 6,701,294 | 164,695,569 | - | 164,695,569 | 55,768,431 | 2.95x |
| 2024 | 159,546,006 | 8,652,549 | 6,902,333 | 175,100,889 | - | 175,100,889 | 55,765,538 | 3.14x |
| 2025 | 170,390,287 | 8,652,549 | 7,109,403 | 186,152,239 | - | 186,152,239 | 55,764,969 | 3.34x |
| 2026 | 181,913,356 | 8,652,549 | 7,322,685 | 197,888,590 | - | 197,888,590 | 55,766,869 | 3.55x |
| 2027 | 194,156,318 | 8,652,549 | 7,542,366 | 210,351,233 | - | 210,351,233 | 55,766,250 | 3.77x |
| 2028 | 207,162,738 | 8,652,549 | 7,768,637 | 223,583,924 | - | 223,583,924 | 55,767,863 | 4.01x |
| 2029 | 220,978,783 | 8,652,549 | 8,001,696 | 237,633,028 | - | 237,633,028 | 55,766,194 | 4.26x |
| 2030 | 235,653,377 | 8,652,549 | 8,241,747 | 252,547,672 | - | 252,547,672 | 55,768,150 | 4.53x |
| 2031 | 251,238,367 | 8,652,549 | 8,488,999 | 268,379,915 | - | 268,379,915 | 55,769,788 | 4.81x |
| 2032 | 267,788,696 | 8,652,549 | 8,743,669 | 285,184,914 | - | 285,184,914 | 55,768,188 | 5.11x |
| 2033 | 285,362,589 | 8,652,549 | 9,005,979 | 303,021,117 | - | 303,021,117 | 55,769,125 | 5.43x |
| 2034 | 304,021,745 | 8,652,549 | 9,276,159 | 321,950,453 | - | 321,950,453 | 55,765,125 | 5.77x |

[(1)] Assumes that the CPI Bonds bear interest at the Fixed Hedge Rate applicable thereto. See "Security for the Bonds-The 2004 Hedge Agreements" below.
[(2)] Includes Retained Receipts.

## SECURITY FOR THE BONDS

The Bonds, including the 2004 Bonds, are special obligations of the Commonwealth payable solely from, and secured equally and ratably without preference of any Bond over any other Bond solely by a pledge of, (i) the Pledged Receipts and all of the Commonwealth's rights to receive the same, whether existing or coming into existence and whether held or hereafter acquired by the Commonwealth, and the proceeds thereof, (ii) all moneys, securities and Reserve Credit Facilities, and any investment earnings thereon, in all funds established under the Trust Agreement (other than the Rebate Fund), and (iii) all Scheduled Hedge Payments and, subject to legislative appropriation for such purpose, all Termination Hedge Payments payable to the Commonwealth by a Hedge Provider pursuant to a Qualified Hedge Agreement relating to any Bonds (collectively, the "Trust Estate"), subject only to the provisions of the Trust Agreement permitting the application of the foregoing for the purposes and on the terms and conditions set forth in the Trust Agreement.

The Bonds do not constitute general obligations of the Commonwealth and the Commonwealth's full faith and credit are not pledged to the payment of the principal of, or interest on, the Bonds. The Bonds are not secured by the 2004 Projects or by any revenues derived from the 2004 Projects.

The Commonwealth covenants in the Trust Agreement that it will not issue any bonds, notes or other evidences of indebtedness, other than the Bonds, secured by a pledge of or lien upon the Trust Estate, and shall not otherwise create any lien or charge on the Trust Estate. See "Issuance of Additional Bonds and Refunding Bonds" below. Notwithstanding the foregoing, the Commonwealth reserves the right to issue notes or other indebtedness in anticipation of Bonds and to secure such notes or other indebtedness by a subordinate pledge of Pledged Receipts, subject to the delivery of a certificate of the Treasurer that he expects all requirements to be satisfied for the issuance of the series of Bonds in anticipation of which such notes are to be issued, and, subject to the delivery of a Rating Confirmation to the Trustee, to issue any bonds, notes or other evidences of indebtedness for any purpose which are secured by a pledge of the Pledged Receipts which is in all respects subordinate to the provisions of the Trust Agreement and the pledge created thereby for the benefit of the Bonds.

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 Act the Commonwealth has granted a lien on Pledged Receipts for the benefit of the owners of the Bonds. Enforcement of a claim for payment of principal or Redemption Price of and interest on the Bonds 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. The Bonds are not subject to acceleration.

### 2004 Hedge Agreements

In connection with the issuance of the CPI Bonds, the Commonwealth expects to enter into the 2004 Hedge Agreements with Bear Stearns Capital Markets Inc., Goldman Sachs Capital Markets, L.P. and JPMorgan Chase Bank, respectively. JPMorgan Chase Bank is an affiliate of J.P. Morgan Trust Company, National Association, Trustee for the Bonds. The aggregate notional amount under the 2004 Hedge Agreements is equal to the aggregate principal amount of the CPI Bonds; the notional amount allocated to each of the 2004 Hedge Providers is approximately equal to one-third of the aggregate notional amount under the 2004 Hedge Agreements. The 2004 Hedge Agreements provide that the Commonwealth will pay the 2004 Hedge Providers Fixed Hedge Rates ranging from 4.45% to 5.25% on the notional amounts established under the 2004 Hedge Agreements and the 2004 Hedge Providers will pay the Commonwealth a floating rate on the respective notional amounts based on the MUNI-CPI Rate for the CPI Bonds.

The 2004 Hedge Agreements are deemed to be Qualified Hedge Agreements and Parity Hedge Agreements under the Trust Agreement. The Commonwealth's obligation to make the Scheduled Hedge Payments to the 2004 Hedge Providers thereunder will be secured by a pledge of the Trust Estate on a parity with the Bonds. The

Commonwealth's obligation to make any other payments under the 2004 Hedge Agreements, including any Termination Hedge Payments thereunder, will be secured with a lien on the Trust Estate subordinate to the lien securing the Bonds. Any Scheduled Hedge Payments payable by the Commonwealth under the 2004 Hedge Agreements will be paid from amounts on deposit in the Debt Service Fund on a parity with the Bonds, and any Scheduled Hedge Payments payable by the 2004 Hedge Providers under the 2004 Hedge Agreements will be deposited in the Revenue Fund under the Trust Agreement. Termination Hedge Payments, if any, payable by the Commonwealth will be paid from amounts on deposit in the Bond Related Costs Fund. The obligations of the Commonwealth to make Scheduled Hedge Payments under the 2004 Hedge Agreements is guaranteed by the Insurer. Failure of the 2004 Hedge Providers to make any Scheduled Hedge Payment to the Commonwealth will not affect the Commonwealth's obligations to pay the principal of and interest on the CPI Bonds when due.

**Capital Reserve Fund**

The Trust Agreement requires a Capital Reserve Fund to be established and provides for its funding and maintenance in an amount at least equal to the lesser of (i) 10% of the original principal amount of all Bonds Outstanding, (ii) 125% of the average aggregate amount of principal and interest becoming due in any Fiscal Year on all Bonds Outstanding, and (iii) the maximum Adjusted Bond Debt Service Requirement in any Fiscal Year on all Bonds Outstanding (the "Capital Reserve Fund Requirement"). The Commonwealth is prohibited from issuing Bonds at any time unless the amount on deposit in the Capital Reserve Fund, including any deposit to be made from the proceeds of such Bonds to be issued, is equal to the Capital Reserve Fund Requirement calculated at such date of issuance.

In lieu of cash or securities, the Trust Agreement authorizes the Commonwealth to satisfy the Capital Reserve Fund Requirement in whole or in part by depositing letters of credit, insurance policies, surety bonds or similar instruments with the Trustee (as more fully described in Appendix B hereto, "Reserve Credit Facilities"), in each case making funds available for the same purposes and subject to the same conditions as cash or securities would be available to the Trustee. The Commonwealth will satisfy the Capital Reserve Fund Requirement allocable to the 2004 Bonds by depositing with the Trustee the Surety Bond with a policy limit of $55,769,787.50 to be issued by the Insurer concurrently with the delivery of the 2004 Bonds. The Surety Bond is non-cancellable and the premium will be fully paid at the time of delivery of the 2004 Bonds. The Surety Bond shall terminate on the earlier of the scheduled final maturity date of the 2004 Bonds or the date on which no 2004 Bonds are Outstanding under the Trust Agreement.

Pursuant to the Trust Agreement, moneys and Reserve Credit Facilities in the Capital Reserve Fund may not be withdrawn or released in any amount which would cause the amount of the Capital Reserve Fund to fall below the Capital Reserve Fund Requirement except for the purpose of paying the principal or Redemption Price of, and interest on, Bonds for the payment of which no other moneys pledged under the Trust Agreement are available.

In accordance with the Act and the Trust Agreement, if on the last day of any Fiscal Year during which Bonds are Outstanding the balance on deposit in the Capital Reserve Fund is less than the Capital Reserve Fund Requirement as then calculated, the 2.75% Convention Center Financing Fee imposed within Boston shall be increased to the maximum rate permitted by law (currently 4.30%) until the balance on deposit in the Capital Reserve Fund shall again equal the Capital Reserve Fund Requirement as certified by the Secretary.

**Convention Center Fund**

The Act provides for the establishment of the Convention Center Fund to be held by the Treasurer and the deposit therein of all amounts pledged to the payment of the Bonds. As noted above, at June 30, 2004, following the delivery of the 2004 Bonds, the balance of Retained Receipts on deposit in the Convention Center Fund is expected to be approximately $105 million. See "Introduction - Covenants Regarding Sufficiency of Pledged Receipts." Pursuant to the Act, amounts deposited in the Convention Center Fund are impressed with a trust for the benefit of the registered owners of the Bonds and such amounts may be applied by the Treasurer without further appropriation to the payment of the principal and Redemption Price of, and interest on, the Bonds, to the maintenance of the Capital Reserve Fund, including satisfaction of any obligations of the Commonwealth with respect to any Reserve Credit Facility on deposit therein as described below, to the payment of Costs of Issuance of the Bonds and, subject to the satisfaction of the covenants of the Commonwealth described below, to defray additional costs of the BCEC Project and certain other capital and operating costs of the Massachusetts Convention Center Authority.

**Flow of Funds Under the Trust Agreement**

The Trust Agreement provides for the creation of a Revenue Fund, a Debt Service Fund, a Redemption Fund, a Capital Reserve Fund, a Bond Related Costs Fund and a Rebate Fund. All such funds created pursuant to the Trust Agreement are held by the Trustee and shall be deemed to be within the Convention Center Fund and, other than the Rebate Fund, are subject to the lien and pledge created under the Trust Agreement. On the date of delivery of the 2004 Bonds, amounts and Reserve Credit Facilities will be deposited in such Funds as described below under "Application of Proceeds."

All Pledged Receipts are deposited in the Convention Center Fund upon receipt by the Commonwealth. Under the Trust Agreement, the Commissioner of Revenue of the Commonwealth is required to deliver to the Treasurer and the Trustee within fifteen business days after the end of each month a certificate stating the amount of Pledged Receipts collected by the Commonwealth during such month. Such amount shall be withdrawn from the Convention Center Fund by the Treasurer, without further appropriation by the state legislature, and paid to the Trustee within two business days thereafter and deposited by the Trustee in the Revenue Fund until the amount so deposited in the Revenue Fund in each Fiscal Year equals the total amount required to meet the requirements of the Revenue Fund described in the following paragraph for such Fiscal Year, including an amount sufficient to pay the aggregate amount of interest, principal and sinking fund payments due on all Outstanding Bonds in such Fiscal Year. There shall also be deposited in the Revenue Fund any Scheduled Hedge Payments payable to the Commonwealth by a Hedge Provider pursuant to a Qualified Hedge Agreement.

On the last business day prior to each Debt Service Payment Date of the Bonds, the Trustee shall transfer from amounts available in the Revenue Fund 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 such Debt Service Payment Date;

(ii) Subject to the provisions summarized above under the heading "Capital Reserve Fund," to the Capital Reserve Fund, an amount sufficient to cause the balance in the Capital Reserve Fund to equal the Funded Capital Reserve Fund Requirement as of such Debt Service Payment Date, or, to the extent provided in any Supplemental Trust Agreement, to the provider of any Reserve Credit Facility held therein, the amount, if any, then due such provider;

(iii) To the Bond Related Costs Fund, in such amounts, if any, as are set forth in an Applicable Supplemental Trust Agreement or the certificate of an Authorized Officer delivered to the Trustee as necessary to pay Bond Related Costs or to reimburse the Commonwealth for the payment thereof; and

(iv) To the Rebate Fund, an amount sufficient to cause the balance therein to equal the Rebate Fund Requirement, if any, determined in accordance with all Applicable Supplemental Trust Agreements.

Subject to the provisions of the Trust Agreement summarized below, any balance remaining in the Revenue Fund following the above payments shall be retained in the Revenue Fund to be available for payments therefrom on the next succeeding Debt Service Payment Date.

If on the last business day prior to any Debt Service Payment Date, the amount available in the Revenue Fund is insufficient to make the deposits required under the Trust Agreement, the Treasurer is required to withdraw from the Convention Center Fund and pay to the Trustee the amount necessary to meet the deficiency from any Retained Receipts then on deposit in the Convention Center Fund. Any such amount paid to the Trustee shall be deposited in the Revenue Fund and applied as provided in the Trust Agreement.

On the last business day of each Fiscal Year, after all the payments from the Revenue Fund shall have been duly made or provided for under the Trust Agreement, any amount then remaining in the Revenue Fund which shall have been determined by the Treasurer, with the concurrence of the Secretary, not to be reasonably required for the purposes of the Revenue Fund during the next succeeding Fiscal Year, or any portion thereof as directed by the Treasurer, shall be withdrawn and paid to the Treasurer for deposit in the Convention Center Fund.

Amounts deposited in the Debt Service Fund under the Trust Agreement will be applied to the payment of the principal and interest payable on the Bonds as the same becomes due at maturity or upon mandatory sinking fund redemption and any Scheduled Hedge Payments payable by the Commonwealth under a Parity Hedge Agreement (which include Scheduled Hedge Payments under the 2004 Hedge Agreements). If at any time the amount on deposit in the Debt Service Fund and the Redemption Fund is insufficient to pay the principal or Redemption Price of, and interest on, the Bonds and any Scheduled Hedge Payments then due, after application to such purpose of any balance available in the Convention Center Fund, the Trustee shall withdraw from the Capital Reserve Fund and deposit in the Debt Service Fund the amount necessary to satisfy the deficiency. Amounts so withdrawn from the Capital Reserve Fund shall be derived, first, from cash or Permitted Investments on deposit therein and, second, from draws or demands on any Reserve Credit Facilities held for the credit of the Capital Reserve Fund, including the Surety Bond.

Amounts deposited in the Bond Related Costs Fund will be applied to pay Bond Related Costs or to reimburse the Commonwealth for the prior payment thereof in the manner, at the times and in the amounts as directed from time to time by an Authorized Officer of the Commonwealth. Amounts on deposit in the Rebate Fund shall be applied to pay any required rebate on investment earnings to the United States. The Rebate Fund and the amounts on deposit therein are not be deemed to be part of the Trust Estate under the Trust Agreement.

**Covenants of the Commonwealth**

The Commonwealth has covenanted in the Act and in the Trust Agreement that so long as any Bonds are Outstanding the rates of the respective Room Occupancy Taxes, the Vehicular Rental Surcharge, the Sightseeing Surcharge, the Sales Taxes, and the parking surcharge pledged to the payment of the Bonds will not be reduced below the rates in effect at the date of original issue of such Bonds. The Commonwealth has further covenanted that it shall take all action necessary and appropriate to receive, deposit and apply all Pledged Receipts at the times and in the manner provided in the Trust Agreement and in the Act, including without limitation all actions necessary and appropriate to enforce the obligations of the Commonwealth to collect and pay such Pledged Receipts to the Commonwealth as provided in the Act and otherwise by law.

The Act and the Trust Agreement also include covenants by the Commonwealth that until the Principal Installments and interest on the Bonds shall be paid or deemed paid under the Trust Agreement, (i) the Pledged Receipts shall not be diverted from the purposes identified in the Trust Agreement and in the Act; (ii) no Pledged Receipts or other portion of the Trust Estate shall be diverted from the Convention Center Fund or the Funds established under the Trust Agreement except as provided in the Trust Agreement and in the Act; and (iii) in any Fiscal Year, until the Treasurer, with the concurrence of the Secretary, has determined that Pledged Receipts have been or will be deposited in the Revenue Fund in an amount sufficient to meet the requirements for such Fund in order to pay, when due, the principal or Redemption Price of and interest on all Bonds payable in such Fiscal Year, to maintain the Capital Reserve Fund at the Capital Reserve Fund Requirement as provided in the Trust Agreement and to pay all Bond Related Costs then or to become due in such Fiscal Year or to reimburse the Commonwealth for any prior payment thereof, no such Pledged Receipts or, subject to the two paragraphs below, any other amounts held in the Convention Center Fund, shall be applied to any other use.

Pursuant to the Trust Agreement, if the amount of Current Receipts in any Fiscal Year is at least equal to the Adjusted Bond Debt Service Requirement for such Fiscal Year, commencing with the Fiscal Year ending June 30, 2005, after applying such Current Receipts to satisfy the required payments from the Revenue Fund for such Fiscal Year, including provision for the principal and interest to become due on the Bonds, the Treasurer, with the concurrence of the Secretary, may withdraw all or any portion of the Retained Receipts on deposit in the Convention Center Fund which are not required to be retained therein under the provisions of the Trust Agreement described in the following paragraph for application to any legal purpose, or he may segregate all or any portion of such Retained

Receipts in one or more accounts within the Convention Center Fund, in each case free and clear of the lien and pledge of the Trust Agreement.

Notwithstanding the foregoing, prior to the withdrawal or segregation of any Retained Receipts in the Convention Center Fund as aforesaid, the Treasurer is required to prepare a Projection of Pledged Receipts setting forth the estimated amount of Current Receipts which are expected to be collected by the Commonwealth and deposited in the Convention Center Fund in each of the next succeeding five full Fiscal Years. The Projection of Pledged Receipts must demonstrate that (i) the amount of Current Receipts expected to be collected by the Commonwealth in each of such Fiscal Years is at least equal to the Adjusted Bond Debt Service Requirement for such Fiscal Year on all Bonds Outstanding or projected to be Outstanding in such Fiscal Year and (ii) the amount of Current Receipts which are expected to be collected by the Commonwealth in each of such Fiscal Years, plus the amount, if any, of Retained Receipts projected to be on deposit in the Convention Center Fund on the first day of such Fiscal Year, is an amount at least equal to 150% of the maximum Adjusted Bond Debt Service Requirement for such Fiscal Year or for any future Fiscal Year with respect to all Bonds Outstanding or projected to be Outstanding in each such Fiscal Year. If the Current Receipts collected by the Commonwealth and deposited in the Convention Center Fund in any Fiscal Year are less than an amount equal to 150% of the maximum Adjusted Bond Debt Service Requirement for such Fiscal Year or any future Fiscal Year with respect to all Bonds Outstanding, any Projection of Pledged Receipts filed by the Treasurer to withdraw Retained Receipts from the Convention Center Fund following the end of such Fiscal Year must be accompanied by an opinion or certificate of a Financial Feasibility Consultant to the effect that the assumptions used in such Projection of Pledged Receipts are reasonable.

In addition, the Commonwealth has covenanted that it will not withdraw any amount from the Convention Center Fund in order to make a Termination Hedge Payment under any of the 2004 Hedge Agreements if any such withdrawal would cause the amount, if any, of Retained Receipts on deposit in the Convention Center Fund following such withdrawal, plus the amount of Current Receipts which are expected to be collected by the Commonwealth in the current Fiscal Year to be less than one hundred fifty percent (150%) of the maximum Adjusted Bond Debt Service Requirement for such Fiscal Year or for any future Fiscal Year with respect to all Bonds then Outstanding.

Notwithstanding the foregoing, the Treasurer may make appropriate withdrawals from or deposits to the Convention Center Fund if, upon subsequent audit of the Convention Center Fund or upon audit of individual taxpayers subject to the excise taxes and surcharges and other fees constituting Pledged Receipts, the Commissioner of DOR determines that the amount deposited in the Convention Center Fund is greater than or less than the amount that should have been deposited in the Convention Center Fund in accordance with the Act. Any such withdrawal may be made by the Treasurer without compliance with the requirements of the foregoing paragraph.

**Issuance of Additional Bonds and Refunding Bonds**

The Trust Agreement permits the issuance of Additional Bonds for the purpose of paying or providing for all or any portion of the Cost of any Project, making deposits to the Debt Service Fund and the Capital Reserve Fund, paying Costs of Issuance and paying the principal of, and interest and premium, if any, on, notes or other obligations issued in anticipation of such Additional Bonds. In addition to the 2004 Projects, the Trust Agreement permits the issuance of Additional Bonds for any other purpose authorized by a Bond Authorization for which Bonds may be issued. In addition to the provisions of the Trust Agreement described above providing for the maintenance of the Capital Reserve Fund in an amount equal to Capital Reserve Fund Requirement, prior to the issuance of a series of Additional Bonds the Commonwealth must deliver to the Trustee, among other things, one of the following three certificates, as determined by the Treasurer:

(1) a certificate of an Authorized Officer showing that the amount of Pledged Receipts as certified received by the Treasurer during any twelve consecutive months out of the preceding eighteen months was not less than 150% of the maximum Adjusted Bond Debt Service Requirement due in the then current or any future Fiscal Year with respect to all Bonds Outstanding including the proposed Additional Bonds; or

(2) if the Commonwealth intends to pledge any Additional Pledged Receipts which have been collected by the Commonwealth for at least twelve consecutive months of the previous eighteen months, (x) a certificate of the Comptroller and/or the Commissioner of Revenue setting forth the amount of

Pledged Receipts received by the Commonwealth for each month in the eighteen month period ending with the last full month immediately preceding the month in which the Additional Bonds are issued, calculated on the basis that Pledged Receipts shall include such Additional Pledged Receipts for such period, and (y) a certificate of an Authorized Officer showing that the Pledged Receipts as so calculated for any twelve consecutive months during such eighteen (18) month period shall be not less than 150% of the maximum Adjusted Bond Debt Service Requirement in the then current Fiscal Year or any future Fiscal Year with respect to all Bonds Outstanding including the proposed Additional Bonds; or

(3) a Projection of Pledged Receipts setting forth the estimated amount of Pledged Receipts, including any Additional Pledged Receipts to be pledged to the Bonds, which are expected to be collected by the Commonwealth and deposited in the Convention Center Fund in each of the five full Fiscal Years immediately succeeding the issuance of the proposed Additional Bonds or, if later, in the five full Fiscal Years following completion of the Project to be financed by the proposed Additional Bonds (if the completion of such Project is expected to result in the collection of Additional Pledged Receipts pledged pursuant to the Trust Agreement), and demonstrating that (x) in each such Fiscal Year the Pledged Receipts to be collected in such Fiscal Year, including any such Additional Pledged Receipts, shall be not less than the Adjusted Bond Debt Service Requirement for such Fiscal Year on all Bonds Outstanding including the proposed Additional Bonds, (y) in each of such Fiscal Years the Pledged Receipts to be collected in such Fiscal Year, plus the amount of any Retained Receipts held in the Convention Center Fund on the first day of such Fiscal Year, shall be not less than 150% of the maximum Adjusted Bond Debt Service Requirement for such Fiscal Year or any future Fiscal Year on all Bonds Outstanding including the proposed Additional Bonds and (z) in the fifth such Fiscal Year the Pledged Receipts collected in such Fiscal Year (without reference to Retained Receipts) shall be not less than 150% of the maximum Adjusted Bond Debt Service Requirement in such Fiscal Year or any future Fiscal Year with respect to all Bonds Outstanding including the proposed Additional Bonds.

If the Commonwealth elects to deliver one of the certificates described in paragraphs (2) or (3) above, or if any Variable Rate Bonds will be Outstanding following issuance of such Additional Bonds, the Commonwealth must also deliver a Rating Confirmation from each Rating Agency maintaining a rating on Bonds Outstanding prior to the issuance of any series of Additional Bonds.

The Trust Agreement also permits the issuance of Refunding Bonds for the purpose of refunding all or any part of the Bonds Outstanding. In addition to the requirement that the balance in the Capital Reserve Fund must be maintained in an amount equal to the Capital Reserve Fund Requirement, prior to the issuance of a series of Refunding Bonds, the Commonwealth must deliver to the Trustee, among other things, either (i) a certificate of an authorized officer of the Commonwealth 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, or (ii) a certificate satisfying the requirements described in the preceding paragraph treating the Refunding Bonds to be issued as Additional Bonds or (iii) a Rating Confirmation.

**Amendment of the Trust Agreement**

The provisions of the Trust Agreement may be amended in any respect upon receipt of a Rating Confirmation or with the consent of the registered owners of a majority in aggregate principal amount of all the Bonds Outstanding, provided that no such amendment shall modify the terms of redemption or maturity of any Bond or the principal amount thereof or the rate of interest thereon without the consent of the registered owner thereof. See “Supplemental Trust Agreement Effective Upon Filing” and “Powers of Amendment” in Appendix B— “Summary of Certain Definitions and Provisions of the Trust Agreement.”

For a more complete summary of the provisions of the Trust Agreement providing for the security for the Bonds, see Appendix B— “Summary of Certain Definitions and Provisions of the Trust Agreement.”

## BOND INSURANCE

The Insurer has supplied the following information for inclusion in this Official Statement. No representation is made by the Commonwealth or the Underwriters as to the accuracy or completeness of this information.

The First Supplemental Agreement provides that, notwithstanding any provision of the Trust Agreement to the contrary, for all purposes of the provisions of the Trust Agreement governing Events of Default, remedies therefor and the application of Pledged Receipts upon the occurrence of an Event of Default under the Trust Agreement, except the giving of notice of an Event of Default to Registered Owners of the 2004 Bonds, the Insurer shall be deemed to be the sole owner of the 2004 Bonds. Any amendment or supplement to the Trust Agreement shall be subject to the prior written approval of the Insurer.

### Payments Under the Bond Insurance Policy

Concurrently with the issuance of the 2004 Bonds, the Insurer will issue its Municipal Bond New Issue Insurance Policy for the 2004 Bonds (the "Bond Insurance Policy"). The Bond Insurance Policy unconditionally guarantees the payment of that portion of the principal of and interest on the 2004 Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the Commonwealth. The Insurer will make such payments to U.S. Bank Trust National Association, or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal or interest (as applicable) is due or on the business day next following the day on which the Insurer shall have received notice (in accordance with the terms of the Bond Insurance Policy) from an owner of 2004 Bonds or the Trustee of the nonpayment of such amount by the Commonwealth. The Fiscal Agent will disburse such amount due on any 2004 Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal or interest (as applicable) due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal or interest (as applicable) shall be vested in the Insurer. The term "nonpayment" in respect of a 2004 Bond includes any payment of principal or interest (as applicable) made to an owner of a 2004 Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

Once issued, the Bond Insurance Policy is non-cancellable by the Insurer. The Bond Insurance Policy covers failure to pay principal of the 2004 Bonds on their stated maturity dates and their mandatory sinking fund redemption dates, and not on any other date on which the 2004 Bonds may have been otherwise called for redemption, accelerated or advanced in maturity. The Bond Insurance Policy also covers the failure to pay interest on the stated date for its payment. If the 2004 Bonds are accelerated or become subject to mandatory redemption, the Insurer will be obligated to pay principal and interest on the originally scheduled principal (including mandatory sinking fund redemption) and interest payment dates. Upon such payment, the Insurer will become the owner of the 2004 Bond, appurtenant coupon or right to payment of principal or interest on such Bond and will be fully subrogated to all of the registered owner's rights thereunder.

The Bond Insurance Policy does not insure any risk other than Nonpayment by the Commonwealth, as defined in the Bond Insurance Policy. Specifically, the Bond Insurance Policy does not cover: (i) payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity; (ii) payment of any redemption, prepayment or acceleration premium; or (iii) nonpayment of principal or interest caused by the insolvency or negligence or any other act or omission of the trustee or paying agent, if any.

As a condition of its commitment to insure 2004 Bonds, the Insurer may be granted certain rights under the Bond documentation. The specific rights, if any, granted to the Insurer in connection with its insurance of the 2004 Bonds may be set forth in the description of the principal legal documents appearing elsewhere in this Official Statement, and reference should be made thereto.

The Bond Insurance Policy and the Surety Bond are not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

**The Insurer**

The Insurer, a New York stock insurance corporation, is a direct, wholly-owned subsidiary of FGIC Corporation, and provides financial guaranty insurance for public finance and structured finance obligations. The Insurer is licensed to engage in financial guaranty insurance in all 50 states, the District of Columbia and the Commonwealth of Puerto Rico and, through a branch, in the United Kingdom. The Insurer is a wholly-owned subsidiary of FGIC Corporation, a Delaware corporation.

On December 18, 2003, an investor group consisting of The PMI Group, Inc. ("PMI"), affiliates of The Blackstone Group L.P. ("Blackstone"), affiliates of The Cypress Group L.L.C. ("Cypress") and affiliates of CIVC Partners L.P. ("CIVC") acquired FGIC Corporation (the "FGIC Acquisition") from a subsidiary of General Electric Capital Corporation ("GE Capital"). PMI, Blackstone, Cypress and CIVC acquired approximately 42%, 23%, 23% and 7%, respectively, of FGIC Corporation's common stock. GE Capital retained approximately $234.6 million in liquidation preference of FGIC Corporation's convertible participating preferred stock and approximately 5% of FGIC Corporation's common stock. Neither FGIC Corporation nor any of its shareholders is obligated to pay any debts of the Insurer or any claims under any insurance policy, including the Bond Insurance Policy, issued by the Insurer.

The Insurer is subject to the insurance laws and regulations of the State of New York, where it is domiciled, including Article 69 of the New York Insurance Law ("Article 69"), a comprehensive financial guaranty insurance statute. The Insurer is also subject to the insurance laws and regulations of all other jurisdictions in which it is licensed to transact insurance business. The insurance laws and regulations, as well as the level of supervisory authority that may be exercised by the various insurance regulators, vary by jurisdiction, but generally require insurance companies to maintain minimum standards of business conduct and solvency, to meet certain financial tests, to comply with requirements concerning permitted investments and the use of policy forms and premium rates and to file quarterly and annual financial statements on the basis of statutory accounting principles ("SAP") and other reports. In addition, Article 69, among other things, limits the business of each financial guaranty insurer, including the Insurer, to financial guaranty insurance and certain related lines.

For the three months ended March 31, 2004, and the years ended December 31, 2003 and December 31, 2002, the Insurer had written directly or assumed through reinsurance, guaranties of approximately $11.3 billion, $42.4 billion and $47.9 billion par value of securities, respectively (of which approximately 50%, 79% and 81%, respectively, constituted guaranties of municipal bonds), for which it had collected gross premiums of approximately $56.4 million, $260.3 million and $232.6 million, respectively. For the three months ended March 31, 2004, the Insurer had reinsured, through facultative arrangements, approximately 0.3% of the risks it had written.

As of March 31, 2004, the Insurer had net admitted assets of approximately $2.864 billion, total liabilities of approximately $1.728 billion, and total capital and policyholders' surplus of approximately $1.136 billion, determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

The audited financial statements of the Insurer as of March 31, 2004, December 31, 2003 and December 31, 2002, which have been filed with the Nationally Recognized Municipal Securities Information Repositories ("NRMSIRs"), are hereby included by specific reference in this Official Statement. Any statement contained herein under the heading "BOND INSURANCE," or in any documents included by specific reference herein, shall be modified or superseded to the extent required by any statement in any document subsequently filed by the Insurer with such NRMSIRs, and shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement. All financial statements of the Insurer (if any) included in documents filed by the Commonwealth with the NRMSIRs subsequent to the date of this Official Statement and prior to the termination of the offering of the 2004 Bonds shall be deemed to be included by specific reference into this Official Statement and to be a part hereof from the respective dates of filing of such documents.

The Insurer also prepares quarterly and annual financial statements on the basis of generally accepted accounting principles. Copies of the Insurer's most recent GAAP and SAP financial statements are available upon request to: Financial Guaranty Insurance Company, 125 Park Avenue, New York, NY 10017, Attention: Corporate Communications Department. The Insurer's telephone number is (212) 312-3000.

**The Insurer's Credit Ratings**

The financial strength of the Insurer is rated "AAA" by Standard & Poor's, a Division of The McGraw-Hill Companies, Inc., "Aaa" by Moody's Investors Service, and "AAA" by FitchRatings. Each rating of the Insurer should be evaluated independently. The ratings reflect the respective ratings agencies' current assessments of the insurance financial strength of the Insurer. Any further explanation of any rating may be obtained only from the applicable rating agency. These ratings are not recommendations to buy, sell or hold the 2004 Bonds, and are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the 2004 Bonds. The Insurer does not guarantee the market price or investment value of the 2004 Bonds nor does it guarantee that the ratings on the 2004 Bonds will not be revised or withdrawn.

**Neither the Insurer nor any of its affiliates accepts any responsibility for the accuracy or completeness of the Official Statement or any information or disclosure that is provided to potential purchasers of the 2004 Bonds, or omitted from such disclosure, other than with respect to the accuracy of information with respect to the Insurer or the Bond Insurance Policy under the heading "BOND INSURANCE." In addition, the Insurer makes no representation regarding the 2004 Bonds or the advisability of investing in the 2004 Bonds.**

## THE PROJECTS

In enacting the Act in 1997, the Massachusetts legislature found that the lack of adequate convention and exhibition facilities in the Commonwealth with the capacity to service major national and international conventions was impairing the Commonwealth's ability to develop important aspects of its tourist industry and that the construction of convention and exhibition centers of sufficient size and quality to attract and accommodate such conventions would have a substantial impact on the Commonwealth's economy by stimulating such tourism-related industries as transportation, hotels, restaurants, recreation, entertainment and retail sales which would in turn promote the overall economic development of the Commonwealth, enhance employment opportunities and increase the tax base. The legislature further found that the Boston and the communities within its immediate vicinity had and were developing the necessary hotel and related service establishments with the capacity to accommodate major national and international conventions, and that locating a new convention center in Boston, with its unique historic, recreational and entertainment attractions, would prove to be a valuable asset in attracting major national and international conventions to the Commonwealth. Finally, the legislature found that there was an existing need in Springfield and Worcester for the construction and renovation of civic and convention centers and the expansion and marketing of convention centers for holding conventions, conferences, exhibitions meetings, shows and other similar events.

*Boston Convention and Exhibition Center*

The BCEC Project is a 1.6 million square foot convention and exhibition facility currently under construction on a 60-acre site in South Boston. When completed, the 1.6 million square foot BCEC Project will be the largest convention and exhibition facility in New England, and one of the twenty largest of such facilities in the country, as well as the centerpiece of the redevelopment of the City of Boston's South Boston Seaport District. The BCEC Project will provide over 516,000 square feet of exhibition space on one level, 160,000 square feet of meeting space, a 41,000 square foot ballroom, and additional banquet and lecture halls, on a 60 acre site, including over 20 acres that will be available for expansion of the facility in the future.

The BCEC Project is a joint development of the City of Boston, acting through the Boston Redevelopment Authority, the City's planning agency and redevelopment authority, and the Commonwealth, acting through the Massachusetts Convention Center Authority (the "MCCA"). The MCCA commenced construction of the BCEC Project in June, 2001 with a construction budget that currently totals approximately $621.5 million plus $30 million in transportation-related infrastructure improvements. Construction of the BCEC Project is substantially complete and the first convention is scheduled to be held on July 12-15, 2004. The BCEC Project is owned and will be operated by the MCCA.

*Springfield Civic and Convention Center*

The SCCC Project includes construction of a two-story convention center of approximately 156,551 gross square feet and the renovation of approximately 213,449 gross square feet of an existing arena. The budget for the SCCC Project is $71 million. The new convention center will include a 40,000 square foot exhibition hall; 9,000 square feet of meeting room space; a 15,000 square foot ballroom; and 21,400 square feet of pre-function lobby and support spaces. The existing Civic Center will be totally renovated for use as a multi-purpose arena, including new seating with a capacity of 6,684.

Construction of the SCCC Project commenced in September of 2003, and is expected to last for 2 years with substantial completion scheduled for the summer of 2005. The completed facility is anticipated to open in September of 2005. The SCCC Project is owned and will be operated by the MCCA.

*Worcester Centrum Centre*

In 1997, the City of Worcester completed construction of a convention center addition to the City's existing sports/arena facility located in downtown Worcester, known as the Centrum Centre. The convention center addition consists of 3 levels and includes 3 new exhibit halls, 2 ballrooms, 5 meeting rooms and lounge and a prefunction lobby area. The contiguous arena facility provides seating for approximately 14,800 people and includes additional meeting room space. The Worcester Centrum Centre is owned and operated by the City of Worcester. The Commonwealth has contributed $19 million to the City of Worcester to defray a portion of the City's costs of constructing the convention center facility addition. Proceeds of the 2004 Bonds will be used to permanently finance a portion of the Commonwealth's contribution.

## APPLICATION OF PROCEEDS

The proceeds of the sale of the 2004 Bonds will be applied (i) to pay the $575,000,000 principal amount of the Notes previously issued by the Commonwealth to finance and refinance costs of the 2004 Projects, (ii) to pay or reimburse the Commonwealth for additional costs of constructing the 2004 Projects and (iii) to pay costs of issuing the 2004 Bonds, including the premium payable for the Surety Bond. The Commonwealth expects to satisfy the Capital Reserve Fund Requirement for the 2004 Bonds by depositing the Surety Bond with the Trustee concurrently with the delivery of the 2004 Bonds.

*Estimated Sources of Funds*

| | |
|---|---|
| Principal Amount of the 2004 Bonds | $686,715,000 |
| Plus Original Issue Premium | 23,356,024 |
| Less Original Issue Discount | (3,341,917) |
| TOTAL | $706,729,107 |

*Estimated Uses of Funds*

| | |
|---|---|
| Payment of the Notes: | $575,000,000 |
| Payment of Project Costs | 118,400,000 |
| Costs of Issuance [1] | 13,329,107 |
| TOTAL | $706,729,107 |

[1] Includes Underwriters' discount in connection with their purchase and underwriting of the 2004 Bonds in the amount of $4,023,112, and the premiums payable to the Insurer for the Bond Insurance Policy, the Surety Bond and insurance policies pertaining to the 2004 Hedge Agreements.

## THE 2004 BONDS

### General

The 2004 Bonds will be dated their date of original delivery and will initially bear interest from such date payable semiannually on July 1 and January 1 of each year, commencing January 1, 2005 (each a "Debt Service Payment Date"), until the principal amount is paid. The 2004 Bonds will mature on January 1 in the years and principal amounts and will bear interest (other than the CPI Bonds) at the rates per annum set forth on the inside cover page of this Official Statement. The CPI Bonds will bear interest at the floating rate determined in accordance with the procedures set forth in Appendix E hereto. See Appendix E - CPI BONDS.

*Book-Entry-Only System.* The 2004 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 2004 Bonds in principal amounts of $5,000, or integral multiples thereof. Transfers of ownership will be effected on the records of DTC and its Direct Participants (as defined below) pursuant to rules and procedures established by DTC and its Direct Participants. Interest, principal and premium, if any, due on the 2004 Bonds will be paid by the Trustee, as paying agent for the 2004 Bonds, in clearinghouse funds to DTC or its nominee as registered owner of the 2004 Bonds. The record date for payments on account of the 2004 Bonds will be the fifteenth day of the month preceding a Debt Service Payment Date or, if such day is not a business day, the next preceding business day. As long as the book-entry-only system remains in effect, DTC or its nominee will be recognized as the owner of the 2004 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 2004 Bonds maturing on or prior to January 1, 2019 are not subject to redemption prior to their stated dates of maturity.

*Optional Redemption*. The 2004 Bonds maturing on or after January 1, 2020 are subject to redemption prior to their stated dates of maturity on or after January 1, 2014, at the option of the Commonwealth from any moneys legally available therefor, in whole or in part at any time, by lot, at 100% of the principal amount thereof, plus accrued interest to the redemption date.

*Mandatory Redemption*. The 2004 Bonds maturing on January 1, 2032 and January 1, 2034 are subject to redemption, in part, by lot commencing January 1, 2030 and January 1, 2033, respectively, at a redemption price equal to the principal amount of such Bonds so to be redeemed plus accrued interest to the redemption date from mandatory Sinking Fund Payments which are required to be made in amounts sufficient to redeem on January 1 of each year the principal amount of such Bonds specified for each of the years shown below:

**2004 Term Bonds Maturing January 1, 2032**

| Redemption Date | Principal Amount |
|---|---|
| 2030 | $43,720,000 |
| 2031 | 46,310,000 |
| 2032† | 49,050,000 |

† Final maturity.

**2004 Term Bonds Maturing January 1, 2034**

| Redemption Date | Principal Amount |
|---|---|
| 2033 | $51,755,000 |
| 2034† | 54,405,000 |

† Final maturity.

The Commonwealth shall be entitled to reduce its mandatory sinking fund redemption obligation in any year with respect to any Bond previously purchased or optionally redeemed by the Commonwealth.

*Notice of Redemption.* The Trustee shall give notice of redemption to the registered owners of any 2004 Bonds to be redeemed, not less than 30 days or more than 60 days prior to the date fixed for redemption. So long as the book-entry-only system remains in effect for the 2004 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 2004 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 2004 Bonds are to be redeemed, and so long as the book-entry-only system remains in effect for such 2004 Bonds, the particular 2004 Bonds or portion of any such 2004 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 2004 Bonds, selection for redemption of less than all of any one maturity of 2004 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 2004 Bond will be considered a separate 2004 Bond.

## BOOK-ENTRY-ONLY SYSTEM

DTC will act as securities depository for the 2004 Bonds. The 2004 Bonds will be issued as fully-registered securities in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2004 Bond certificate will be issued for the 2004 Bonds, 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, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2004 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2004 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2004 Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2004 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2004 Bonds, except in the event that use of the book-entry system for the 2004 Bonds is discontinued.

To facilitate subsequent transfers, all 2004 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2004 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2004 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2004 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the 2004 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2004 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an omnibus proxy to the Commonwealth as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2004 Bonds are credited on the record date (identified in a listing attached to the omnibus proxy).

Principal, redemption premium, if any, and interest payments on the 2004 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Commonwealth or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Trustee or the Commonwealth, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Commonwealth or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2004 Bonds at any time by giving reasonable notice to the Commonwealth or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, 2004 Bond certificates are required to be printed and delivered.

The Commonwealth may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2004 Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been furnished by DTC. Such information is believed to be reliable, but neither the Commonwealth nor the Underwriters takes any responsibility for the accuracy thereof.

NEITHER THE COMMONWEALTH NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DIRECT OR INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR BY ANY DIRECT OR INDIRECT PARTICIPANT; THE PAYMENT OF, OR THE PROVIDING OF NOTICE TO, THE DIRECT OR INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS; OR WITH RESPECT TO ANY OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER OF THE 2004 BONDS.

## LITIGATION

No litigation is pending or, to the knowledge of the Attorney General, threatened (a) seeking to restrain or enjoin the issuance or delivery of the 2004 Bonds, (b) contesting or affecting any authority for or the validity of the 2004 Bonds, (c) contesting the power of the Commonwealth to execute and deliver the Trust Agreement or to issue the 2004 Bonds or the power of the Commonwealth to offer and sell the 2004 Bonds to the Underwriters or (d) affecting the Commonwealth's pledge of the Trust Estate under the Trust Agreement or the right of the Commonwealth to collect and receive Pledged Receipts as provided therein and in the Act.

## TAX EXEMPTION

Bond Counsel is of the opinion that, under existing law, interest on the 2004 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for the purpose of computing the alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code"); it should be noted, however, that the interest on the 2004 Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes). Bond Counsel has not opined as to other federal tax consequences, if any, resulting from holding the 2004 Bonds.

The Code imposes certain requirements and restrictions on the use, expenditure and investment of proceeds of state and local governmental obligations, including the 2004 Bonds, and a requirement for payment to the federal government (called a "rebate") of certain proceeds derived from the investment thereof. Failure to comply with the Code's requirements subsequent to the issuance of the 2004 Bonds could cause interest on the 2004 Bonds to become included in gross income for federal income tax purposes retroactive to the date of their issuance. On or before delivery of the 2004 Bonds to the original purchasers, the Commonwealth will provide covenants or certificates evidencing that it will take all lawful action necessary to comply with those provisions of the Code that, except for such compliance, would affect adversely the excludability of interest on the 2004 Bonds from gross income for federal income tax purposes. Bond Counsel's opinion with respect to the federal income tax treatment of interest on the 2004 Bonds is conditioned upon such compliance.

Prospective purchasers of the 2004 Bonds should also be aware that the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the 2004 Bonds, or, in the case of a financial institution, for that portion of the owner's interest expense allocated to interest on the 2004 Bonds. Interest on the 2004 Bonds earned by insurance companies or allocable to certain dividends received by such companies may increase the taxable income of those companies as calculated under Subchapter L of the Code. In addition, interest on the 2004 Bonds earned by certain corporations could be subject to the foreign branch profits tax imposed by Section 884 of the Code, and may be included in passive investment income subject to federal income taxation under Section 1375 of the Code applicable to certain S corporations. The Code also requires recipients of certain social security and railroad retirement benefits to take into account receipts and accruals of interest on the 2004 Bonds in determining the portion of such benefits that are included in gross income and receipt of investment income, including interest on the 2004 Bonds, may disqualify the recipient thereof from obtaining the earned income credit under Section 32(i) of the Code. No assurance can be given that future legislation will not have adverse tax consequences for owners of the 2004 Bonds.

In the opinion of Bond Counsel, interest on the 2004 Bonds is exempt from Massachusetts personal income taxes, and the 2004 Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the 2004 Bonds. Prospective purchasers should be aware, however, that the 2004 Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the 2004 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 2004 Bonds or the income therefrom under the laws of any state other than Massachusetts.

To the extent the issue price of any maturity of the 2004 Bonds is less than the amount to be paid at maturity of such 2004 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2004 Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the 2004 Bonds which is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes. For this purpose, the issue price of a particular maturity of the 2004 Bonds is the first price at which a substantial amount of such maturity of the 2004 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2004 Bonds accrues daily over the term to maturity of such 2004 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2004 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2004 Bonds. Owners of the 2004 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of 2004 Bonds with original issue discount, including the treatment of purchasers who do not purchase such 2004 Bonds in the original offering to the public at the first price at which a substantial amount of such 2004 Bonds is sold to the public.

To the extent the issue price (as described in the preceding paragraph) of any maturity of the 2004 Bonds is greater than the amount to be paid at maturity of such 2004 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2004 Bonds), the difference constitutes "original issue premium." Original issue premium on any 2004 Bond is not deductible for federal income tax purposes, and owners of 2004 Bonds with original issue premium are required to reduce their basis in such 2004 Bonds from time to time as such original issue premium accrues with respect to such 2004 Bonds. Owners of 2004 Bonds with original issue premium (including owners who purchase such 2004 Bonds other than pursuant to the original public offering of such 2004 Bonds) should consult their own tax advisors as to the determination for federal income tax purposes of the amount of premium accruing each year with respect to such 2004 Bonds, the adjusted basis of such 2004 Bonds from time to time (including at the time of sale, redemption at maturity or other disposition of such 2004 Bonds), and as to other federal tax consequences and state tax consequences of owning 2004 Bonds offered and sold with original issue premium.

On the date of delivery of the 2004 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."

## RATINGS

The 2004 Bonds are expected to be assigned ratings by Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services ("S&P") of "Aaa" and "AAA," respectively, based upon, and solely as a result of, the issuance of the Bond Insurance Policy. The Bonds have been assigned ratings by Moody's and S&P of "A2" and "A," respectively, without regard to the Bond Insurance Policy.

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 2004 Bonds.

## UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase all of the 2004 Bonds from the Commonwealth at a discount from the initial offering prices of the 2004 Bonds equal to 0.585849% of the aggregate principal amount of the 2004 Bonds. The Underwriters may offer and sell the 2004 Bonds to certain dealers and others (including dealers depositing 2004 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.

## LEGAL MATTERS

All legal matters relating to the authorization, issuance, sale and delivery of the 2004 Bonds are subject to the approval of legality of Palmer & Dodge LLP, Boston, Massachusetts, Bond Counsel. The proposed form of the opinion of Bond Counsel is attached as Appendix C. Certain legal matters will be passed upon for the Underwriters by their counsel, Nixon Peabody LLP, 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 2004 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

Questions regarding this Official Statement or requests for additional information concerning the Commonwealth should be directed to Jeffrey S. Stearns, Deputy Treasurer, Office of the Treasurer and Receiver-General, One Ashburton Place, 12th Floor, Boston, Massachusetts 02108, telephone 617/367-3900, or Timothy Murphy, Director of Capital Planning and Operations, Executive Office for Administration and Finance, State House, Room 272, Boston, Massachusetts 02133, telephone 617/727-2040. Questions regarding legal matters relating to this Official Statement and the 2004 Bonds and requests for copies of the Trust Agreement should be directed to Robert H. Hale, Palmer & Dodge LLP, 111 Huntington Avenue, Boston, Massachusetts 02199, telephone 617/239-0407.

**THE COMMONWEALTH OF MASSACHUSETTS**

By /s/ Timothy P. Cahill
*Timothy P. Cahill*
*Treasurer and Receiver-General*

By /s/ Eric A. Kriss
*Eric A. Kriss*
*Secretary of Administration and Finance*

June 3, 2004

**APPENDIX A –**

**PROJECTED ROOM OCCUPANCY TAX COLLECTIONS FOR THE MASSACHUSETTS CONVENTION CENTER FUND**

Appendix A

# Projected Room Occupancy Tax Collections For the Massachusetts Convention Center Fund

Prepared for:

Mr. Timothy P. Cahill
Treasurer and Receiver-General
The Commonwealth of Massachusetts
State House, Room 227
Boston, MA 02133

And

Mr. Eric A. Kriss
Secretary of Administration and Finance
The Commonwealth of Massachusetts
State House Room 373
Boston, MA 02133

Pinnacle
Advisory Group

**Pinnacle Advisory Group**
Hospitality Consulting
Asset Management
Hospitality Asset Restructuring
Real Estate Appraisal
Litigation Support

Rachel J, Roginsky, ISHC
Principal

May 25, 2004

Mr. Timothy P. Cahill
Treasurer and Receiver-General
The Commonwealth of Massachusetts
State House, Room 227
Boston, MA 02133

Mr. Eric A. Kriss
Secretary of Administration and Finance
The Commonwealth of Massachusetts
State House Room 373
Boston, MA 02133

RE: Convention Center Fund Room Occupancy Tax Projections

Dear Treasurer Cahill and Secretary Kriss:

Pursuant to the terms of our engagement letter, Pinnacle Advisory Group is pleased to submit this report summarizing our findings as they pertain to projected convention center fund room occupancy tax collections used to pay a portion of the debt service on bonds issued to finance the construction and renovation of the Boston Convention and Exhibition Center, the Worcester Centrum Centre, and the Springfield Civic and Convention Center. Specifically, we have developed projections as to the performance of the lodging markets in Boston, Cambridge, Chicopee, Springfield, West Springfield, and Worcester, Massachusetts in an effort to project certain room occupancy tax collections generated in each market.

The findings contained herein were prepared for your use in connection with the offering and sale of bonds by the Commonwealth, the debt service on which will be paid with a portion of the room occupancy taxes collected in the aforementioned municipalities, in addition to certain other revenues that are not considered herein. Our fieldwork was completed in February 2004. Our projections are based on estimates and assumptions, which are subject to uncertainty and variation. Accordingly, we do not represent them as results that will actually be achieved; however, they have been prepared on the basis of information furnished to us, and on our experience in the lodging industry and we believe them to be reasonable and achievable.

The terms of our engagement are such that we have no obligation to revise our findings to reflect events or conditions that occur subsequent to the date of transmittal. However, we are available to discuss the necessity for revision in view of changes in economic or market factors.

We appreciate having the opportunity to present this report to you. Please do not hesitate to call us should you have any questions or wish to have us elaborate on any of the material presented in this report.

Sincerely,

Rachel J. Roginsky, ISHC
As Principal of Pinnacle Advisory Group

Matthew R. Arrants, ISHC
As Managing Director of Pinnacle Advisory Group

# Table of Contents

# Executive Summary

Pinnacle Advisory Group was retained by The Commonwealth of Massachusetts (the "Commonwealth") to project certain room occupancy tax collections for the Massachusetts Convention Center Fund. Specifically, the Commonwealth has agreed to pay debt service on bonds to be issued by the Commonwealth (the "Bonds") to permanently finance the costs of constructing and renovating convention center facilities in Boston, Springfield, and Worcester, Massachusetts from receipts deposited in the Massachusetts Convention Center Fund. The projected room occupancy tax collections represent only a portion of the revenue sources that will be made available to pay debt service on the Bonds.

The room occupancy taxes are imposed by the Commonwealth on rent paid for the transfer of occupancy of any room in any hotel, motel, lodging house or bed and breakfast establishment (having four or more rooms). For the purposes of this report we refer to those facilities from which taxes are collected as "hotels", "hotel rooms", and or "lodging facilities" located in certain municipalities. The following bullets list the tax collections for which we have developed the projections presented herein:

- The 2.75 percent tax on all hotel room revenues in the municipalities of Boston, Cambridge, Worcester, Springfield, West Springfield, and Chicopee.
- The 5.7 percent tax on all hotel room revenues generated by new hotel rooms in Boston and Cambridge first opened for occupancy after July 1, 1997.
- The 5.7 percent tax on all hotel room revenues generated by new hotel rooms within the Springfield Civic and Convention Center Finance District that opened for occupancy on or after July 1, 2000.
- The 4.0 percent room occupancy tax on all hotels within the Springfield Civic and Convention Center Finance District first opened for occupancy on or after July 1, 2000.

We note that the hotel tax collections listed above reflect only a portion of the total taxes placed on lodging establishments in the state and this tax contributes only to the hotel component of the funds used to service debt on the convention center bonds.

The projections contained herein are based on an analysis of historical collections of the room occupancy tax in the aforementioned municipalities coupled with our forecasts for the future performance of the Boston/Cambridge, Greater Springfield and Worcester hotel markets.

## Conclusion

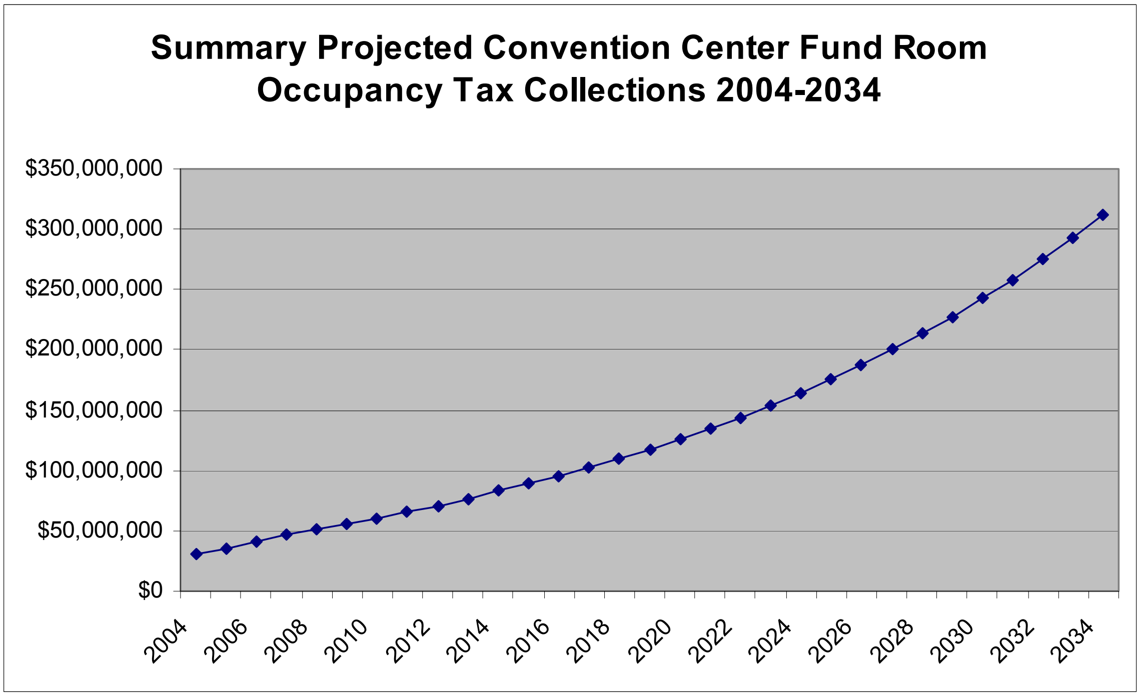
We believe the markets analyzed in this study will continue to attract substantial numbers of business travelers, convention attendees and tourists in both the near and long-term. As noted herein, the projected growth in room occupancy tax collections over the projection period is based on historical data and trend analysis, as well as expectations regarding the construction of new hotel rooms and increases in daily room rates. Factors such as the estimated 28 million person trips into the Commonwealth in 2003, the substantial international visitor base, and the nature of the business, educational and tourist attractions in the Boston/Cambridge, Worcester, and Greater Springfield areas bode well for the Commonwealth's lodging industry. In addition, the Boston/Cambridge, Worcester, and Greater Springfield areas each have access to excellent transportation, including interstate highways, mass transit, Logan International Airport and Bradley International Airport, all of which provide access to various parts of the Commonwealth and New England.

Over the past three years, all three of the lodging markets reviewed have experienced declines in occupancy and room rates. The primary factor behind the decline has been the national economic recession, which contributed to a significant decline in commercial travel. In addition, the September 11, 2001 terrorist acts adversely affected the travel and tourism industry. With improvements in the national and regional economy and the construction and renovation of convention center facilities in Boston, Springfield and Worcester, we expect increases in supply and improvements in market performance. Accordingly, we believe the room occupancy tax collections resulting from lodging market room revenue projections contained herein are reasonable and achievable.

In total, we have projected that collections of the 2.75 percent occupancy tax will grow at a compound annual rate of 5.9 percent between 2004 and 2034. We note that this compares to a compound annual growth rate of 9.8 percent between 1967 and 2003 (a period that includes slight adjustments to tax code).

While there is no historical collection data with which to compare our projected growth in the collections from hotels opened after July 1, 1997 in Boston/Cambridge and July 1, 2000 in the Springfield CCCFD we believe that our growth assumptions are reasonable based on historic growth patterns and the prospects for the respective markets.

Between 2004 and 2034 we have projected that total convention center fund collections derived from room occupancy taxes will grow at a compound annual growth rate of 8.0 percent. As a point of reference, the statewide room occupancy tax collections grew at a compound annual growth rate of 9.8 percent between 1967 and 2003 (a period that includes slight adjustments to tax code). The remainder of this Executive Summary explains and supports these projections. The following graph illustrates the total projected collections from fiscal year 2004 through fiscal year 2034.




Through the first nine months of fiscal year 2003, Convention Center Fund Room occupancy tax collections have increased by 4.6 percent. This increase is due to an increase in occupied room nights. Further analysis of the fiscal year to date collections and market performance indicates that average room rates, which are down for period overall, have begun to stabilize, improving from a year over year decline of more than 13 percent in July 2003 to an increase of more than 3.0 percent in March 2004. This upward trend in average rate growth is expected to continue and is reflected in our projections.

## Massachusetts Travel and Tourism

Travel and tourism is one of the largest industries in the Commonwealth of Massachusetts, generating more that $11 billion in direct expenditures each year[1]. Based on our review of the Massachusetts Office of Travel and Tourism's Massachusetts Travel Industry Report: 2003 which presents data for 2001 collected by the Travel Industry Association of America, and other industry information, we estimate that the Commonwealth hosted more than 28 million person trips in 2003. Visitors come to the area for a variety of reasons including business, conventions and trade shows, visiting friends or as tourists. Of the total direct expenditures in the state the Travel Industry Association of America estimates that approximately 23 percent is spent on lodging.

### Massachusetts Lodging Market

There are approximately 72,000 hotel rooms in the state. In calendar year 2003, the state's lodging facilities achieved an annual aggregate occupancy of 58.2 and an average daily rate of $109.86, compared to national hotel industry averages of 59.1 percent occupancy and $83.19

[1] The Economic Impact of Travel on Massachusetts Counties 2002, prepared by Travel Industry Association of America.

average daily rate. Over the last five years, the supply of hotel rooms in the state has grown at a compound annual rate of 3.4 percent compared to a national growth rate of 2.6 percent.

The market areas being considered in this report generate a significant portion of the statewide room occupancy taxes collected. Specifically the three markets represented approximately 29 percent of the available rooms in the state; yet, they generated 42 percent of the total hotel room revenues in calendar year 2003. Of particular importance in this analysis is the Boston/Cambridge lodging market, which accounts for 97 percent of the room occupancy tax collections projected herein.

## Boston/Cambridge

Throughout most of the 1990's the Boston/Cambridge lodging market was one of the strongest and fastest growing markets in the nation with annual occupancy rates nearing 80 percent and significant increases in the average daily room rate. While the market's performance declined significantly between 2001 and 2003, its average annual occupancy and average daily rate remain among the highest in the nation. Specifically, and notwithstanding a significant increase in room supply in calendar year 2003 the occupancy level for the Boston/Cambridge lodging market that year was 69 percent, which is approximately 17 percent above the national average while the average daily room rate was $149.91, which is approximately 80 percent above the national average. Furthermore, all indications are that market performance will improve as the national and regional economy recovers and the number of citywide conventions increases as a result of the opening of a large new convention center in Boston.

In 1980, the Boston/Cambridge lodging market had 7,838 hotel rooms. Over the following decade, the market's hotel supply grew by 6,619 rooms or 84 percent. Most of that growth took place between 1981 and 1986 with the development of the Back Bay neighborhood. In the 1990s supply grew by 18 percent from 14,457 to 17,007 rooms for a compound annual growth rate of 1.9 percent, with virtually all of that growth occurring in the latter half of the decade. The following table presents the growth in supply between 1999 and 2003.

**Boston/Cambridge**
**Change in Supply Fiscal Years 1999 - 2003**

| Year[1] | Supply[2] | Change |
|---|---|---|
| 1999 | 15,484 | - |
| 2000 | 16,400 | 5.9% |
| 2001 | 16,855 | 2.8% |
| 2002 | 17,109 | 1.5% |
| 2003 | 17,722 | 3.6% |

*Notes:*
*1. Fiscal Years beginning July 1 and ending June 30*
*2. Average Daily Rooms Available.*
*Source: Pinnacle Advisory Group*

While occupancy rates have declined in recent years, the number of occupied room nights increased by more than six percent in fiscal year 2003. With anticipated increases in supply and improved demand, the number of occupied room nights in the market will approach the record levels experienced in fiscal year 2001. The following table presents the growth in occupied room nights between fiscal year 1999 and fiscal year 2003.

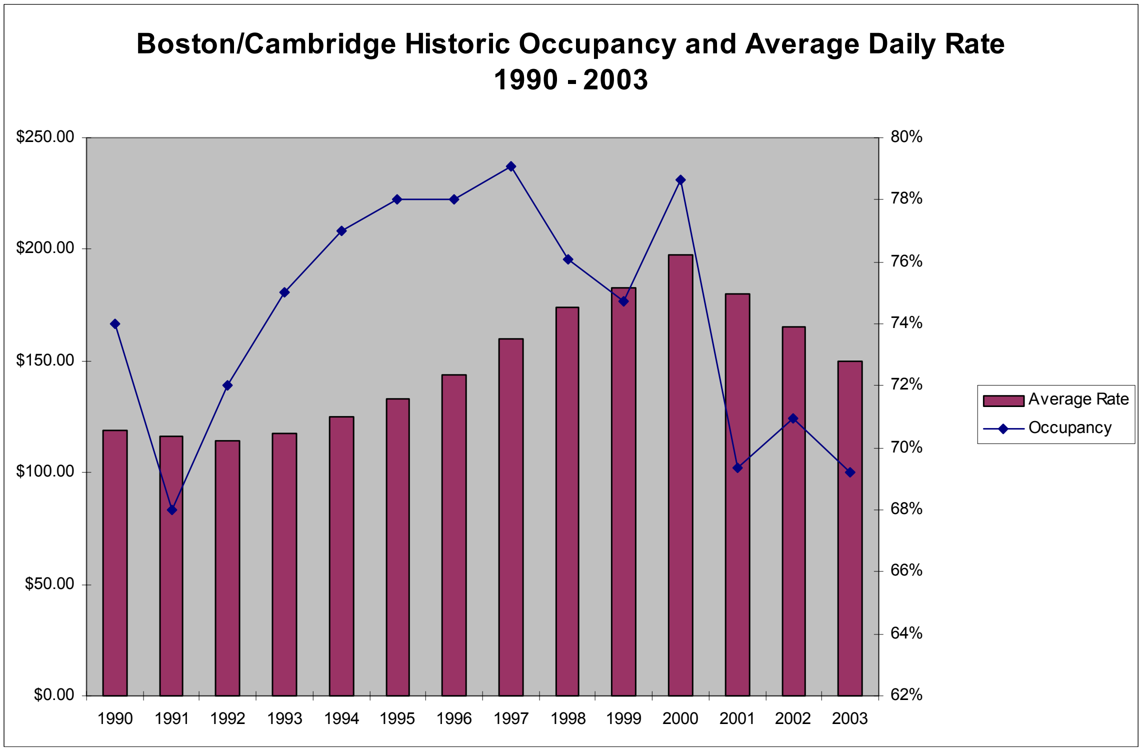
**Boston/Cambridge**
**Change in Occupied Room Nights Fiscal Years 1999 - 2003**

| Year[1] | Occupied Room Nights[2] | Change |
|---|---|---|
| 1999 | 12,074 | - |
| 2000 | 12,155 | 0.7% |
| 2001 | 12,801 | 5.3% |
| 2002 | 11,598 | -9.4% |
| 2003 | 12,326 | 6.3% |

*Notes:*
*1. Fiscal Years beginning July 1 and ending June 30*
*2. Average Daily Rooms Occupied*
*Source: Pinnacle Advisory Group*

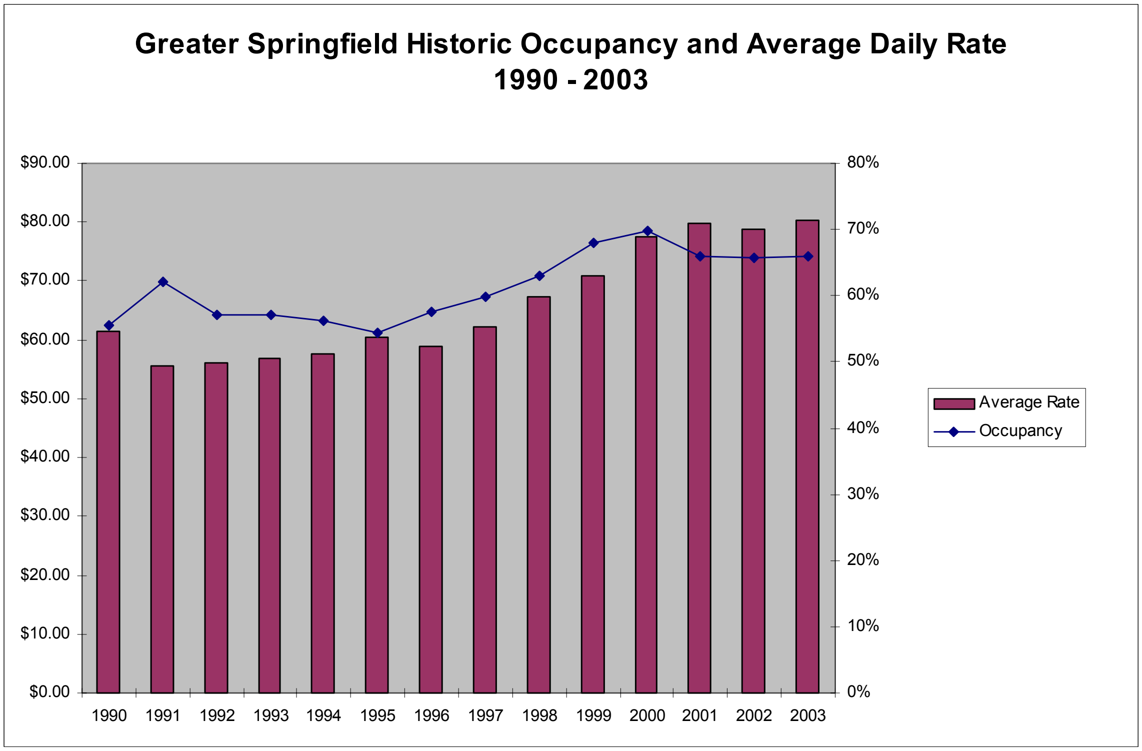
We note that the only year in which demand declined relative to the prior year was fiscal year 2002 which, due to its timing (July through June) reflects the full effects of the September 11, 2001 attacks and declines in the economy.

Market occupancy levels in the Boston/Cambridge market ranged from 75 to 79 percent throughout much of the 1990s. Due to the seasonality of demand in the market, we consider 79 percent occupancy to be the maximum achievable occupancy rate for this market. In order to achieve occupancy rates above 79 percent, the area would need to generate more demand during traditionally slow periods. Due to the region's cold winters, it is difficult to attract group and leisure travelers during the months of January, February, and March. Conversely, during peak demand periods, visitors are often unable to find hotel rooms within 20 miles of the downtown area. The following graph depicts the market's historical occupancy and average daily rate between calendar years 1990 and 2003.



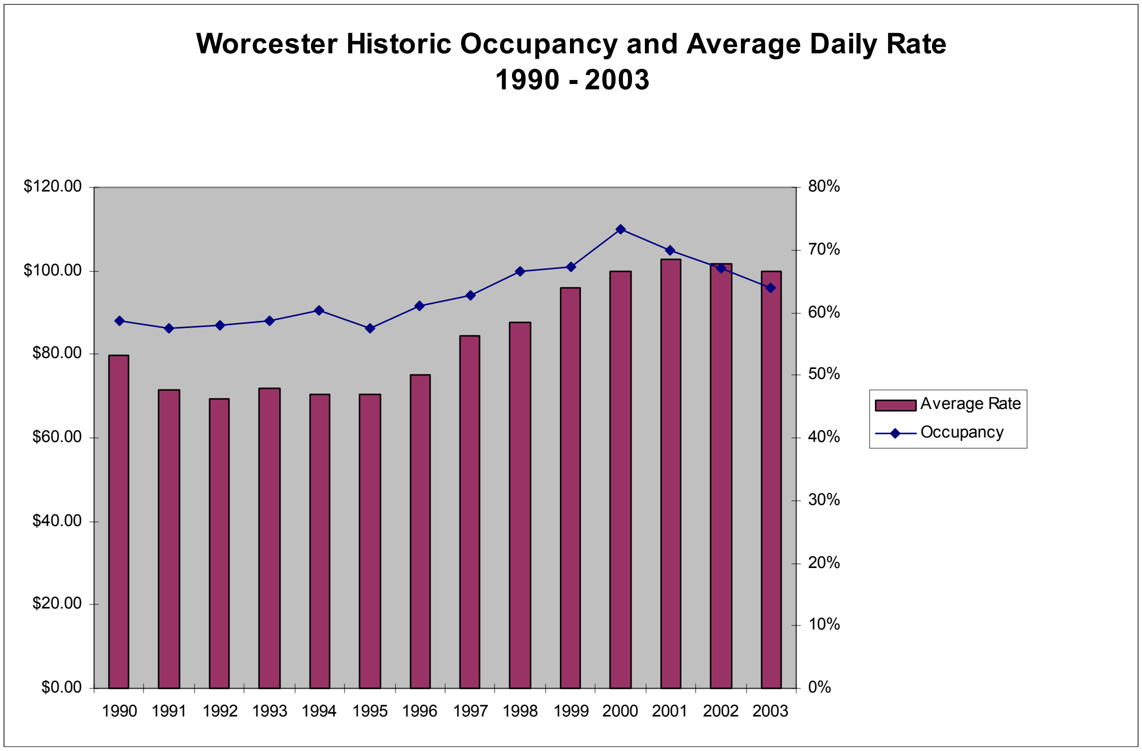

## Greater Springfield

The Greater Springfield lodging market has benefited significantly in recent years from leisure demand generated by area attractions, most notably the new Basketball Hall of Fame in Springfield, and Six Flags Amusement Park in the nearby Town of Agawam, Massachusetts. Additionally, the area has benefited from increased activity at Bradley International Airport in Hartford, Connecticut, which brought in additional visitors and airline crews. In spite of the recent economic challenges, the Greater Springfield lodging market has performed relatively well compared to the rest of the nation. The market's occupancy was 66 percent in calendar year 2003 with an average daily rate of $80.42 compared to a nationwide occupancy of 59.1 percent and an average daily rate of $83.19. The following graph depicts the market's historical occupancy and room rates from calendar years 1990 through 2003.



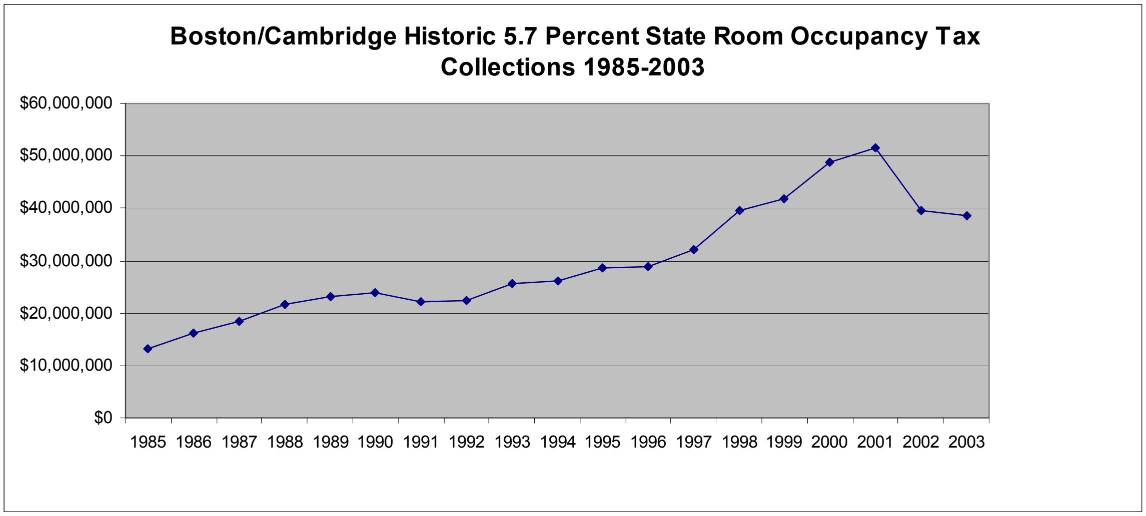

## Worcester

The Worcester lodging market benefits from stable demand generated by several colleges and universities as well as a major medical center and related biotechnology companies that have opened in the area in recent years. Notwithstanding the recent economic downturn and the events of September 11, 2001, the Worcester lodging market continues to perform at levels above the national average. The market's occupancy was 64 percent in calendar year 2003 with an average daily rate of $99.99, compared to a nationwide occupancy of 59.1 percent and an average daily rate of $83.19. The following graph depicts the market's historical performance between calendar years 1990 and 2003.




## Historical Room Occupancy Taxes

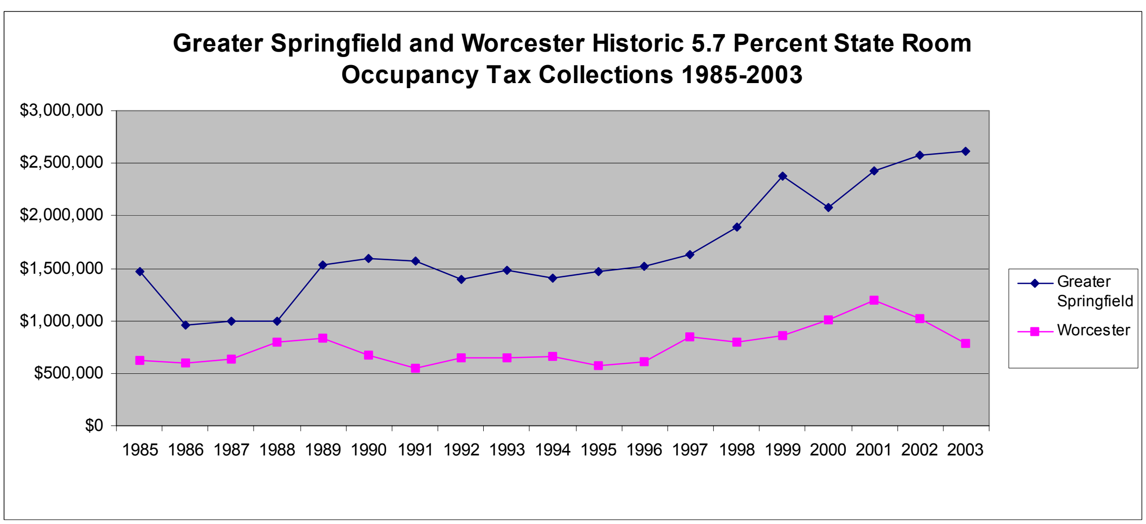
Room occupancy tax collections in Boston and Cambridge have grown at high levels over the last 18 years, with the highest growth in that period occurring in the late 1980's and the late 1990's. Of particular note is the fact that collections have grown at a compound annual rate of 6.1 despite the fact that during the final year of that period, the market was in the midst of an economic recession. The following graph depicts the historic collections of the 5.7 percent State Room Occupancy Tax from fiscal year 1985 through fiscal year 2003 for the Boston/Cambridge market.




Tax collections for the Springfield area increased at high rates over the last 18 years with the highest growth occurring more recently due to improved market performance and increased lodging supply.

In Worcester between fiscal year 1985 and fiscal year 2003 hotel room occupancy tax collections grew at a compound annual rate of 1.3 percent. The relatively minor growth is due to significant declines that occurred in fiscal years 2002 and 2003.

The following graph depicts the historic collections of the 5.7 percent State Room Occupancy Tax from fiscal year 1985 through fiscal year 2003 for the Greater Springfield and Worcester lodging markets.



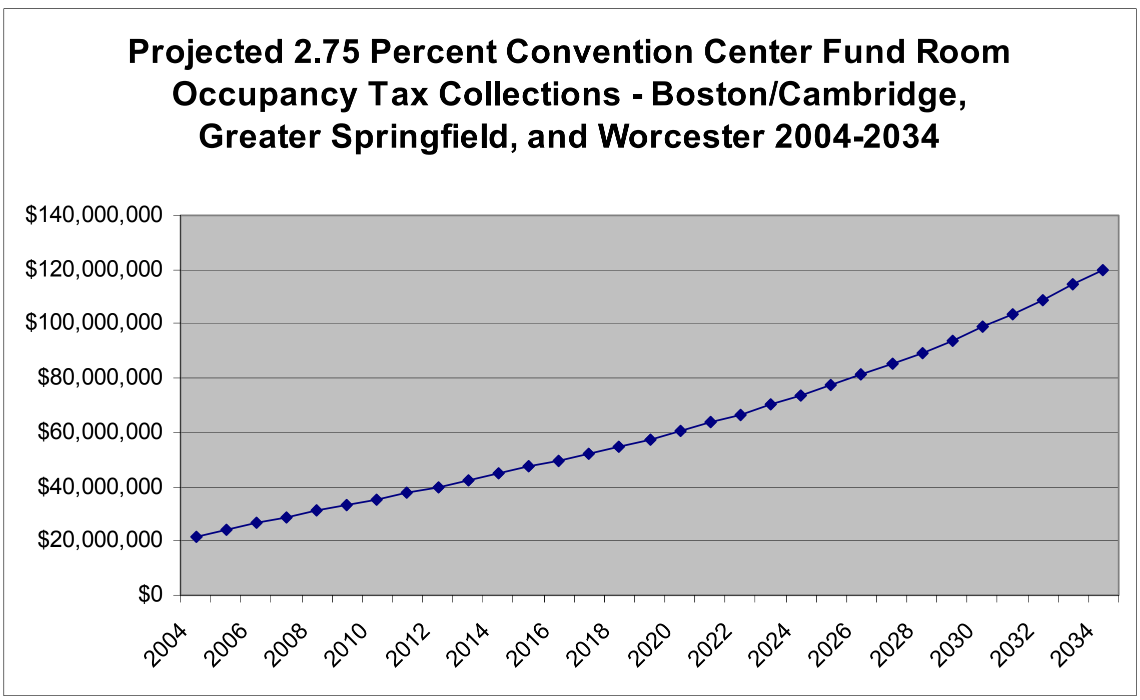

It should be noted that only a portion of the collections presented in the tables above (rooms first opened for occupancy after July 1, 1997) will be pledged to repay the Bonds. Overall figures are presented in order to provide support for the projected long-term growth in room occupancy tax collections.

## Projected Convention Center Fund Room Occupancy Taxes

### *Projected 2.75 Percent Convention Center Fund Room Occupancy Tax*

We have projected that collections of the 2.75 percent room occupancy tax for Boston/Cambridge, Greater Springfield and Worcester will grow at compound annual rates of 6.0 percent, 4.6 percent and 5.3 percent, respectively, between 2004 and 2034. The result is a compound annual growth rate of 5.9 percent for all three markets. This compares to a compound annual growth rate of 9.8 percent for statewide collections of the 5.7 percent room occupancy tax between 1967 and 2003 (a period that includes slight adjustments to tax code). A comparison to more recent historical statewide figures show growth rates of 4.6 percent, compounded annually, between 1988 and 2003 and 7.2 percent between 1988 and 2001 (periods that do not include any adjustments to the tax code). As an additional point of reference, a study prepared for the Commonwealth by the economic consulting group Global Insight Incorporated projects growth in statewide room occupancy tax collections of 4.4 percent in 2004, followed by 6.8 percent in 2005, 6.1 percent in 2006 and 6.4 percent in 2007.

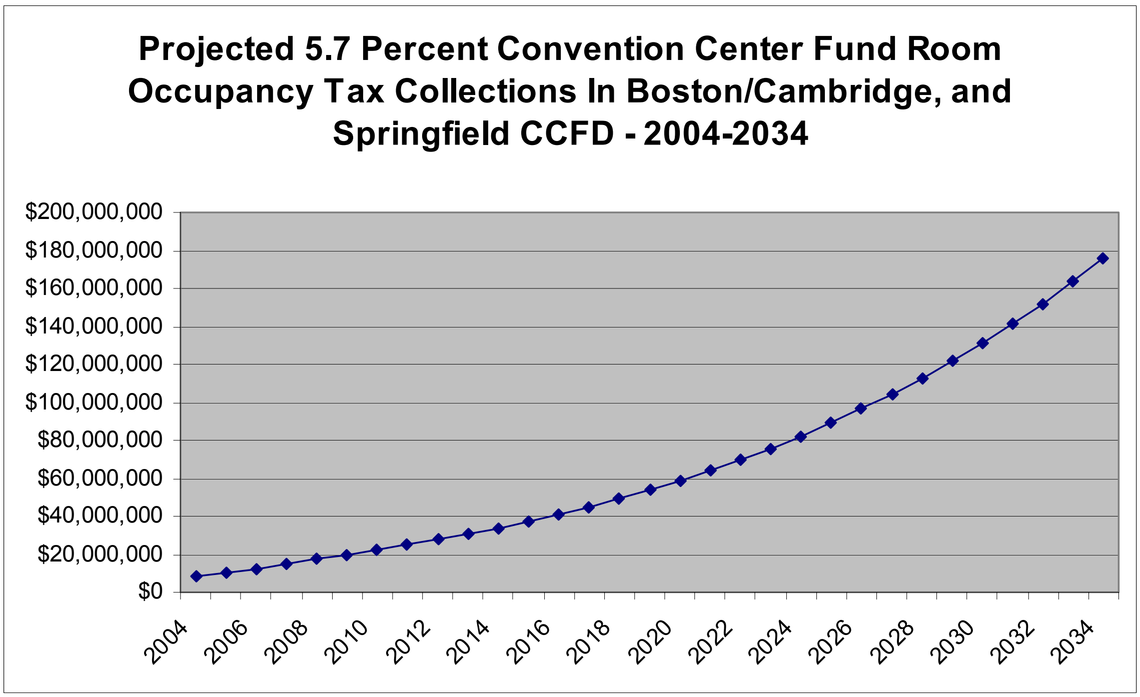
The following graph presents the projected growth in collections of the 2.75 percent room occupancy tax in Boston/Cambridge, Greater Springfield and Worcester between 2004 and 2034. A table summarizing all projected collections is presented in the Addenda to this report.




### *Projected 5.7 Percent Convention Center Fund Room Occupancy Tax Collections*

Supply growth in the Boston/Cambridge Market, which will increase the collections of the 5.7 percent tax on new rooms opened after July 1, 1997, is projected to increase at a compound annual rate of 3.1 percent between fiscal years 2004 and 2034. This compares to a compound annual growth rate of 3.7 percent between calendar years 1980 and 2003. There are currently no hotels in the Springfield CCCFD, however, two hotels are expected to open during the projection period and have been included in our projections.

The following graph shows the projected growth in 5.7 percent room occupancy tax collections from 2004 through 2034 in Boston/Cambridge and the Springfield CCCFD. A table summarizing the total projected collections is presented in the Addenda to this report.




***Projected 4.0 Percent Convention Center Fund Room Occupancy Tax Collections***

There are currently no hotels in the Springfield Civic and Convention Center Finance District; however, two hotels are expected to open during the projection period and have been included in our projections. The collections resulting from the 4.0 percent tax on the room revenues generated by those hotels are presented in the following graph.

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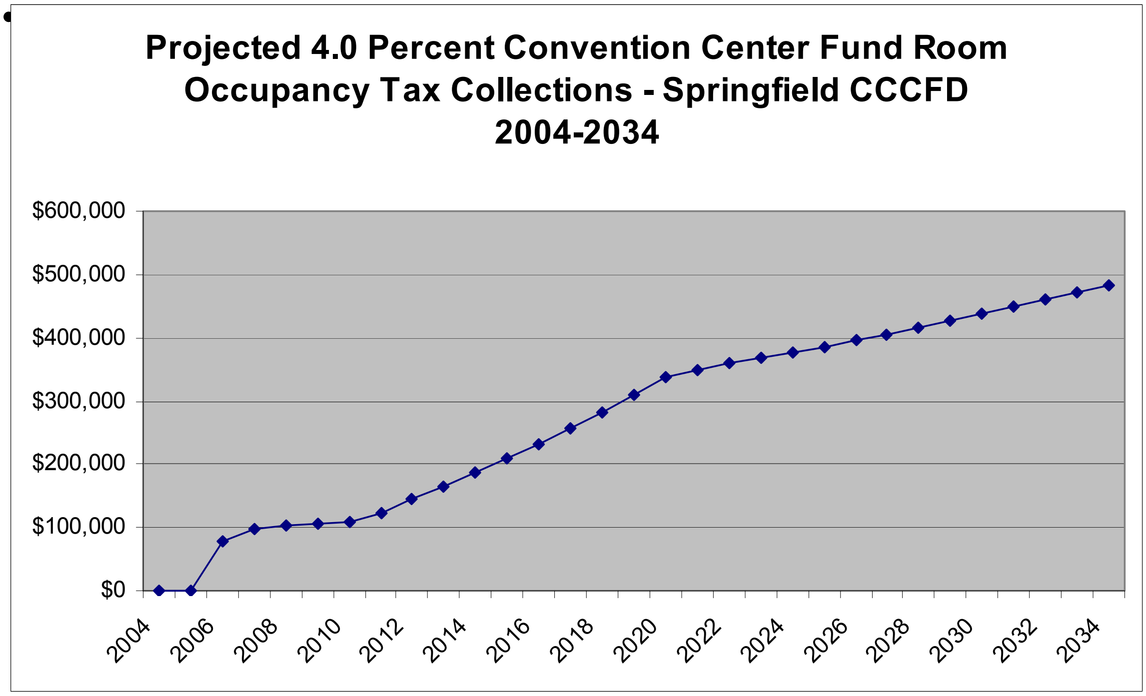

Projected 4.0 Percent Convention Center Fund Room Occupancy Tax Collections - Springfield CCCFD 2004-2034
$600,000
$500,000
$400,000
$300,000
$200,000
$100,000
$0
2004
2006
2008
2010
2012
2014
2016
2018
2020
2022
2024
2026
2028
2030
2032
2034

# Pinnacle Advisory Group

Pinnacle Advisory Group ("Pinnacle") is a national hospitality consulting firm formed in 1991. Today, Pinnacle is a leader in the hospitality consulting industry, providing a full complement of consulting services. The firm has successfully completed hundreds of hospitality-related consulting engagements throughout the country. Pinnacle services a myriad of clients within the hospitality industry, including small development companies, large Fortune 500 corporations, some of the country's largest real estate investment and development firms, pension funds, real estate investment trusts (REITS), insurance companies, financial institutions and hotel companies.

Pinnacle's national reputation for excellence is due to respected professional staff, industry knowledge and contacts and proven performance. The firm's principals, who have over four decades of combined experience, are supported by a staff that includes 15 professionals. These professionals are graduates of hotel management programs at leading universities and colleges and have managerial hospitality experience. Pinnacle maintains a national presence with offices in Boston, Philadelphia, Houston, Mobile, Portland, and Miami.

The Boston office of Pinnacle is the most recognized hospitality consulting firm in the New England region. Rachel J. Roginsky, ISHC, an owner of the company, and Matthew Arrants, ISHC, the firm's Managing Director, oversee the Boston practice. Both are recognized as the experts on the Greater Boston lodging market. Ms. Roginsky and Mr. Arrants, who authored this report, are members of the prestigious International Society of Hospitality Consultants ("ISHC"). In addition, both Ms. Roginsky and Mr. Arrants are regular guest lecturers at many hotel school programs in the Northeast, and are regularly quoted in major newspapers and lodging magazines on matters pertaining to the lodging industry. The Boston office prepares the Pinnacle Perspective, a monthly publication that provides the most comprehensive and timely statistics available on Massachusetts lodging facilities. This report, surveys the market through direct contact with operators of both private and chain-owned lodging facilities. On average, Pinnacle Advisory Group prepares 20 to 30 market specific lodging studies within the Commonwealth annually.

# Objectives and Methodology

## Objective

In 1997, the Commonwealth of Massachusetts enacted legislation (Chapter 152 of the Acts of 1997), as amended (the "Act")) that provided for the permanent financing of convention facilities in Boston, Springfield and Worcester, Massachusetts. The Act authorizes the issuance of special obligation bonds to provide such financing, which will be supported by a number of different revenues, including: certain hotel room occupancy taxes; surcharges imposed on vehicle rentals and sightseeing tours; retail sales taxes on certain meals, beverage and other items; and several other miscellaneous sources. The objective of this report is to develop a projection of the hotel room occupancy taxes provided for in the Act, in particular:

- The 2.75 percent tax on all hotel room revenues in the municipalities of Boston, Cambridge, Worcester, Springfield, West Springfield, and Chicopee.
- The 5.7 percent tax on all hotel room revenues generated by new hotel rooms in Boston and Cambridge first opened for occupancy after July 1, 1997.
- The 5.7 percent tax on all hotel room revenues generated by new hotel rooms within the Springfield Civic and Convention Center Finance District that opened for occupancy on or after July 1, 2000.
- The 4.0 percent room occupancy tax on all hotel rooms within the Springfield Civic and Convention Center Finance District that opened for occupancy on or after July 1, 2000.

This report does not include a projection of the other sources of revenue available to support the Bonds as provided in the Act.

## Methodology

### *Interviews*

In the course of our research we interviewed the following:

- Planning department representatives from Boston, Cambridge, Worcester, Springfield, West Springfield, Chicopee, Holyoke, and Auburn;
- Economic development representatives from Boston, Cambridge, Worcester, Springfield, and Chicopee;
- A sampling of hotel operators from each of the following market areas: Boston, Cambridge, Worcester, Springfield, West Springfield, and Chicopee;
- Representatives of the Convention and Visitors Bureaus for Greater Boston, Worcester County, and Greater Springfield;
- Representatives of the Massachusetts Convention Center Authority;
- Hotel developers active in each of the markets for which projections were developed;
- Representatives of several national hotel franchise companies; and
- Interviews with representatives of the Massachusetts Office of Travel and Tourism.

### *Statistical Data*

In addition to our interviews we gathered statistical data from the following sources:

- Smith Travel Research Custom Trend Reports showing historical supply, demand, occupancy and average room rate data for Boston, Cambridge, Worcester, Springfield, West Springfield, and Chicopee. Smith Travel Research is the lodging industry's leading information and data provider;
- The Trend Reports from Smith Travel Research were supplemented where necessary with data from the Pinnacle Perspective;
- Historical and projected economic data from Woods and Poole Economics was considered in our projections and utilized in our analysis. Woods and Poole is an independent firm that specializes in long-term economic and demographic projections;
- Unemployment data and consumer price index data for the Commonwealth and pertinent municipalities were gathered from the Bureau of Labor Statistics.
- Historical tax collection data was obtained from the Massachusetts Department of Revenue;
- Industry economic impact data was obtained from the Massachusetts Office of Travel and Tourism;
- Economic data pertaining to Boston was obtained from various reports published by the Boston Redevelopment Authority; and
- Economic data pertaining to the Greater Springfield Area was gathered from the Comprehensive Economic Development Strategy (CEDS) Annual Update (2002) of the Pioneer Valley Planning Commission.
- The historical tax collection data provided by the Massachusetts Department of Revenue and referenced in this report is based upon aggregate audited information, but is unaudited with respect to individual communities or markets.

### *Projections*

Our projections for future room occupancy tax collections are based on the expected performance of the respective hotel markets. Additional support is provided by analysis of historical collections and after adjustments made to reflect variances between imputed calculations (based on historical market performance as reflected in the Smith Travel Research and Pinnacle Perspective data), and the estimated collections (as reported by the Department of Revenue).

The relevant municipalities presented herein are grouped as follows:

- Boston and Cambridge (referred to herein as the "Boston/Cambridge lodging market")
- Worcester
- Springfield, West Springfield, and Chicopee (referred to herein as "Greater Springfield lodging market")

In developing our projections we went through a multi-step process as outlined below:

1. Data collection and primary market research;
2. Review of historical market performance (supply, demand, occupancy, average daily rate);
3. Review of historical room occupancy tax collections;

4. Comparison of imputed (collections indicated by the historic Smith Travel Research market performance data) and actual tax collections;
5. Identification and review of proposed new supply in each market;
6. Projected new supply in each market;
7. Developed demand growth projections for existing and proposed new supply;
8. Projected growth in average room rates for each market;
9. Calculated room revenues for each market based on projected growth in supply, demand, and average room rate;
10. Applied appropriate tax rates to the projected hotel room revenues; and
11. Adjusted projected collections to reflect variance between historic estimated collections based on Smith Travel Research Data and actual collections.

# Massachusetts Lodging Industry Overview

## Travel and Tourism Industry

Travel and tourism is one of the largest industries in the Commonwealth of Massachusetts, generating more that $11 billion in direct expenditures each year[2]. Based on our review of the Massachusetts Office of Travel and Tourism's Massachusetts Travel Industry Report: 2003 which presents data for 2001 collected by the Travel Industry Association of America, and other industry information, we estimate that the Commonwealth hosted more than 28 million person trips in 2003. Visitors come to the area for a variety of reasons including business, conventions and trade shows, visiting friends or as tourists. Of the total direct expenditures in the state the Travel Industry Association of America estimates that approximately 23 percent is spent on lodging.

### Massachusetts Lodging Market

There are approximately 72,000 hotel rooms in the state. In calendar year 2003, the state's lodging facilities achieved an annual aggregate occupancy of 58.2 percent and an average daily rate of $109.86, compared to national hotel industry averages of 59.1 percent occupancy and $83.19 average daily rate. Over the last five years, the supply of hotel rooms in the state has grown at a compound annual rate of 3.4 percent compared to a national growth rate of 2.6 percent.

The market areas being considered in this report generate a significant portion of the statewide room occupancy taxes collected. Specifically the three markets represented approximately 29 percent of the available rooms in the state; yet, they generated 42 percent of the total hotel room revenues in calendar year 2003. Of particular importance in this analysis is the Boston/Cambridge lodging market, which accounts for 97 percent of the room occupancy tax collections projected herein.

#### *Commercial Travelers*

Commercial travelers are drawn to the state by its major industries, which include high technology, education, healthcare, biotechnology and finance. One of the primary drivers of Massachusetts's innovative economy is higher education. There are over 65 colleges and universities in the Greater Boston area alone that provide a highly educated workforce while also serving as major research centers. The state's primary industries are also travel intensive in that they often require collaborative work, thereby attracting visitors from other parts of the country and the world. While commercial demand in all three market areas has declined in recent years due to the economic recession demand is expected to increase as the economy improves.

#### *Leisure Travelers*

Leisure travelers are attracted by the Commonwealth's numerous historic attractions and resort destinations, which include Boston, Cambridge, the Worcester area and Greater Springfield. In addition to its numerous attractions, Boston is considered the gateway to New England for many national and international visitors that arrive in the area via Logan International Airport. The Greater Springfield area is home to several attractions including the Basketball Hall of Fame and the Six Flags Amusement Park. Worcester's central location within the region makes it a convenient

[2] The Economic Impact of Travel on Massachusetts Counties 2002, prepared by Travel Industry Association of America.

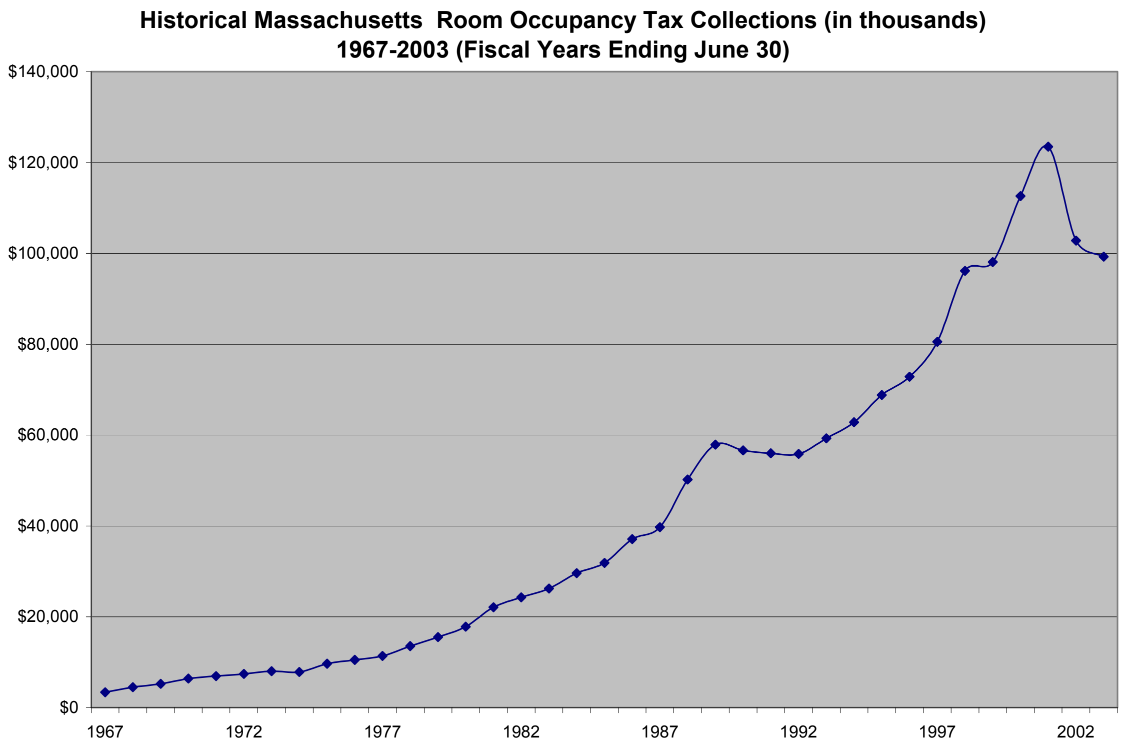
base for visitors exploring the area. Throughout the recent recession, leisure demand has remained strong and even increased, as operators have enticed visitors by offering low room rates over the Internet.

***Group Travelers***

Group travelers are composed of a mix of tour and social groups that can be categorized as leisure visitors, corporate groups visiting for training or meetings, and convention groups which are visiting to attend conferences or trade shows. Boston will soon have two world-class convention centers, Worcester currently has one facility and Springfield also will soon have a newly renovated convention facility. All three areas are also popular stops for tour and travel groups that are exploring the region. Group demand has been low in all three markets in recent years due to cuts in corporate travel. Furthermore, the Boston/Cambridge market has been negatively affected by a decline in the number of citywide conventions.

## Historical Statewide Room Occupancy Tax Collections

The Commonwealth applies a 5.7 percent tax on rent paid for the transfer of occupancy of any room in any hotel, motel, lodging house or bed and breakfast establishment (having four or more rooms). In fiscal year 2003, statewide collections from this tax totaled approximately $100 million. Although only a portion of the collections from the 5.7 percent statewide room occupancy tax are pledged and will be available to pay debt service on the Bonds, the growth trend reflected in the historical collections of the statewide tax is an appropriate benchmark to compare the growth trend we project for room occupancy tax collections in the Boston/Cambridge, Greater Springfield and Worcester lodging markets. The following graph presents the total 5.7% statewide room occupancy tax collections from fiscal year 1967 through fiscal year 2003. Fiscal years begin July 1 and end June 30. A table presenting the actual collections of the statewide room occupancy tax is provided in the Addenda to this report.




The chart above reflects a compound annual growth rate of 9.8 percent between 1967 and 2003 (a period that includes slight adjustments to tax code); 13.1 percent between 1967 and 1988; and recent compound annual growth rates of 4.6 percent between 1988 and 2003 and 7.2 percent between 1988 and 2001 (both periods do not include any adjustments to the tax code). We note the significant decline in fiscal year 2002 was due to two primary factors: the terrorist attacks on September 11, 2001 (which occurred in the first quarter of the fiscal year) and the economic recession. Additional factors include a decline in citywide conventions in the Boston/Cambridge market and the increased influence of the Internet as a distribution channel, which led to increased competition between hotels and subsequently drove down average room rates and room occupancy tax collections. Lastly, many markets throughout the state experienced significant increases in supply while demand was weak thus pushing down average room rates.

## Projected Statewide Room Occupancy Tax Collections

At the request of the Commonwealth, Global Insight Incorporated (a global economic and financial forecasting company created through the merger of Data Resources Inc. and Wharton Econometric Forecasting Associates) analyzed historical data and other variables in December 2003 to project collections of the Massachusetts room occupancy tax. Based on its econometric modeling, Global Insights projects that the statewide room occupancy tax base will increase at a forecasted annual rate of growth of 4.4 percent in fiscal year 2004 and more than 6.0 percent a year from fiscal year 2005 through fiscal year 2007. Their projections are principally based on a predicted economic recovery period and a slow rebound in air travel during the projection period.

# Boston/Cambridge

## Area Overview

The Cities of Boston and Cambridge are separated by the Charles River. While they may be distinct geographically, their economies are similar and intertwined. They also share a common lodging market. For example, hotels in Cambridge often accommodate groups coming to Boston for conventions and many of the hotels in the respective cities compete with one another for all types of lodging demand. As such, for the purposes of our analysis, we have considered the two markets together.

The City of Boston is the twentieth largest city in the United States and the center of the seventh largest Consolidated Metropolitan Statistical Area ("CMSA") in the nation. During the late 1990's, metro-Boston and New England's vigorous economic expansion enabled Boston to gain national prominence as an ideal location for commercial businesses and industries. Furthermore, due to its historic and cultural attractions, Boston has long been a popular destination for conventions, domestic, and international tourists. As a result, Boston has consistently been ranked as one of the best-performing lodging markets in the country with an occupancy rate that in 2003 was 69 percent compared to the national average of 59 percent. The Boston MSA's economy remains fairly diversified with financial services, high technology, health care, education and conventions/tourism serving as the five growth engines.

- Financial Services: According to the Greater Boston Chamber of Commerce, Boston has emerged as one of the top four financial centers in the world, and in particular is considered the mutual fund capital of the world.
- High Technology: While money management companies dominate downtown Boston, high technology companies continue to fuel the Cambridge and suburban markets.
- Health Care: Greater Boston is also an international center of medical care with 130 hospitals in the metropolitan area, 22 of them in Boston alone; nine Boston hospitals rank among the top 11 in National Institutes of Health research funding.
- Education: As the birthplace of modern public education, the Boston MSA is home to more colleges and universities, including as Harvard University, the Massachusetts Institute of Technology, Boston University and others, than any other metropolitan area in the country. As a result, inhabitants of Greater Boston have the highest educational attainment level of any city in the U.S. The universities account for roughly five percent of the work force in Boston.
- Conventions/Tourism: Due to its historic and cultural attractions, The greater Boston area has long been a popular destination for conventions, domestic, and international tourists. In addition to convenient access via automobile, high-speed train and airplane, Boston benefits from its location on the water and reputation as a walking city. Infrastructure improvements, such as the Central Artery Project, the Logan Modernization Project and the new Silver Line of the MBTA's subway system, are expected to improve the City's accessibility and to make it an even more desirable tourist destination.

## Overview of Current Economic Conditions

The health of the area economy often has a direct impact on the local lodging market. Therefore, it is important to consider local economic indicators when evaluating future lodging market performance.

The local economy peaked between late 1999 and early 2001 as Boston's office, hotel, and housing markets were among the best-performing in the nation. After significant declines that began in the spring of 2001, the Boston economy is demonstrating signs of improvement. Recent improvements in the stock market have helped the local financial services industry; and increased defense spending and corporate demand for information technology products have contributed to the financial performance of area defense contractors and high technology companies. Additionally, the region's biotechnology and healthcare industries are in the midst of significant expansions. One example is the recent selection of Boston University Medical Center for a $120 million federal grant to develop a national biocontainment laboratory.

### *Employment*

Between 1990 and 2000, the area's employment structure continued its shift from traditional labor-intensive manufacturing jobs to technology and service jobs. Between 2001 and 2006, Woods and Poole an independent economic consulting company projects that the trend toward a service based economy will continue, although growth in all sectors is expected to be at lower than historical levels.

Major employers in the area include: Fidelity Investments, Fleet Boston Financial (soon to be Bank of America), Verizon Communications, and Gillette Company. Not coincidently, these companies account for significant local hotel demand.

According to the U.S. Bureau of Labor Statistics, as of December 2003 the Boston MSA had a labor force of 1,897,468 of which 85,850 were registered as unemployed resulting in an unemployment rate of 4.5 percent, as compared to the national unemployment rate of 6.0 percent. During the same period, the Massachusetts unemployment rate was 5.9 percent. The Boston area's relatively low unemployment levels coupled with the shift from manufacturing to service sector jobs bodes well for the hotel industry as the service sector traditionally creates a larger demand for hotel rooms than the manufacturing sector.

### *Office Market*

The Boston office market is composed of over 66 million square feet of space of which 16 percent is currently available (as of December 2003). The Cambridge office market is composed of more than 17 million square feet of which 23.7 percent is currently (December 2003) available. The average asking rent as of the fourth quarter 2003 was $33.29 in Boston and $25.80 in Cambridge according to C.B. Richard Ellis a national office market specialist. Despite negative absorption in 2003, the office market appears to be improving. C.B. Richard Ellis projects that leasing activity will continue to grow throughout 2004; however, the Fleet Bank/Bank of America and John Hancock/Manulife mergers are expected to have a negative impact on the market. The higher vacancy rates resulting from the addition of new supply are expected to help foster growth in the economy by providing affordable space for the expansion of existing companies and the addition of new organizations.

### *Tourism*

The rich history and culture of Boston and Cambridge attract regional, national, and international visitors year-round especially during the summer and fall seasons. In addition, Boston benefits from its reputation as being a relatively safe, "walkable" city. The Greater Boston Convention and Visitors Bureau estimates that direct spending by tourists in the area amounts to over $4 billion annually. Between 1998 and 2003 the number of visitors to Boston increased from 11.4 million to an estimated 13.1 million reflecting a compound annual growth rate of 3.5 percent.

As a gateway city Boston is a popular destination for international visitors. In addition to its historic attractions, its numerous colleges and universities and internationally renowned medical facilities attract visitors both nationally and internationally.

### *Convention Market*

Boston is a popular destination for conventions. Boston typically hosts between 18 and 23 citywide conventions each year (a citywide convention is defined as one that generates more than 2,500 room nights on its peak night). After reaching a peak of 23 citywide conventions in 2000, that number dropped to 17 in 2001 and only 14 in 2002 and 2003, respectively. It should be noted that the decline was widely considered to be a direct result of hotel operators not being willing to supply the blocks of hotel rooms necessary to accommodate the large groups during the late 1990s when that business was being booked and the operators were operating at occupancy levels that were at or near capacity. In 2004 there are currently 18 citywide conventions booked including the Democratic National Convention at the end of July, which is expected to fill hotel rooms throughout the metropolitan area for approximately 2 weeks.

The primary convention facility in Boston is currently the 260,000 square foot John B. Hynes Veterans Memorial Convention Center (the "Hynes Convention Center"), which is part of the Prudential Center mixed-use development. The Hynes Convention Center can host a convention of up to 22,000 attendees or handle seven separate smaller functions simultaneously. Historically, according to the Massachusetts Convention Center Authority, the Hynes Convention Center has typically generated between 300,000 and 400,000 room nights each year. In 2003 legislation was adopted that provided for the transfer of the Hynes Convention Center to the Massachusetts pension fund and allowing for the evaluation of the sale of the facility on or after July 1, 2006. A priority of any sales process will be to find a buyer that will continue to operate the facility as a convention center.

The new Boston Convention and Exhibition Center (the "BCEC") is expected to have a substantial impact on the Commonwealth's economy by stimulating tourism-related industries such as transportation, hotels, restaurants, recreation, entertainment and retail sales.

When opened, in June 2004, the 1.6 million square foot BCEC will be the third largest convention and exhibition facility in the Northeast and Mid-Atlantic states (behind facilities in New York City and Washington, D.C.). In addition to a 41,000 square foot grand ballroom there will be 86 meeting rooms with 160,000 square feet of space. The first phase of a 1,120-room Westin headquarters hotel is expected to begin construction by July 2004.

According to the Massachusetts Convention Center Authority, the BCEC is expected to generate more than 600,000 room nights annually on a stabilized basis. Stabilization reflects the typical or average performance of a facility. Based on Pinnacle's experience, convention centers normally reach stabilization in their fourth or fifth year of operation.

## Transportation

Boston has an excellent transportation infrastructure that upon completion of the Central Artery Project and the Logan Modernization Project will be among the best in the world. The transportation infrastructure is an integral component to the success of any real estate development. The purpose of a well-organized transportation network is to provide businesses and customers with good locations, easy access, and functionalism.

### *Highway Transportation*

Boston is served by a transportation network that offers residents and visitors access to a variety of modes of travel. The Massachusetts Turnpike (I-90) and the Central Artery (a portion of Interstate 93) are the major routes serving the City. The Massachusetts Turnpike traverses east/west from Boston into New York State. Interstate 93 traverses north/south and provides access to points in northern New England, and southerly destinations such as New York City and Washington D.C.

#### The Central Artery Project

The Central Artery Project, also known as the "Big Dig" is the largest public works project in the country. The project, which began in 1990, involves the depression of the six-lane elevated section of I-93 between the Massachusetts Turnpike and Charlestown in Downtown Boston as well as the extension of the Massachusetts Turnpike from its current terminus at I-93 to Logan International Airport. Most of the major milestones of the project have been completed with demolition and site improvements projected for completion in 2005. Upon completion, the Central Artery Project should help facilitate continued economic prosperity for the area.

### *Public Transportation*

In January 2003, the Massachusetts Bay Transportation Authority ("MBTA") opened sections of the new "Silver Line" of its subway system. Unlike the existing lines, the new Silver Line is served by 60-foot long, low-floor, articulated buses, and travels both above ground in a dedicated lane "bus way" and underground through tunnels or "transitways." Service will provide transportation from Dudley Square in the Roxbury neighborhood to South Station in the financial district and on to Logan International Airport via South Boston Waterfront (with a stop at the new BCEC). The one-mile stretch of tunnel connecting South Station with the BCEC is expected to open prior to the opening of the new convention center.

### *Airport Transportation*

Air transportation to the Boston area is principally provided by Logan International Airport, the largest airport in the six-state New England region. Logan International Airport is currently served by over 55 scheduled and non-scheduled airlines. Included are 8 major domestic carriers, 16 non-US flag carriers and 13 regional and commuter airlines.

According to the Massachusetts Port Authority, which operates Logan International Airport, passenger traffic at Logan International Airport declined at a compound annual rate of 1.7 percent between 1996 and 2002 with all of the declines occurring in 2001 and 2002. While passenger counts at Logan International Airport were severely affected as a direct result of the September 11, 2001 terrorist attacks, air traffic has also been affected by the slowdown in the local economy and the increased popularity of regional airports in Manchester, New Hampshire (approximately one hour north of Boston) and Warwick, Rhode Island (approximately one hour south of Boston). Both of these airports have experienced double digit growth over the last two years, due in part to the presence of Southwest Airlines at those airports.

#### Logan Modernization Project

The Logan Modernization Project that is currently underway is expected to increase air traffic into the area in the future. Often overshadowed by the ongoing Central Artery Project, the $1.2 billion Logan Modernization Project will allow for an increased volume of flights and passengers to the area, as well as improve the appearance and design of the airport. The project includes the construction of new terminals, a new airport loop, a new stop on the MBTA's mass transit line, and a new runway.

#### *Conclusion - Impact on Hotel Demand*

The Boston/Cambridge area has a robust and diverse economy. The following factors are expected to benefit the area lodging market over the next ten years:

- According to CB Richard Ellis approximately 3 million square feet of new office space are expected to open by December 2004. This new space is expected to provide the capacity necessary to allow for significant business expansion as the economy continues to recover.
- In a December 2003 article in Massachusetts Benchmarks, Alan Clayton-Matthews, a leading local economist at the University of Massachusetts Boston campus, presented several indications that the local economy will experience significant growth in the near-term including a resurgence of business investment in information processing equipment, and lower unemployment levels.
- According to the MCCA, the proposed 1.6 million square foot BCEC is projected to generate over 600,000 room nights annually upon stabilization (which is expected to occur no later than 2010).
- Transportation infrastructure improvements such as the Central Artery Project (which will improve interstate access to downtown Boston and Logan International Airport) and the Logan Modernization Project should support the continued economic prosperity of the region by providing convenient and inexpensive access to the area.

Overall, based on our review of the leading economic indicators presented herein, we are of the opinion that the long-term prospects for the Boston economy are good.

## Lodging Market Overview

Throughout most of the 1990s the Boston/Cambridge lodging market was one of the strongest and fastest growing markets in the nation with occupancy rates in the high $70^{th}$ percent range and significant increases in the average daily room rate. While the market's performance declined significantly between 2001 and 2003, its average annual occupancy and average daily rate remain among the highest in the nation. Specifically, and notwithstanding a significant increase in room supply, in 2003 the occupancy level for the Boston Cambridge lodging market was approximately 17 percent above the national average while the average daily room rate was approximately 80 percent above the national average. Furthermore, all indications are that market performance will improve as the economy recovers and due to increases in the number of citywide conventions.

Market occupancy levels in the Boston/Cambridge market ranged from 75 to 79 percent throughout much of the 1990s. Due to the seasonality of demand in the market, we consider 79 percent occupancy to be the maximum achievable occupancy rate for this market. In order to achieve occupancy rates above 79 percent, the area would need to generate more demand during traditionally slow periods. Due to the region's cold winters it is difficult to attract group and leisure travelers during the months of January, February, and March. Conversely during peak demand periods visitors are often unable to find hotel rooms within 20 miles of the downtown area.

Occupancy levels and average daily room rates declined significantly in late 2001 due to the economic downturn and the impact of the September 11, 2001 terrorist attacks, which occurred in the midst of the Boston/Cambridge lodging market's busiest demand period and a period of increasing hotel room supply. The slower economy combined with a decline in convention business has since continued to have a negative impact on the market's performance through 2003. In addition, in 2003, the market was impacted by a significant increase in new supply (5.7 percent) and the war in Iraq.

We note that while the market's performance has declined significantly in the last two years, it remains one of the strongest in the nation. According to Smith Travel Research, the occupancy rate for metropolitan Boston was the fifteenth highest in the nation in calendar year 2003 and its average room rate was the third highest after New York and San Francisco. The following table presents the market's historic occupancy, average room rate and revenues per available room (RevPAR).

**Boston/Cambridge**
**Historical Market Performance 1990 - 2003**

| Year[1] | Occupancy | Change % | Average Rate | Change % | RevPAR[2] | Change % |
|---|---|---|---|---|---|---|
| 1990 | 74% | - | $118.72 | - | $87.85 | - |
| 1991 | 68% | -8.1% | $115.96 | -2.3% | $78.85 | -10.2% |
| 1992 | 72% | 5.9% | $113.92 | -1.8% | $82.02 | 4.0% |
| 1993 | 75% | 4.2% | $117.35 | 3.0% | $88.01 | 7.3% |
| 1994 | 77% | 2.7% | $125.03 | 6.5% | $96.27 | 9.4% |
| 1995 | 78% | 1.3% | $132.93 | 6.3% | $103.69 | 7.7% |
| 1996 | 78% | 0.0% | $143.58 | 8.0% | $111.99 | 8.0% |
| 1997 | 79% | 1.4% | $159.69 | 11.2% | $126.27 | 12.7% |
| 1998 | 76% | -3.8% | $174.31 | 9.2% | $132.60 | 5.0% |
| 1999 | 75% | -1.7% | $182.79 | 4.9% | $136.62 | 3.0% |
| 2000 | 79% | 5.2% | $197.81 | 8.2% | $155.58 | 13.9% |
| 2001 | 69% | -11.8% | $180.19 | -8.9% | $124.94 | -19.7% |
| 2002 | 71% | 2.3% | $165.13 | -8.4% | $117.19 | -6.2% |
| 2003 | 69% | -2.5% | $149.91 | -9.2% | $103.77 | -11.5% |
| CAGR 1990-2003[3] | | | | 1.8% | | 1.3% |

Notes:
1. Calendar Years
2. Revenues Per Available Room (occupancy multiplied by average rate)
3. Compound Annual Growth Rate
Source: Smith Travel Research and Pinnacle Advisory Group

When considering the market's historical performance it is also noteworthy that the lowest market occupancy reflected was 68 percent during the height of the last recession in 1991, which was still more than 17 percent above the national average at that time and 86 percent of the maximum achievable occupancy rate of 79 percent. There are two primary reasons for the market's traditionally high occupancy levels: 1) high barriers to entry which limit new supply; and 2) strong seasonal demand. High barriers to entry, which include a difficult zoning process and high development costs, have historically limited supply growth in the market relative to other major metropolitan areas. Strong seasonality of demand is reflected in market occupancy levels during the spring and fall months that often exceed 80 percent.

Based on our review of the local market, we believe that the recent declines in market performance do not reflect a fundamental shift in the market but result from a combination of the following negative factors which all occurred simultaneously: economic recession which appears to be ending; the effects of the September 11 attacks which are no longer believed to have a direct impact on travel patterns, a temporary decline in city wide conventions and increased hotel room supply which is expected to be quickly absorbed as demand recovers.

Overall, we expect the market to improve over the next few years as the economy recovers, the geopolitical situation stabilizes, convention demand increases and supply growth moderates.

## Hotel Room Supply

In 1980, the Boston/Cambridge lodging market had 7,838 hotel rooms. Over the following decade, the market's hotel supply grew by 6,619 rooms or 84 percent. Most of that growth took place between 1981 and 1986 with the Copley Place Westin (804 rooms), Copley Place Marriott (1,145 rooms), Swissotel (now operated as a Hyatt) at Lafayette Place (511 rooms) in Boston and the Hyatt Regency (469 rooms) and the Marriott Kendall Square (431 rooms) in Cambridge. In the 1990's supply grew by only 18 percent from 14,457 to 16,300 rooms for a compound annual growth rate of 1.4 percent. Virtually all of the new supply in the 1990's occurred in the final years of the decade. The following table presents the growth in total supply between 1999 and 2003.

**Boston/Cambridge**
**Change in Supply Fiscal Years 1999 - 2003**

| Year[1] | Supply[2] | Change |
|---|---|---|
| 1999 | 15,484 | - |
| 2000 | 16,400 | 5.9% |
| 2001 | 16,855 | 2.8% |
| 2002 | 17,109 | 1.5% |
| 2003 | 17,722 | 3.6% |

*Notes:*
*1. Fiscal Years beginning July 1 and ending June 30*
*2. Average Daily Rooms Available.*
*Source: Pinnacle Advisory Group*

The following table presents all of the hotels that are currently proposed in Boston and Cambridge.

| Boston / Cambridge<br>Proposed New Supply | | | |
|---|---|---|---|
| **Hotel** | **Area** | **Rooms** | **Developers Comments** |
| **2004** | | | |
| Courtyard at 88 Exeter | Back Bay | 81 | Under construction. Projected opening in April. |
| Kimpton Portland Street | North Station | 112 | Under construction. Projected opening in April. |
| Hampton Inn and Suites | South End | 175 | Under construction. Projected opening in June. |
| Jurys Doyle | South End | 220 | Under construction. Projected opening in June. |
| Clarion Hotel | North Station | 88 | Under construction. Projected opening in June. |
| **2005** | | | |
| Courtyard by Marriott | South Boston | 164 | Under construction. Projected opening in June. |
| **2006** | | | |
| Loews | Theater District | 390 | Fully permitted. No financing. |
| Charles Street Jail | Downtown | 300 | Fully permitted. No financing. |
| Mandarin Oriental | Back Bay | 168 | Fully permitted. Financing "close". |
| Intercontinental | Financial District | 424 | Fully permitted. With financing expected construction start in June 2004. |
| Westin Headquarters Hotel | South Boston Waterfront District | 795 | Fully permitted with financing "close". |
| Ames Building | Downtown | 120 | Fully permitted. No financing. |
| Regent Hotel Battery Wharf | North End | 144 | Fully permitted. No financing. |
| **2007 (Or later)** | | | |
| Lyme Properties | Kendall Square (Cambridge) | 400 | Fully permitted. No financing. |
| Porter Street | Kendall Square (Cambridge) | 325 | Site is being marketed for hotel development. No Permits. |
| Rennaisance Hotel | South Boston Waterfront District | 438 | Fully permitted. Financing likely (owned by Marriott Intl.) |
| Pier Four | South Boston Waterfront District | 250 | Permit process initiated. |
| Albany Street Hotel | South End | 240 | Permit process initiated. |
| South Station | Financial District | 500 | Permit process initiated. |
| Grand Hyatt Fan Pier | South Boston Waterfront District | 400 | Fully Permited. No financing. |
| Pill Parcel | South Boston Waterfront District | 800 | Feasibility study conducted. (site is across from BCEC) |
| Russia Wharf | Financial District | 300 | Permit process initiated. |
| BCEC HQ Hotel Phase II | South Boston Waterfront District | 400 | Fully permitted. No financing. |
| Massport Parcel D-2 | South Boston Waterfront District | 400 | Site targeted for hotel development by City (located across from BCEC). |

Compiled by Pinnacle Advisory Group

Due to challenges with the permitting process and the difficulty in getting financing for new hotels, not all of the projects listed above are expected to go forward. For the purposes of our projections we have included only those projects that in our opinion have a high likelihood of being completed. The following table presents the additions to supply that we have included in our projections.

| Boston/Cambridge<br>New Supply Included In Projections | | |
|---|---|---|
| **Hotel** | **Rooms** | **Projected Opening** |
| Courtyard at 88 Exeter | 81 | April 2004 |
| Kimpton Portland Street | 112 | April 2004 |
| Hampton Inn and Suites | 175 | June 2004 |
| Jurys Doyle | 220 | June 2004 |
| Clarion Hotel | 88 | June 2004 |
| Courtyard by Marriott (S. Boston) | 164 | April 2005 |
| Mandarin Oriental | 168 | April 2006 |
| Westin Headquarters Hotel | 800 | June 2006 |
| Intercontinental Hotel | 424 | January 2007 |
| Rennaisance Hotel | 450 | April 2007 |

Source: Pinnacle Advisory Group

Of the 7,634 new rooms proposed, we have included only 2,682 (or 35 percent) in our projections through calendar year 2008.

The following table presents the projected growth in supply from fiscal year 2004 through fiscal year 2014. We note that between fiscal 2009 and 2015 we expect supply to grow at a compound annual rate of 3.0 percent after 2015 we have utilized a long-term growth rate of 2.0 percent. These growth rates are intended to reflect the additions of new supply that cannot be specifically identified but are reasonable to expect given the presence of the new convention center and the market's historical supply growth. Furthermore, we note that Boston has taken a proactive approach in promoting the development of new hotels. For example, the City of Boston recently has made available $40 million in low interest loans for specific hotel projects including the BCEC Westin headquarters hotel during 2003 and 2004.

We expect hotel supply in the Boston/Cambridge lodging market to increase from an average of 18,340 rooms in fiscal year 2004 to an average of 25,039 rooms in fiscal year 2014. This represents an increase of 3.2 percent on a compound annual growth rate basis. While this is below the long-term compound annual growth rate of 3.7 percent between 1980 and 2003 it is above the more recent compound annual growth rate of 1.9 percent between 1990 and 2000. We are of the opinion that growth in supply between 2003 and 2015 will be higher than the period 1990-2000 due to the presence of the new convention center, the area's significant infrastructure improvements and the projected expansion of the local economy.

**Boston/Cambridge**
**Change in Supply Fiscal Years 2004 - 2014**

| Year[1] | Supply[2] | Change |
|---|---|---|
| 2004 | 18,340 | - |
| 2005 | 18,889 | 3.0% |
| 2006 | 19,468 | 3.1% |
| 2007 | 20,633 | 6.0% |
| 2008 | 20,970 | 1.6% |
| 2009 | 21,599 | 3.0% |
| 2010 | 22,247 | 3.0% |
| 2011 | 22,914 | 3.0% |
| 2012 | 23,602 | 3.0% |
| 2013 | 24,310 | 3.0% |
| 2014 | 25,039 | 3.0% |

*Notes:*
*1. Fiscal Years beginning July 1 and ending June 30*
*2. Average Daily Rooms Available.*
*Source: Pinnacle Advisory Group*

## Projected Demand and Occupancy

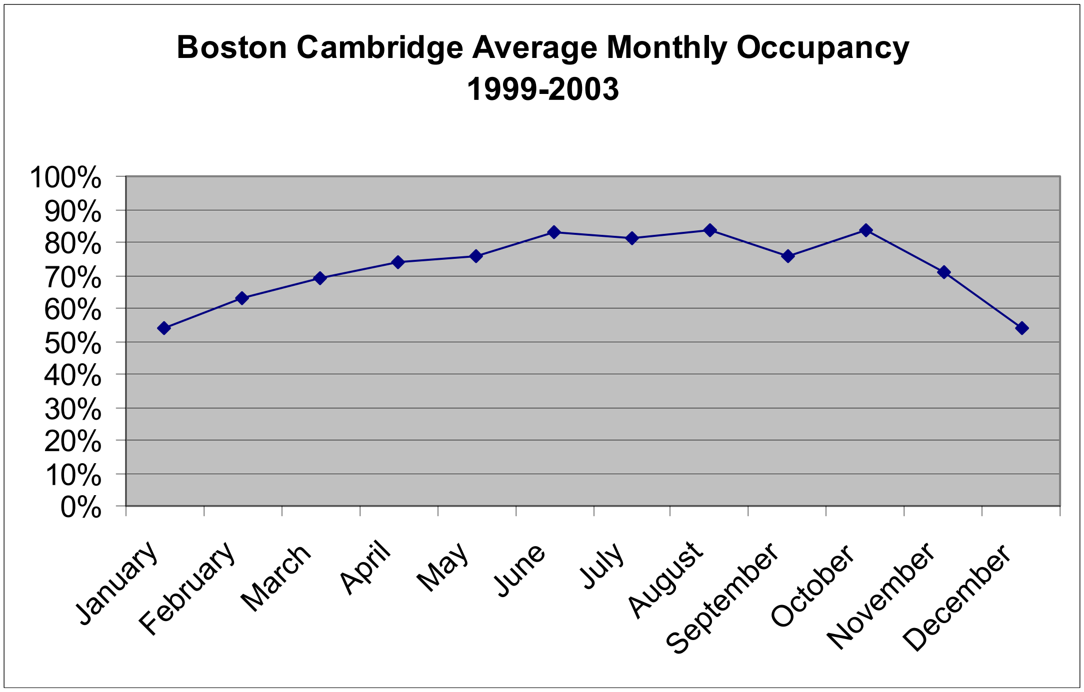
Hotel market occupancy is derived by dividing the available supply (of hotel rooms) by the accommodated demand (occupied room nights). As the following table illustrates, supply growth slightly outpaced demand on a compound annual basis between 1990 and 2003. Over the period presented, the market occupancy average dipped below 70 percent only three times, and during the same time period, the market occupancy averaged 74 percent. Additionally, we note that maximum market occupancy is considered to be 79 percent due to seasonal capacity constraints.

**Boston/Cambridge**
**Supply, Demand, and Occupancy 1990 - 2003[1]**

| Year[2] | Supply | Change | Demand[3] | Change | Occupancy |
|---|---|---|---|---|---|
| 1990 | 5,276,805 | - | 3,905,000 | - | 74% |
| 1991 | 5,276,805 | 0% | 3,588,000 | -8% | 68% |
| 1992 | 5,269,913 | 0% | 3,794,000 | 6% | 72% |
| 1993 | 5,319,188 | 1% | 3,989,000 | 5% | 75% |
| 1994 | 5,368,463 | 1% | 4,134,000 | 4% | 77% |
| 1995 | 5,368,463 | 0% | 4,187,000 | 1% | 78% |
| 1996 | 5,368,463 | 0% | 4,187,000 | 0% | 78% |
| 1997 | 5,368,463 | 0% | 4,245,000 | 1% | 79% |
| 1998 | 5,467,781 | 2% | 4,159,000 | -2% | 76% |
| 1999 | 5,906,296 | 8% | 4,414,000 | 6% | 75% |
| 2000 | 6,073,331 | 3% | 4,777,000 | 8% | 79% |
| 2001 | 6,148,045 | 1% | 4,263,000 | -11% | 69% |
| 2002 | 6,209,577 | 1% | 4,407,000 | 3% | 71% |
| 2003 | 6,533,993 | 5% | 4,522,000 | 3% | 69% |
| CAGR 1990-2003[4] | | 1.7% | | 1.1% | |

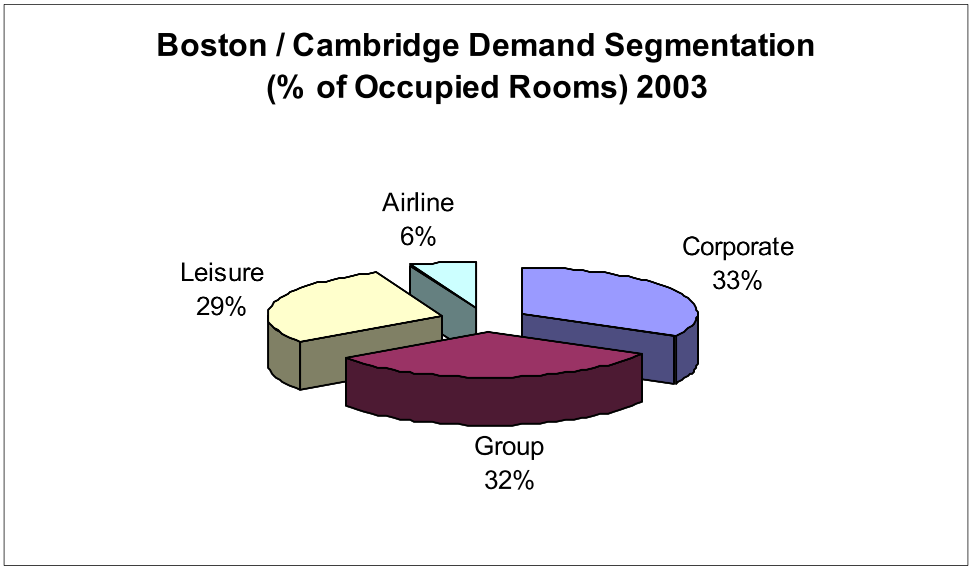
Notes:
1. Supply and Demand are presented in total annual room nights.
2. Calendar Years
3. Rounded to the nearest thousand
4. Compound Annual Growth Rate
Source: Smith Travel Research and Pinnacle Advisory Group

Lodging demand in the Boston/Cambridge lodging market varies from season to season. December, January, and February are the slowest months; March, April, May, and November have moderate demand; and June through October are the busiest months of the year in Boston and Cambridge. The following chart illustrates the seasonality of the market by presenting average monthly occupancy levels from 1999-2003.




Demand in the market is generated by four sources: commercial, leisure, group and airline crew. Commercial demand is generated by the numerous companies in the area, leisure demand is generated by the travelers visiting the attractions in the market or passing through on their way to other destinations, group demand is generated by commercial and leisure groups as well as the Hynes Convention Center, and airline crew demand is generated by the airlines at Logan International Airport. The following chart presents the percentage of total demand generated by each of the major demand segments in the market in 2003.

Over the last three years, commercial demand has declined due to cutbacks in corporate travel related to the economic recession. Group demand has also declined due to the economy but also due to a decline in the number of citywide conventions (23 in 2000 versus 14 in 2002 and 2003, respectively). Leisure demand is the only segment to experience increases in demand as operators have reduced room rates in an effort to stimulate demand. Airline crew demand has declined over recent years due to the overall decline in travel to the area and the subsequent declines in passenger traffic at Logan International Airport.




The following table presents our projections for growth in supply and demand and the resulting occupancy levels from fiscal year 2004 through 2014.

**Boston/Cambridge**
**Projected Supply, Demand, and Occupancy Fiscal Years 2004 - 2014[1]**

| Year[2] | Supply | Change | Demand[3] | Change | Occupancy |
|---|---|---|---|---|---|
| 2004 | 6,694,191 | - | 4,760,000 | - | 71% |
| 2005 | 6,894,485 | 3.0% | 4,964,000 | 4.3% | 72% |
| 2006 | 7,105,638 | 3.1% | 5,187,000 | 4.5% | 73% |
| 2007 | 7,530,863 | 6.0% | 5,347,000 | 3.1% | 71% |
| 2008 | 7,654,050 | 1.6% | 5,511,000 | 3.1% | 72% |
| 2009 | 7,883,672 | 3.0% | 5,755,000 | 4.4% | 73% |
| 2010 | 8,120,182 | 3.0% | 6,009,000 | 4.4% | 74% |
| 2011 | 8,363,787 | 3.0% | 6,189,000 | 3.0% | 74% |
| 2012 | 8,614,701 | 3.0% | 6,375,000 | 3.0% | 74% |
| 2013 | 8,873,142 | 3.0% | 6,566,000 | 3.0% | 74% |
| 2014 | 9,139,336 | 3.0% | 6,763,000 | 3.0% | 74% |
| CAGR 2004-2014[4] | | 3.2% | | 3.6% | |

Notes:
1. Supply and demand reflect average annual room nights
2. Fiscal years beginning July 1 and ending June 30
3. Rounded to the nearest thousand
4. Compound Annual Growth Rate
Source: Pinnacle Advisory Group

We note that the projected growth in demand is above historical levels; however, this is reasonable given that the historical growth rates presented earlier are adversely affected by recent market conditions. Furthermore, our projections consider the impact of the new BCEC, the completion of the Central Artery Project, the Logan Modernization Project and the development of the South Boston Waterfront District surrounding the BCEC.

We have stabilized market occupancy in 2010 at 74 percent, which reflects its historical average between calendar years 1990 and 2003. The historical low occupancy level over that period was 68 percent and the high was 79 percent.

Due to a reduction in supply growth in 2015 from 3.0 percent to 2.0 percent supply is projected to grow at a compound annual rate of 2.4 percent between 2004 and 2034.

### Average Daily Room Rate

According to Smith Travel Research, average room rates for Greater Boston were the third highest of any major metropolitan area in the nation in 2003. The average rate for the Boston/Cambridge market in 2003 was $149.91, as compared to the national average of $83.19. Growth in average room rate fluctuates significantly, as it is affected by a variety of factors including the economy, and changes in supply and demand. The following table presents historical average room rates in the market between 1990 and 2003.

**Boston/Cambridge**
**Historic Average Daily Rate 1990 - 2003**

| Year[1] | Average Rate | Change % |
|---|---|---|
| 1990 | $118.72 | - |
| 1991 | $115.96 | -2.3% |
| 1992 | $113.92 | -1.8% |
| 1993 | $117.35 | 3.0% |
| 1994 | $125.03 | 6.5% |
| 1995 | $132.93 | 6.3% |
| 1996 | $143.58 | 8.0% |
| 1997 | $159.69 | 11.2% |
| 1998 | $174.31 | 9.2% |
| 1999 | $182.79 | 4.9% |
| 2000 | $197.81 | 8.2% |
| 2001 | $180.19 | -8.9% |
| 2002 | $165.13 | -8.4% |
| 2003 | $149.91 | -9.2% |
| CAGR 1990-2003[2] | | 1.8% |

Notes:
1. Calendar Years
2. Compound Annual Growth Rate
Source: Smith Travel Research and Pinnacle Advisory Group

We have projected that average room rates will decline by 3.5 percent in fiscal year 2004 compared to fiscal year 2003 rates, followed by strong growth of 6.0 percent in fiscal years 2005 and 2006 before declining to 5.0 percent in fiscal year 2007, 4.0 percent in 2008 and a stabilized inflationary level of 3.0 percent in 2009. While our projected growth rates are slightly above the growth achieved between 1990 and 2003, we believe that fiscal year 2003 is the low point due to the previously mentioned factors. As an additional point of reference, we note that average rates grew at a compound annual rate of 5.2 percent between 1990 and 2000. The following table presents our projections for average room rate growth between fiscal year 2004 and fiscal year 2014.

| **Boston/Cambridge**<br>**Projected Average Daily Rate Fiscal Years 2004-2014** | | |
|---|---|---|
| Year[1] | Average Daily Rate | Change % |
| 2004 | $152.76 | - |
| 2005 | $161.92 | 6.0% |
| 2006 | $171.64 | 6.0% |
| 2007 | $180.22 | 5.0% |
| 2008 | $187.43 | 4.0% |
| 2009 | $193.05 | 3.0% |
| 2010 | $198.84 | 3.0% |
| 2011 | $204.81 | 3.0% |
| 2012 | $210.95 | 3.0% |
| 2013 | $217.28 | 3.0% |
| 2014 | $223.80 | 3.0% |
| CAGR 2004-2014[2] | | 3.9% |

Notes:
1. Fiscal years beginning July 1 and ending June 30
2. Compound Annual Growth Rate
Source: Pinnacle Advisory Group

### *Historical Room Occupancy Tax Collections*

As an additional point of reference in our projections we considered historical room occupancy tax collections in Boston and Cambridge. Room occupancy tax collections in Boston and Cambridge have grown at higher levels over the last 18 years, with the highest growth in that period occurring in the late 1980's and the late 1990's. Of particular note in the following table, is the fact that collections have grown at a compound annual rate of 6.1 percent despite the fact that during the final year of that period, the market was in the midst of an economic recession. The following table presents the historical 5.7 percent statewide room occupancy tax collections from fiscal year 1985 through fiscal year 2003.

**Boston/Cambridge**
**5.7 Percent Room Occupancy Tax Collections - Fiscal Years 1985 - 2003**

| Year[1] | Boston | Change | Cambridge | Change | Total | Change |
|---|---|---|---|---|---|---|
| 1985 | $11,525,377 | - | $1,788,899 | - | $13,314,277 | - |
| 1986 | 13,760,159 | 19.4% | 2,490,045 | 39.2% | 16,250,204 | 22.1% |
| 1987 | 15,614,221 | 13.5% | 2,738,525 | 10.0% | 18,352,746 | 12.9% |
| 1988 | 17,991,725 | 15.2% | 3,681,921 | 34.4% | 21,673,646 | 18.1% |
| 1989 | 19,450,013 | 8.1% | 3,673,342 | -0.2% | 23,123,355 | 6.7% |
| 1990 | 20,095,356 | 3.3% | 3,763,408 | 2.5% | 23,858,764 | 3.2% |
| 1991 | 18,726,410 | -6.8% | 3,479,497 | -7.5% | 22,205,906 | -6.9% |
| 1992 | 19,013,501 | 1.5% | 3,452,969 | -0.8% | 22,466,470 | 1.2% |
| 1993 | 21,210,965 | 11.6% | 4,356,214 | 26.2% | 25,567,179 | 13.8% |
| 1994 | 22,191,246 | 4.6% | 4,031,211 | -7.5% | 26,222,457 | 2.6% |
| 1995 | 24,020,114 | 8.2% | 4,561,163 | 13.1% | 28,581,276 | 9.0% |
| 1996 | 24,313,669 | 1.2% | 4,559,031 | 0.0% | 28,872,700 | 1.0% |
| 1997 | 26,490,020 | 9.0% | 5,534,905 | 21.4% | 32,024,926 | 10.9% |
| 1998 | 33,223,955 | 25.4% | 6,359,775 | 14.9% | 39,583,730 | 23.6% |
| 1999 | 34,763,753 | 4.6% | 7,077,548 | 11.3% | 41,841,300 | 5.7% |
| 2000 | 40,564,472 | 16.7% | 8,163,711 | 15.3% | 48,728,183 | 16.5% |
| 2001 | 43,094,291 | 6.2% | 8,519,459 | 4.4% | 51,613,751 | 5.9% |
| 2002 | 33,268,802 | -22.8% | 6,342,042 | -25.6% | 39,610,845 | -23.3% |
| 2003 | 32,440,005 | -2.5% | 6,194,657 | -2.3% | 38,634,663 | -2.5% |
| CAGR 1985-2003[2] | | 5.9% | | 7.1% | | 6.1% |

Notes:
1. Fiscal years beginning July 1 and ending June 30
2. Compound Annual Growth Rate
Source: Massachusetts Department of Revenue

It should be noted that only a portion of the collections presented above will be pledged to repay the Bonds; historic totals are presented in order to provide support for the projected long term growth in room occupancy tax collections.

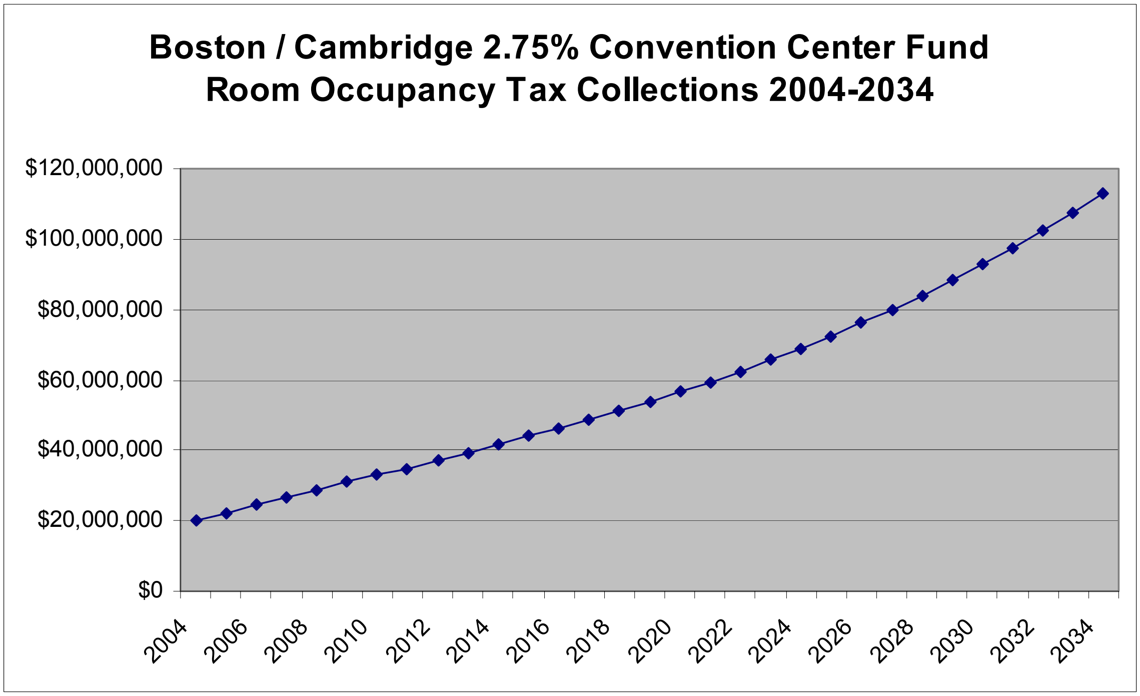
## Projected 2.75 Percent Room Occupancy Tax

### *Historical versus Imputed Collections*

The Commonwealth's Department of Revenue provided us with actual room occupancy tax collection data for the Boston/Cambridge market from August 1999 through January 2004. We compared this data with an imputed room occupancy tax collection calculation based on information from Smith Travel Research by multiplying room revenues reported by the hotels in Boston and Cambridge between July of 1999 and December of 2003 by the tax rate of 2.75 percent. During the respective periods, the Department of Revenue reported collections of $96,949,020 compared to imputed collections of $96,881,464, a variance of 0.1 percent, which we have reflected in our projections.

### *Projected Collections*

To project room occupancy tax collections from fiscal year 2004 through fiscal year 2034 we multiplied the current room occupancy tax rate of 2.75 percent by the projected room revenues resulting from our previously presented projections for supply, demand and average daily rate and increased that figure by 0.1 percent to reflect an estimated historical variance between actual and imputed tax collections. The following graph illustrates the projected collections. Tables summarizing the collections are provided in the Addenda to this report.




The previous graph projects a compound annual growth in collections of 6.0 percent between 2004 and 2034. We believe that these projections are reasonable considering that between 1985 and 2003 room occupancy tax collections grew at a compound annual rate of 6.1 percent. Furthermore, the projected growth reflects anticipated growth in supply and market performance related to the improving economy, improved transportation infrastructure and the new BCEC.

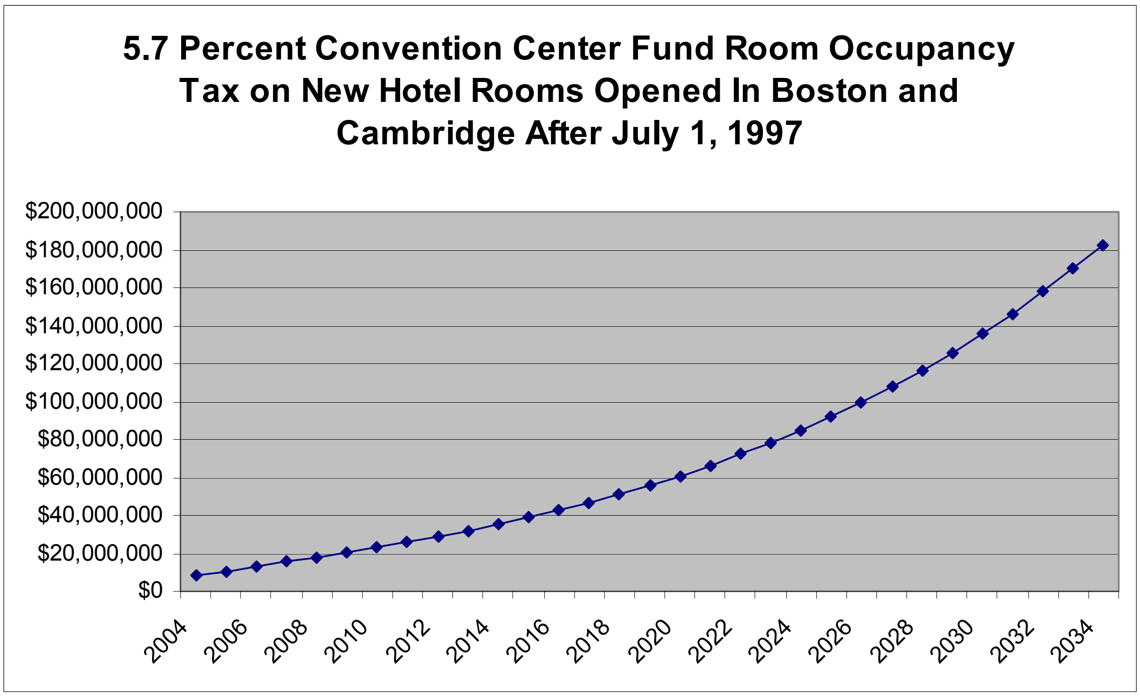
## Projected 5.7 Percent Tax on all New Rooms Opened After July 1, 1997

### *Historical versus Imputed Collections*

According to the Act, there is a 5.7 percent room occupancy tax imposed on any room opened after July 1, 1997 in Boston and Cambridge. To calculate historical and projected collections from new hotels we applied our previously presented historical and projected market occupancy and average room rates to the previously presented new supply, however, we assumed that in their first year of operation, the new rooms would operate at levels 10 occupancy percentage points below the market but at comparable average daily room rates. Between fiscal years 1998 (which began July 1, 1997) and 2003 the Department of Revenue reported room occupancy tax collections of $29,029,465, while our calculations indicated imputed collections of $30,378,010, a variance of 4.6 percent. We note that in addition to the previously cited reasons for variances between the imputed and the actual collections, the imputed collections for the new rooms that have opened since July 1, 1997 are based on their estimated performance.

### *Projected Collections*

To project room occupancy tax collections from fiscal year 2004 through fiscal year 2034 we multiplied the current tax rate of 5.7 percent by the projected room revenues from our previously presented projections for supply, demand and average daily rate and adjusted these projections for expected lower occupancy levels for the new rooms during their first year of operation and reduced that figure by 8.0 percent to reflect an estimated historical variance between actual and imputed tax collections. The following graph illustrates the projected collections from the 5.7 percent room occupancy tax in Boston and Cambridge from fiscal year 2004 through fiscal year 2034. Tables presenting the projected collection amounts are provided in the Addenda to this report.



# Greater Springfield

## Area Overview

Greater Springfield (for the purposes of this analysis) is composed of the municipalities of Springfield, West Springfield, and Chicopee. All three municipalities are located in Hampden County. Springfield is the third largest city in Massachusetts and is western Massachusetts' cultural and economic center. West Springfield is located just across the Connecticut River from Springfield and Chicopee borders Springfield to the north. While the three hotel markets each have their own sources of demand, there is significant overlap; as such our analysis considers this as one market area. The Greater Springfield area economy is diverse and it is primarily driven by the service industries, farming, education and manufacturing.

### *Employment*

Reflecting the national trend, the area's employment structure has shifted from traditional labor-intensive manufacturing jobs to service and retail jobs. According to Woods and Poole, in 1980 manufacturing was the largest employment sector in Hampden County representing 27 percent of the jobs. By 2002 the manufacturing sector had declined to only 15 percent of the jobs in Hampden County. Over the same period, the service industry increased from 22 percent of total jobs to 38 percent. Between 2002 and 2006 Woods and Poole predicts that the number of manufacturing jobs will decline by 1.6 percent while the service sector will increase by 1.2 percent. In total, the number of jobs in the county is forecast to increase by 0.5 percent.

Major employers in the area include: Massachusetts Mutual Life Insurance Company (which is headquartered in Springfield), Baystate Medical Center, Mercy Hospital and Solutia (formerly Monsanto). Not coincidentally, these companies are also some of the largest commercial hotel demand generators in the area. The government is a major employer in the area that is likely to grow due in part to a new $70 million federal courthouse that is currently under construction in Springfield.

As of October 2003 the City of Springfield had a labor force of 69,048 of which 5,370 were registered as unemployed resulting in an unemployment rate of 7.8 percent. For the same period, West Springfield had a labor force of 14,679 with 750 unemployed for an unemployment rate of 5.1 percent while Chicopee had a labor force of 28,860 with 1,834 unemployed (6.4 percent). During the same period, the Massachusetts unemployment rate was 5.3 percent.

### *Tourism*

Greater Springfield has become a popular tourist destination in recent years. Of note, the area is home to the popular new Basketball Hall of Fame which replaced an older facility in 2002, on the riverfront in Springfield. It is also home to Six Flags New England Amusement Park in the nearby Town of Agawam, Massachusetts (which recently added a new water park), the Eastern States Exposition (also known as "The Big E") in West Springfield, the Dr. Seuss national Memorial Sculpture Garden and the Quadrangle Museums both located in Springfield. In addition to its attractions, the area is a popular "stopover" location due to its location at the intersection of two major regional interstate highways – Interstate 90 (Massachusetts Turnpike) and Interstate 91 (I-91).

### *Convention Market*

The primary convention facility in Springfield is the Springfield Civic Center, which is an arena that primarily serves as the home to the Springfield Falcons minor league hockey team and various events such as the Harlem Globetrotters, professional wrestling, and dance competitions. According the Massachusetts Convention Center Authority, in 2002 the facility had a total attendance of approximately 200,000.

On October 1, 2003, Governor Mitt Romney broke ground on a $71 million expansion and renovation of the Springfield Civic Center, which upon completion will be renamed the MassMutual Center. The project, scheduled to be completed in 2005, includes approximately 147,000 square feet of new building for convention, exhibition, and meeting space, and the renovation of approximately 215,000 square feet of the existing facility. When completed the facility will include an exhibit hall, meeting rooms, a ballroom, pre-function space, a kitchen and corporate hospitality and support spaces. The new facility will target regional conventions and is expected to bring an additional 25 conventions a year to western Massachusetts.

## Transportation

The Springfield area offers an excellent transportation infrastructure due to its proximity to Bradley International Airport to the south and the surrounding road network. One major expected improvement is a renovation of Union Station in downtown Springfield that will become an inter-modal transportation facility serving Amtrak, and intercity buses and local buses.

### *Highway Transportation*

As mentioned previously, the Greater Springfield area is located at the intersection of two major regional interstate highways, the Massachusetts Turnpike and I-91. The Massachusetts Turnpike runs the length of the state from Boston in the east to New York in the west where it connects to the New York State Thruway. Interstate-91 runs north from New Haven, Connecticut through Massachusetts and Vermont to the Canadian border. Locally, the area also is served by Interstates 291 and 391.

### *Airport Transportation*

Air transportation to the Greater Springfield area is provided by Bradley International Airport, the second largest airport in the New England region. Bradley International Airport is located in Connecticut 12 miles south of Springfield and 12 miles north of Hartford off I-91. Bradley International Airport is currently served by 12 major carriers including Southwest, Delta, United and US Airways. Between 1992 and 2002 passenger traffic at the airport grew at a compound annual rate of 3.6 percent from approximately 4.5 million to 6.5 million.

### *Conclusion - Impact on Hotel Demand*

The Greater Springfield area has a strong and diverse economy that benefits from a good transportation infrastructure. In addition, the following factors are expected to benefit the area lodging market over the near future:

- The renovation and addition to the Springfield Civic Center will help spur group demand;
- The opening of the new Basketball Hall of Fame has already resulted in increased tourism to the area;
- The continuing shift to a more service based economy should increase demand for hotel rooms;

- Recent additions and improvements to the Six Flags Amusement Park have helped to make it a more popular destination, thus spurring increased visitation to the area;
- The $70 million federal courthouse currently under construction in Springfield is likely to lead to increased commercial demand; and
- The renovation of Union Station will improve access to the area thus helping all segments of demand.

Overall, based on the information presented herein, we are of the opinion that the long-term prospects for the Greater Springfield economy are positive.

## Lodging Market Overview

The Greater Springfield lodging market has benefited significantly in recent years from leisure demand generated by area attractions, most notably the new Basketball Hall of Fame in Springfield, and Six Flags Amusement Park in the nearby Town of Agawam, Massachusetts. Additionally, the area has benefited from increased activity at Bradley International Airport in Hartford, Connecticut, which brought in additional visitors and airline crews. In spite of the recent economic challenges, the Greater Springfield lodging market has performed relatively well compared to the rest of the nation. In the near future, the market is expected to benefit from a major expansion of the convention center.

**Greater Springfield**
**Historical Market Performance 1990 - 2003**

| Year[1] | Occupancy | Change % | Average Rate | Change % | RevPAR[2] | Change % |
|---|---|---|---|---|---|---|
| 1990 | 56% | - | $61.45 | - | $34.10 | - |
| 1991 | 62% | 11.7% | $55.54 | -9.6% | $34.43 | 1.0% |
| 1992 | 57% | -7.9% | $56.20 | 1.2% | $32.09 | -6.8% |
| 1993 | 57% | 0.2% | $56.88 | 1.2% | $32.54 | 1.4% |
| 1994 | 56% | -1.6% | $57.59 | 1.2% | $32.42 | -0.3% |
| 1995 | 55% | -3.2% | $60.34 | 4.8% | $32.89 | 1.4% |
| 1996 | 58% | 5.5% | $58.82 | -2.5% | $33.82 | 2.8% |
| 1997 | 60% | 4.0% | $62.12 | 5.6% | $37.15 | 9.8% |
| 1998 | 63% | 5.2% | $67.25 | 8.3% | $42.30 | 13.9% |
| 1999 | 68% | 8.1% | $70.89 | 5.4% | $48.21 | 14.0% |
| 2000 | 70% | 2.6% | $77.44 | 9.2% | $54.05 | 12.1% |
| 2001 | 66% | -5.6% | $79.73 | 3.0% | $52.54 | -2.8% |
| 2002 | 66% | -0.4% | $78.76 | -1.2% | $51.68 | -1.6% |
| 2003 | 66% | 0.6% | $80.42 | 2.1% | $53.07 | 2.7% |
| CAGR 1990-2003[3] | | | | 2.1% | | 3.5% |

Notes:
1. Calendar Years
2. Revenues Per Available Room
3. Compound Annual Growth Rate
Source: Smith Travel Research and Pinnacle Advisory Group

As an additional point of reference in our projections we considered historical room occupancy tax collections in Greater Springfield. Tax collections for the area increased at high rates over the last 18 years with the highest growth occurring more recently due to improved market performance and increased lodging supply. The following table presents the historical 5.7 percent statewide room occupancy tax collections from fiscal year 1985 through fiscal year 2003.

**Greater Springfield**
**5.7 Percent Room Occupancy Tax Collections - Fiscal Years 1985 - 2003**

| Year[1] | Springfield | Change | Chicopee | Change | West Springfield | Change | Total | Change |
|---|---|---|---|---|---|---|---|---|
| 1985 | $849,300 | | $239,087 | | $381,900 | | $1,470,287 | |
| 1986 | 269,946 | -68.2% | 285,439 | 19.4% | 408,627 | 7.0% | 964,013 | -34% |
| 1987 | 207,657 | -23.1% | 303,593 | 6.4% | 478,407 | 17.1% | 989,657 | 3% |
| 1988 | 289,532 | 39.4% | 265,797 | -12.4% | 440,861 | -7.8% | 996,189 | 1% |
| 1989 | 765,710 | 164.5% | 286,300 | 7.7% | 475,021 | 7.7% | 1,527,030 | 53% |
| 1990 | 765,504 | 0.0% | 309,197 | 8.0% | 519,036 | 9.3% | 1,593,737 | 4% |
| 1991 | 822,761 | 7.5% | 196,832 | -36.3% | 551,162 | 6.2% | 1,570,755 | -1% |
| 1992 | 659,234 | -19.9% | 181,511 | -7.8% | 551,424 | 0.0% | 1,392,168 | -11% |
| 1993 | 661,958 | 0.4% | 211,333 | 16.4% | 607,244 | 10.1% | 1,480,535 | 6% |
| 1994 | 732,387 | 10.6% | 191,389 | -9.4% | 484,095 | -20.3% | 1,407,872 | -5% |
| 1995 | 773,462 | 5.6% | 205,280 | 7.3% | 485,389 | 0.3% | 1,464,131 | 4% |
| 1996 | 864,000 | 11.7% | 221,975 | 8.1% | 433,724 | -10.6% | 1,519,700 | 4% |
| 1997 | 812,204 | -6.0% | 230,052 | 3.6% | 594,425 | 37.1% | 1,636,681 | 8% |
| 1998 | 997,118 | 22.8% | 272,420 | 18.4% | 627,131 | 5.5% | 1,896,669 | 16% |
| 1999 | 1,366,433 | 37.0% | 281,415 | 3.3% | 730,655 | 16.5% | 2,378,502 | 25% |
| 2000 | 861,150 | -37.0% | 313,745 | 11.5% | 901,199 | 23.3% | 2,076,094 | -13% |
| 2001 | 1,199,331 | 39.3% | 259,094 | -17.4% | 969,507 | 7.6% | 2,427,932 | 17% |
| 2002 | 1,217,486 | 1.5% | 372,392 | 43.7% | 986,231 | 1.7% | 2,576,109 | 6% |
| 2003 | 1,217,275 | 0.0% | 383,747 | 3.0% | 849,733 | -13.8% | 2,450,755 | -5% |
| CAGR 1985-2003[2] | | 2.0% | | 2.7% | | 4.5% | | 2.9% |

Notes:
1. Fiscal Years begin July 1 and end June 30.
2. Compound Annual Growth Rate
Source: Massachusetts Department of Revenue

## Hotel Room Supply

Between 1990 and 2003 the supply of hotel rooms in Greater Springfield increased at a compound annual rate of 0.6 percent. However, we note that the area experienced significant growth in the late 1980s with the opening of the 325-room Sheraton in Springfield in September 1987, the Red Roof Inn and Ramada in West Springfield in 1988 and the Days Inn and Comfort Inn hotels in West Springfield in 1989. As market performance declined following the large increase in supply there were no major additions until late 2001 when the Residence Inn West Springfield opened followed by the opening of the Hilton Garden Inn Springfield in July 2002 and the Hampton Inn Chicopee in August 2002.

In the course of our research we were able to identify three proposed hotels in Springfield. The first is zoned for hotel development and is on the site of the former Basketball Hall of Fame where the owner is said to be considering the issuing of a request for proposals for a hotel project. The second project is a 135-room hotel that is expected to be developed on the site of the former Court Square Hotel adjacent to the Springfield Civic Center and within the Springfield Civic and Convention Center Finance District (the "Springfield CCCFD"). This project has the necessary permits and the developer is reportedly in the process of obtaining financing. The last project proposed in

Springfield is on the site of the former Hotel Charles. It does not yet have all of its permits, nor does it have its financing. For the purposes of our projections we have included as additions to supply in the Springfield CCCFD the proposed “Court Square” hotel and an unnamed 200-room “Civic Center” hotel. Given that we do not know exactly when the new hotel will be developed, only that it is very likely to open between 2010 and 2020, we have added 20 rooms each year during that period. In addition, to reflect growth in supply outside of the Springfield CCCFD, we utilized a long-term growth rate of 2.0 percent beginning in 2008.

There are currently two hotels proposed in Chicopee totaling approximately 170 rooms. However, according to the city planner, those projects would require significant zoning variances, which would be difficult to obtain. There are no hotels currently proposed in West Springfield.

We note that in addition to the hotels proposed in Greater Springfield a new hotel is proposed in nearby Holyoke, and there are new hotels proposed near Bradley International Airport and a large full-service hotel and convention center is being developed in Downtown Hartford. While not directly competitive, these hotels and the convention center in Hartford are expected to have an impact on the subject market, which we have factored into our projections.

### Projected Demand and Occupancy

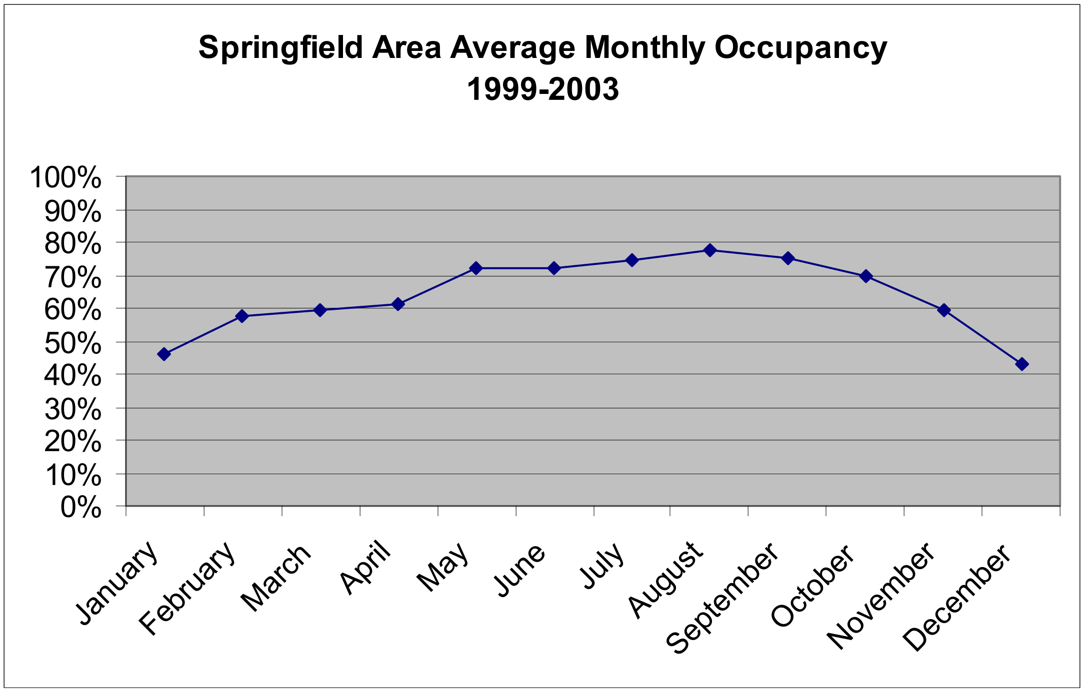
In the Greater Springfield lodging demand grew at a compound annual rate of 2.0 percent between 1990 and 2003. In recent years demand has outpaced supply growing at a compound annual rate of 3.0 percent since 1998, compared to growth in supply over the same period of only 1.9 percent. The following table presents the historical supply, demand and market occupancy in the Greater Springfield lodging market between 1990 and 2003.

**Greater Springfield**
**Supply, Demand, and Occupancy 1990 - 2003[1]**

| Year[2] | Supply | Supply | Change % | Demand | Change % | Occupancy |
|---|---|---|---|---|---|---|
| 1990 | 2,213 | 807,745 | 9.7% | 448,000 | -3.0% | 56% |
| 1991 | 2,213 | 807,745 | 0.0% | 501,000 | 11.8% | 62% |
| 1992 | 2,213 | 807,745 | 0.0% | 461,000 | -8.0% | 57% |
| 1993 | 2,213 | 807,745 | 0.0% | 462,000 | 0.2% | 57% |
| 1994 | 2,213 | 807,745 | 0.0% | 455,000 | -1.5% | 56% |
| 1995 | 2,213 | 807,745 | 0.0% | 440,000 | -3.3% | 55% |
| 1996 | 2,213 | 807,745 | 0.0% | 464,000 | 5.5% | 58% |
| 1997 | 2,164 | 789,713 | -2.2% | 472,000 | 1.7% | 60% |
| 1998 | 2,165 | 790,350 | 0.1% | 497,000 | 5.3% | 63% |
| 1999 | 2,190 | 799,350 | 1.1% | 544,000 | 9.5% | 68% |
| 2000 | 2,199 | 802,716 | 0.4% | 560,000 | 2.9% | 70% |
| 2001 | 2,219 | 810,108 | 0.9% | 534,000 | -4.6% | 66% |
| 2002 | 2,338 | 853,270 | 5.3% | 560,000 | 4.9% | 66% |
| 2003 | 2,390 | 872,350 | 2.2% | 576,000 | 2.9% | 66% |
| CAGR 1990-2003[3] | | | 0.6% | | 2.0% | |

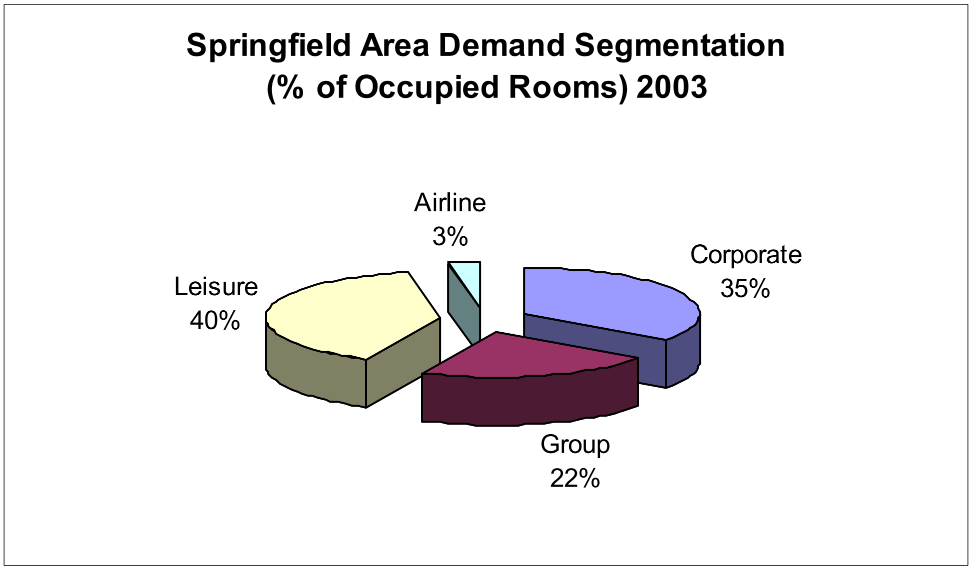
Notes:
1. Supply and Demand are presented in average annual room nights.
2. Calendar Years
3. Compound Annual Growth Rate
Source: Smith Travel Research

The seasonal demand patterns in Springfield are typical of the region. December, January, and February are the slowest months; March, April, May, and November have moderate demand; and June through October are the busiest months of the year in the market. The following chart illustrates the seasonality of the market by presenting average monthly occupancy between 1999 and 2003.




Demand in the market is generated by four primary sources: commercial, leisure, group and airline crew. Commercial demand is generated by the local area companies and business travelers passing through the area. According to hotel operators in the market, commercial demand has declined in recent years due to corporate travel cut backs. Leisure demand is generated by area attractions such as the Basketball Hall of Fame and events such as the Eastern States Exposition, or by travelers passing through on their way to other destinations. Leisure demand has reportedly increased significantly in recent years due to a variety of factors including a trend toward drive-to vacations (versus flying), and the increased popularity of Six Flags Amusement Park and the new Basketball Hall of Fame. Group demand is generated by commercial and leisure groups as well as the Springfield Convention Center. In recent years, group demand has remained relatively flat as tour groups have replaced commercial related groups. Airline crew demand is generated by airline employees at Bradley International Airport and is accommodated in Greater Springfield only at the large full-service hotels in Springfield. Airline crew has remained relatively stable in recent years as increased demand generated by Bradley International Airport has been absorbed by new hotels located closer to the airport.

The following pie chart illustrates the estimated segmentation of demand in the market.




For the purposes of our projections, we have stabilized market occupancy in 2008 at 63 percent, which is one point above the historical average of 62 percent between 1987 and 2003. We believe this is reasonable given the presence of the new convention center facilities. The following table presents our projections for growth in supply and demand and the resulting occupancy levels from fiscal year 2004 through 2014.

**Greater Springfield**
**Projected Supply, Demand, and Occupancy Fiscal Years 2004 - 2014[1]**

| Year[2] | Supply | Change | Demand[3] | Change | Occupancy |
|---|---|---|---|---|---|
| 2004 | 932,575 | - | 588,000 | - | 63% |
| 2005 | 932,575 | 0.0% | 588,000 | 0.0% | 63% |
| 2006 | 981,850 | 5.3% | 589,000 | 0.2% | 60% |
| 2007 | 981,850 | 0.0% | 609,000 | 3.4% | 62% |
| 2008 | 1,000,502 | 1.9% | 630,000 | 3.4% | 63% |
| 2009 | 1,019,526 | 1.9% | 642,000 | 1.9% | 63% |
| 2010 | 1,038,931 | 1.9% | 655,000 | 2.0% | 63% |
| 2011 | 1,066,024 | 2.6% | 672,000 | 2.6% | 63% |
| 2012 | 1,093,513 | 2.6% | 689,000 | 2.5% | 63% |
| 2013 | 1,121,771 | 2.6% | 707,000 | 2.6% | 63% |
| 2014 | 1,150,448 | 2.6% | 725,000 | 2.5% | 63% |
| CAGR 2004-2014[4] | | 2.1% | | 2.1% | |

Notes:
1. Supply and demand reflect average annual room nights
2. Fiscal years beginning July 1 and ending June 30
3. Rounded to the nearest thousand
4. Compound Annual Growth Rate
Source: Pinnacle Advisory Group

## Average Daily Room Rate

Average daily room rate growth in the market has fluctuated over the years with the highest growth occurring over the last five years. The following table presents historical average room rates in the market between 1990 and 2003.

| **Greater Springfield<br>Historic Average Daily Rate 1990 - 2003** | | |
|---|---|---|
| Year[1] | Average Rate | Change % |
| 1990 | $61.45 | - |
| 1991 | $55.54 | -9.6% |
| 1992 | $56.20 | 1.2% |
| 1993 | $56.88 | 1.2% |
| 1994 | $57.59 | 1.2% |
| 1995 | $60.34 | 4.8% |
| 1996 | $58.82 | -2.5% |
| 1997 | $62.12 | 5.6% |
| 1998 | $67.25 | 8.3% |
| 1999 | $70.89 | 5.4% |
| 2000 | $77.44 | 9.2% |
| 2001 | $79.73 | 3.0% |
| 2002 | $78.76 | -1.2% |
| 2003 | $80.42 | 2.1% |
| CAGR 1990-2003[2] | | 2.1% |

Notes:
1. Calendar Years
2. Compound Annual Growth Rate
Source: Smith Travel Research and Pinnacle Advisory Group

We have projected that average room rates will grow by 2.0 percent in fiscal years 2004 and 2005 before reaching a stabilized growth rate of 2.5 percent annually over the remainder of the projection period. We note that in fiscal years 2004 and 2005 we have used lower growth rates to reflect the likely negative impact resulting from the renovation of the Springfield Civic Center and the impact of new supply outside of the studied area. The projected compound annual growth rate of 2.5 percent over the projection period reflects a balance between the long-term historical rate of 2.1 percent between 1990 and 2003, and the more recent growth rates of 3.4 percent between calendar years 1992 and 2002 and 3.6 percent between 1998 and 2003. The following table presents our projections for average room rate growth between fiscal years 2004 and 2014.

**Greater Springfield**
**Projected Average Daily Rate 2004-2014**

| Year[1] | Average Rate | Change % |
|---|---|---|
| 2004 | $80.92 | - |
| 2005 | $82.54 | 2.0% |
| 2006 | $84.60 | 2.5% |
| 2007 | $86.72 | 2.5% |
| 2008 | $88.89 | 2.5% |
| 2009 | $91.11 | 2.5% |
| 2010 | $93.39 | 2.5% |
| 2011 | $95.72 | 2.5% |
| 2012 | $98.11 | 2.5% |
| 2013 | $100.57 | 2.5% |
| 2014 | $103.08 | 2.5% |
| CAGR 2004-2014[2] | | 2.4% |

Notes:
1. Fiscal Years Beginning July 1 and ending June 30.
2. Compound Annual Growth Rate
Source: Pinnacle Advisory Group

## Projected 2.75 Percent Room Occupancy Tax

### *Historical versus Imputed Collections*

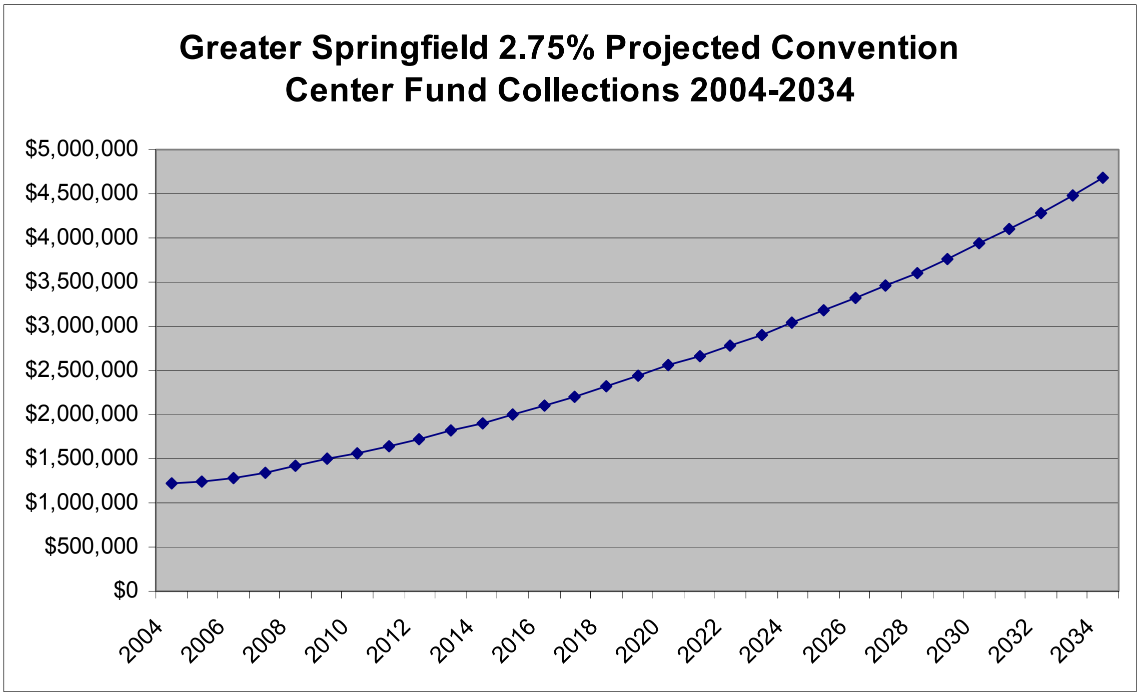
The Commonwealth's Department of Revenue provided us with room occupancy tax collection data for the Greater Springfield lodging market from November 2001 through January 2004. We compared this data to an imputed room occupancy tax collection calculation by multiplying room revenues reported by the hotels in Greater Springfield between October of 2001 and December of 2003 by the room occupancy tax rate of 2.75 percent. During the respective periods, the Department of Revenue reported collections of $2,789,462 compared to imputed collections of $2,838,486, a variance of 1.8 percent. There are numerous potential explanations for the variance. For example, not all hotels that are subject to the tax report their performance data to Smith Travel Research, additionally some hotels report complimentary rooms given to frequent travelers as being sold at a certain rate for competitive purposes.

### *Projected Collections*

To project convention center fund room occupancy tax collections from fiscal year 2004 through fiscal year 2034 we multiplied the current room occupancy tax rate of 2.75 percent by the projected room revenues from our previously presented projections for supply, demand and average daily rate and reduced that figure by 1.8 percent to reflect an estimated variance between actual and imputed tax collections.

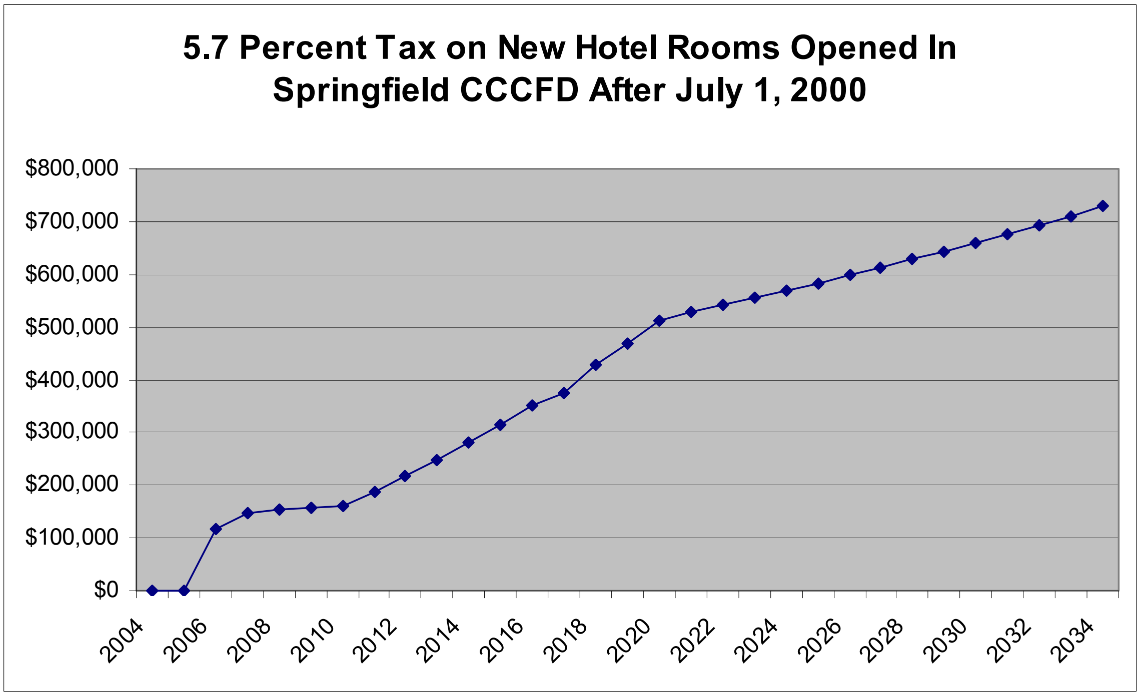
We have projected growth in collections of 4.6 percent between fiscal year 2004 and fiscal year 2034 on a compound annual growth rate basis compared to a compound annual growth rate of 3.2 percent between 1985 and 2002. We note, however that tax collections grew at a compound annual growth rate of 5.8 percent between fiscal year 1993 and fiscal year 2003 and 6.5 percent between fiscal year 1998 and fiscal year 2003.

The following graph illustrates the projected growth in collections from fiscal year 2004 through fiscal year 2034. Detailed tables presenting the projections are provided in the Addenda to this report.




## Projected 5.7 Percent Tax on all New Rooms in Springfield CCCFD Opened After July 1, 2000

To project room occupancy tax collections from fiscal year 2004 through fiscal year 2034 we multiplied the current tax rate of 5.7 percent by the projected room revenues from our previously presented projections for supply, demand and average daily rate and adjusted these projections for expected lower occupancy levels for the new rooms during their first year of operation and reduced that figure by 1.8 percent to reflect an estimated variance between actual and imputed tax collections. The following graph illustrates the projected collections from fiscal year 2004 through fiscal year 2034.



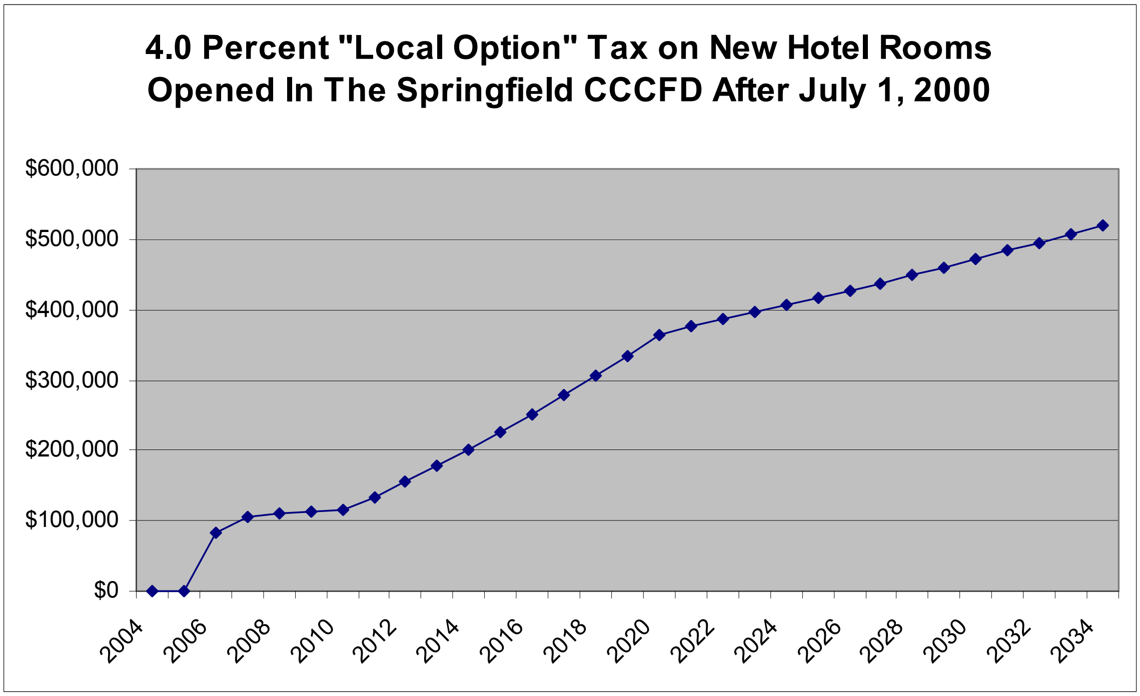

### Projected 4.0 Percent Tax on all New Rooms within the Springfield CCCFD Opened After July 1, 2000

#### *Historical Collections*

According to the Act, the 4.0 percent "local option" room occupancy taxes collected on all rooms opened for patronage after July 1, 2000 in the Springfield CCCFD will be pledged to pay debt service on the Bonds. Currently there are no hotels in the Springfield CCCFD, therefore, there have been no collections.

#### *Projected Collections*

To project collections from fiscal year 2004 through fiscal year 2034 we utilized the same Springfield CCCFD Projections presented in our calculation for the 5.7 percent room occupancy tax and applied a rate of 4.0 percent and reduced that figure by 1.8 percent to reflect historic variances between imputed and actual collections. The following graph presents projected collections from fiscal year 2004 through fiscal year 2034. Summary tables are provided in the Addenda to this report.


4.0 Percent "Local Option" Tax on New Hotel Rooms Opened In The Springfield CCCFD After July 1, 2000
$600,000
$500,000
$400,000
$300,000
$200,000
$100,000
$0
2004
2006
2008
2010
2012
2014
2016
2018
2020
2022
2024
2026
2028
2030
2032
2034

# Worcester

## Area Overview

The City of Worcester the second largest city in New England as measured by population. Centrally located in Massachusetts, Worcester is approximately a one-hour drive from Boston, Providence (RI), Springfield (MA), Hartford (CT) and Nashua (NH). This central location has historically placed Worcester at a major focal point of activity in New England. While its economy had been heavily reliant on the manufacturing sector, Worcester's economy has become more diverse in recent years. The medical field, in general, and biotechnology research, in particular, are major components of the area's economic base. In addition, Worcester is home to 15 major colleges, universities and vocational-technical schools with total enrollment of more than 40,000 students.

### *Employment*

Employment in Worcester County for the period 1997 through 2002 exhibited strong growth in the areas of Construction (largely focused on the biotech and medical developments in the region), Services, and Finance, Insurance, and Real Estate ("F.I.R.E.") sectors. Through 2006, employment growth is expected to be slow and focused more on the Whole Trade and Government sectors. Major employers in the area include: the University of Massachusetts Memorial Medical Center, BASF Abbott Bioresearch, and Allmerica Financial.

According to the Massachusetts Department of Unemployment Assistance, as of October 2003 the City of Worcester had a labor force of 80,555 of which 5,453 were registered as unemployed resulting in an unemployment rate of 6.8 percent. For the same period, the Massachusetts unemployment rate was 5.3 percent.

### *Office*

The Worcester office market has a total of 5.1 million square feet of office space and had a vacancy rate of 10.5 percent according to the Center for Community Performance Measurement (CCPM) of the Worcester Regional Research Bureau. This compares to a vacancy rate of 11.5 percent in 2002. In 2003 rental rates ranged from $8.00 to $26.00 per square foot. One of the largest additions of space in recent years was 96,000 square feet that was developed as part of the 950,000 square foot Worcester Medical Center.

### *Tourism*

While Worcester is not known as a major tourist destination, it does offer a variety of attractions including the Mechanics Hall, the Higgins Armory Museum (specializing in medieval armory), and the Worcester Art Museum. In addition the city's central location and strong transportation network makes it a convenient base from which to explore the region. Furthermore, the area benefits from the numerous colleges and universities including the College of the Holy Cross, Clark University, and Worcester Polytechnic Institute, which attract leisure visitors throughout the year. Lastly, the area accommodates a significant amount of rate sensitive and overflow demand from the Boston area during certain times of the year.

### *Convention Market*

The Worcester Convention market is served by the Worcester Centrum Centre, which offers a total of more than 95,000 square feet of meeting and exhibit space, including a main exhibit hall of approximately 60,000 square feet. The Worcester Centrum Centre complex is marketed as one facility offering both the arena and the convention complex. The facility has become a major event venue for New England. With the majority of its attendees arriving via private automobile (the Worcester Centrum Centre offers 17,000 parking spaces within walking distance), it has been virtually unaffected by the recent national downturn in convention activity and serves as a focal point for downtown activity. In 2002, the facility hosted 344 events with total attendance of 722,941.

## Transportation

### *Highway Transportation*

The area is conveniently accessible via highway transportation by several major routes including I-90 (Mass Turnpike) and I-290 running east west, as well as I-495 and Route 12 running north south. Worcester is relatively equidistant from Boston, MA and Providence, RI with over six million people within a 50-mile radius of the city.

### *Airport Transportation*

Worcester Regional Airport was briefly serviced by US Airways and Delta following the completion of a $15.7 million passenger terminal and over $8 million worth of recent airside improvement such as lighting, navigational aids, and a new control tower in 2000. The negative impact of the departure of the regularly scheduled carriers in 2002 contributed to the recent declines in lodging market performance. The area is now served by Manchester International Airport in Manchester New Hampshire and Logan International Airport, which are approximately 45 minutes and 1 hour away, respectively.

### *Conclusion - Impact on Hotel Demand*

Worcester has a strong and diverse economy that benefits from good road transportation infrastructure. The following factors are expected to benefit the area lodging market over the near future:

- A planned convention center headquarters hotel adjacent to the Worcester Centrum Centre will help the city attract major conventions;
- A strong biotech research and development community that is aided by the presence of the University of Massachusetts Medical School is expected to fuel further growth in commercial demand; and
- The city has plans to redevelop Union Station and the Washington Square area near the Worcester Centrum Centre to improve traffic flow and stimulate the development of additional retail space which will make the city a more popular destination for group and leisure travelers.

Overall, based on our review of the leading economic indicators presented herein, we are of the opinion that the long-term prospects for the Worcester economy are positive.

## Lodging Market Overview

Notwithstanding the recent economic downturn and the events of September 11, 2001, the Worcester lodging market continues to perform at levels well above the national average. In calendar year 2003, market occupancy and average rates in Worcester were 8.5 and 20 percent above the national average, respectively. The following table presents the market's historical performance between calendar years 1990 and 2003.

**Worcester**
**Historical Market Performance 1990 - 2003**

| Year[1] | Occupancy | Change % | Average Rate | Change % | RevPAR[2] | Change % |
|---|---|---|---|---|---|---|
| 1990 | 59% | | $79.65 | | $46.75 | |
| 1991 | 57% | -2.2% | $71.42 | -10.3% | $41.02 | -12.3% |
| 1992 | 58% | 0.8% | $69.35 | -2.9% | $40.17 | -2.1% |
| 1993 | 59% | 1.2% | $71.95 | 3.7% | $42.16 | 5.0% |
| 1994 | 60% | 3.0% | $70.45 | -2.1% | $42.51 | 0.8% |
| 1995 | 57% | -4.9% | $70.42 | 0.0% | $40.41 | -4.9% |
| 1996 | 61% | 6.5% | $75.00 | 6.5% | $45.82 | 13.4% |
| 1997 | 63% | 2.9% | $84.46 | 12.6% | $53.10 | 15.9% |
| 1998 | 67% | 5.8% | $87.77 | 3.9% | $58.38 | 9.9% |
| 1999 | 67% | 1.3% | $95.77 | 9.1% | $64.56 | 10.6% |
| 2000 | 73% | 8.7% | $99.73 | 4.1% | $73.10 | 13.2% |
| 2001 | 70% | -4.4% | $102.62 | 2.9% | $71.88 | -1.7% |
| 2002 | 67% | -4.4% | $101.83 | -0.8% | $68.20 | -5.1% |
| 2003 | 64% | -4.5% | $99.99 | -1.8% | $64.00 | -6.2% |
| CAGR 1990-2003[3] | | | | 1.8% | | 2.4% |

Notes:
1. Calendar Years
2. Revenues Per Available Room
3. Compound Annual Growth Rate
Source: Smith Travel Research and Pinnacle Advisory Group

As an additional point of reference in our projections we considered historical room occupancy tax collections in Worcester. Room occupancy tax collections in Worcester have increased and decreased at varying percentages over the last 18 years. In particular, in fiscal years 2000 and 2001, the Worcester lodging market experienced significant increases that were offset by the steep declines in 2002 and 2003. The following table presents the historical 5.7 percent room occupancy tax collections from fiscal year 1985 through fiscal year 2003.

| Worcester<br>5.7 Percent Occupancy Tax Collections - Fiscal Years 1985 - 2003 | | |
|---|---|---|
| **Year** | **Worcester** | **Change** |
| 1985 | $621,300 | |
| 1986 | 593,860 | -4% |
| 1987 | 638,451 | 8% |
| 1988 | 792,032 | 24% |
| 1989 | 830,832 | 5% |
| 1990 | 676,339 | -19% |
| 1991 | 553,778 | -18% |
| 1992 | 643,764 | 16% |
| 1993 | 650,535 | 1% |
| 1994 | 654,599 | 1% |
| 1995 | 568,837 | -13% |
| 1996 | 612,699 | 8% |
| 1997 | 843,822 | 38% |
| 1998 | 800,713 | -5% |
| 1999 | 860,848 | 8% |
| 2000 | 1,010,963 | 17% |
| 2001 | 1,189,334 | 18% |
| 2002 | 1,023,127 | -14% |
| 2003 | 993,829 | -3% |
| CAGR[2] | | 2.6% |

Notes:
1. Fiscal Years begin July 1 and end June 30.
2. Compound Annual Growth Rate
Source: Massachusetts Department of Revenue

## Hotel Room Supply

Prior to 1980 there were only two hotels in Worcester with a total of 303 rooms. Between 1980 and 1990, three new hotels opened with a total of 412 rooms resulting in a compound annual growth rate of 9.0 percent over the decade. Between 1990 and 2002 one new hotel was added to the existing supply with 130 rooms, and an existing hotel added rooms in 1997. Between 1980 and 2003 the supply of hotel rooms in Worcester increased at a compound annual rate of 4.8 percent.

In the course of our research we were able to identify two proposed hotels in Worcester. The first is a 200-room Hilton Garden Inn proposed for a site adjacent to the Worcester Centrum Centre. Construction began on this project in March 2004. The second proposed hotel is a 110-room Residence Inn by Marriott that is proposed for a site on Plantation Drive. According to the City Director of Development, the project was expected to get its necessary building permits, however, the developer does not yet have control of the site.

In addition to the two hotels proposed in Worcester, there are currently two new hotels under construction in neighboring Auburn, which could have a negative impact on the Worcester market.

For the purposes of our projections we included only the proposed 200-room Hilton Garden Inn. However, in an effort to reflect the long-term growth prospects for the market, we also increased supply by 1.0 percent annually beginning in 2007. Overall, we expect hotel supply in Worcester to increase from 697 rooms in fiscal year 2004 to 1,051 rooms in fiscal year 2015. This represents an increase of 4.3 percent on a compound annual growth rate basis.

## Projected Demand and Occupancy

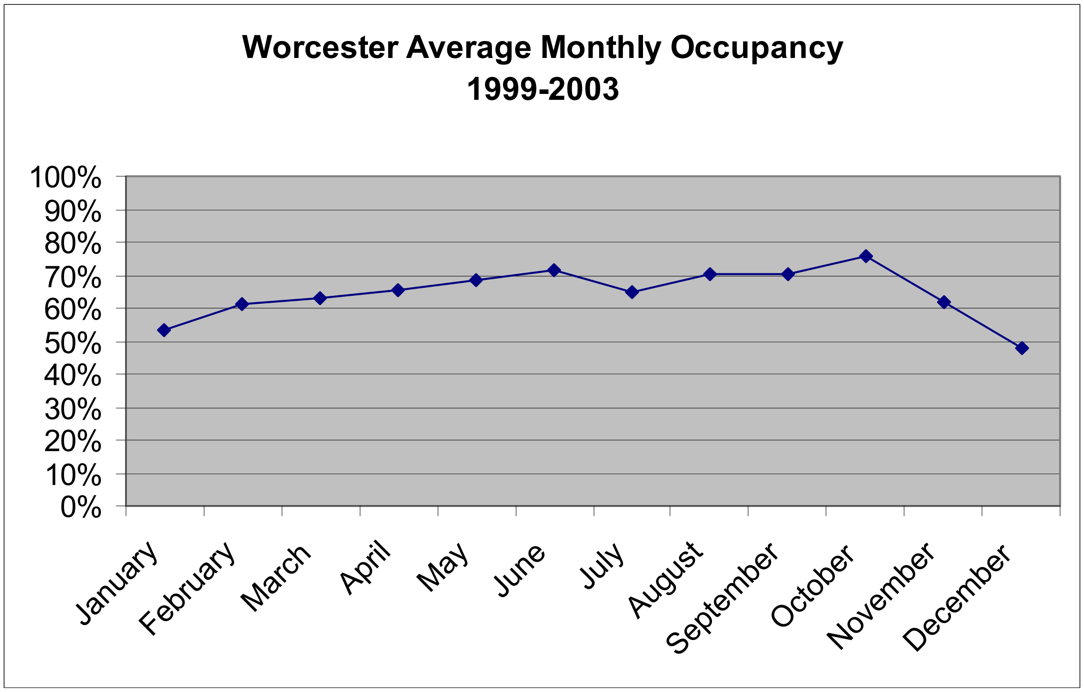
Demand growth has historically outpaced supply in Worcester on a compound annual growth rate basis. Of particular note is the growth that occurred in 2000 when demand significantly outpaced supply suggesting that there was unsatisfied demand in the market that was accommodated by the opening of the 130-room Courtyard by Marriott hotel during 1999. The following table presents the historical supply, demand and market occupancy in the Worcester lodging market between 1990 and 2003.

**Worcester**
**Historic Supply, Demand and Occupancy 1990 - 2003**

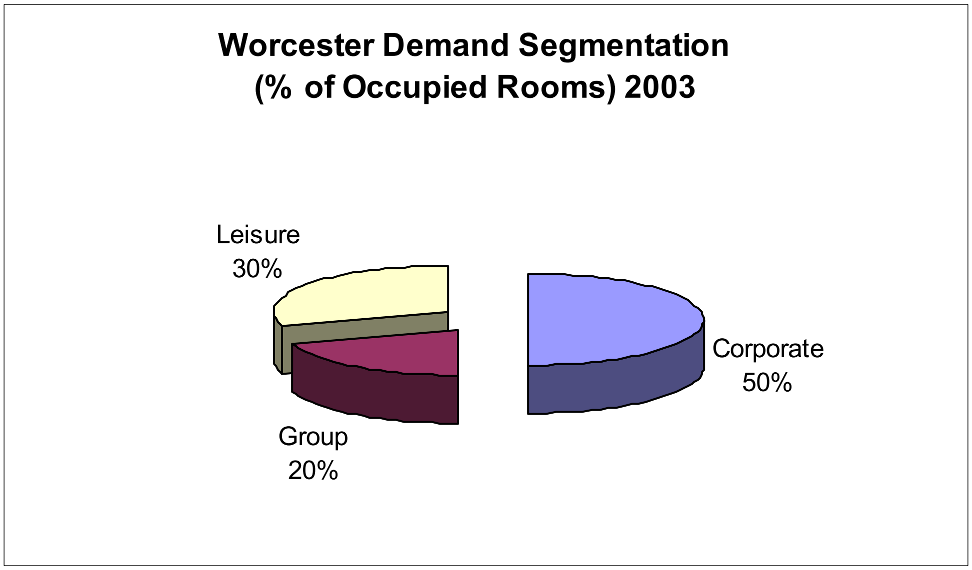
| Year[1] | Supply | Change % | Demand | Change % | Occupancy |
|---|---|---|---|---|---|
| 1990 | 201,565 | | 118,305 | | 59% |
| 1991 | 201,565 | 0.0% | 115,751 | -2.2% | 57% |
| 1992 | 201,565 | 0.0% | 116,733 | 0.8% | 58% |
| 1993 | 201,565 | 0.0% | 118,109 | 1.2% | 59% |
| 1994 | 201,565 | 0.0% | 121,646 | 3.0% | 60% |
| 1995 | 201,565 | 0.0% | 115,672 | -4.9% | 57% |
| 1996 | 201,565 | 0.0% | 123,157 | 6.5% | 61% |
| 1997 | 204,775 | 1.6% | 128,741 | 4.5% | 63% |
| 1998 | 207,040 | 1.1% | 137,718 | 7.0% | 67% |
| 1999 | 219,000 | 5.8% | 147,634 | 7.2% | 67% |
| 2000 | 254,490 | 16.2% | 186,529 | 26.3% | 73% |
| 2001 | 254,490 | 0.0% | 178,269 | -4.4% | 70% |
| 2002 | 254,490 | 0.0% | 170,461 | -4.4% | 67% |
| 2003 | 254,490 | 0.0% | 162,874 | -4.5% | 64% |
| CAGR 1990-2003[2] | | 1.8% | | 2.5% | |

Notes:
1. Calendar Years
2. Compound Annual Growth Rate
Source: Smith Travel Research

The seasonal demand patterns in Worcester are similar to those in Boston/Cambridge and Greater Springfield. December, January, and February are the slowest months; March, April, May, and November have moderate demand; and June through October are the busiest months of the year in the market. The following chart illustrates the seasonality of the market by presenting average monthly occupancy levels between 1999 and 2003.




Demand in the market is generated by three primary sources: commercial, leisure, and group. Commercial demand is driven by local businesses and generally consists of executives, salesmen, relocated employees, or trainees. Leisure demand is comprised of non-commercial travelers including price insensitive transient guests and price sensitive tourists attracted to the area by the local cultural activities and the market's central location in the region. Group demand in the competitive market is comprised of corporate groups, convention-related groups (a significant amount, given the Worcester Centrum Centre in being located in downtown Worcester), business training sessions, state and regional associations, trade shows, tours groups, and SMERF (Social, Military, Educational, Religious, and Fraternal) groups. According to operators interviewed in the market, commercial demand has declined significantly in recent years and lower rates used to attract more leisure travelers have met with only limited success. Group demand has reportedly remained flat as declines in corporate related groups have been compensated for by increased in convention center related demand. The following chart summarizes demand segmentation for the Worcester market.




We have projected growth in demand that is slightly below historical levels to account for the likely impact of new supply outside of the local market area in Auburn.

We note that we have stabilized market occupancy in fiscal year 2008 at 65 percent, which is slightly above the historical average of 63 percent between fiscal years 1990 and 2002 in order to reflect the market's more recent performance and the fact that it will soon have a headquarters hotel to service its convention center facility in addition to additional retail space in the downtown area. The following table presents our projections for growth in supply and demand and the resulting occupancy levels from fiscal year 2004 through 2034.

**Worcester**
**Projected Supply, Demand, and Occupancy Fiscal Years 2004 - 2014**

| Year[1] | Supply | Change | Demand[2] | Change | Occupancy |
|---|---|---|---|---|---|
| 2004 | 254,405 | - | 163,000 | - | 64% |
| 2005 | 254,405 | 0.0% | 160,000 | -1.8% | 63% |
| 2006 | 327,405 | 28.7% | 193,000 | 20.6% | 59% |
| 2007 | 333,953 | 2.0% | 204,000 | 5.7% | 61% |
| 2008 | 340,632 | 2.0% | 215,000 | 5.4% | 63% |
| 2009 | 347,445 | 2.0% | 226,000 | 5.1% | 65% |
| 2010 | 354,394 | 2.0% | 230,000 | 1.8% | 65% |
| 2011 | 361,482 | 2.0% | 235,000 | 2.2% | 65% |
| 2012 | 368,711 | 2.0% | 240,000 | 2.1% | 65% |
| 2013 | 376,085 | 2.0% | 244,000 | 1.7% | 65% |
| 2014 | 383,607 | 2.0% | 249,000 | 2.0% | 65% |
| CAGR 2004-2014[3] | | 4.2% | | 4.3% | |

Notes:
1. Fiscal years beginning July 1 and ending June 30
2. Rounded to the nearest thousand
3. Compound Annual Growth Rate
Source: Pinnacle Advisory Group

### Average Daily Room Rate

Average daily room rate growth in the market has fluctuated over the years with the strongest growth occurring over the last ten years. The following table presents historical average room rates in the market.

**Worcester**
**Historic Average Daily Rate 1990 - 2003**

| Year[1] | Average Rate | Change % |
|---|---|---|
| 1990 | $79.65 | |
| 1991 | $71.42 | -10.3% |
| 1992 | $69.35 | -2.9% |
| 1993 | $71.95 | 3.7% |
| 1994 | $70.45 | -2.1% |
| 1995 | $70.42 | 0.0% |
| 1996 | $75.00 | 6.5% |
| 1997 | $84.46 | 12.6% |
| 1998 | $87.77 | 3.9% |
| 1999 | $95.77 | 9.1% |
| 2000 | $99.73 | 4.1% |
| 2001 | $102.62 | 2.9% |
| 2002 | $101.83 | -0.8% |
| 2003 | $99.99 | -1.8% |
| CAGR 1990-2003[2] | | 1.8% |

Notes:
1. Calendar Years
2. Compound Annual Growth Rate
Source: Smith Travel Research and Pinnacle Advisory Group

In projecting growth in average daily room rates we reflected a balance between the long-term historical compound annual growth rate of 1.8 percent and the more recent compound annual growth rates of 3.6 percent between 1992 and 2003 and 3.5 percent between 1998 and 2003. Specifically, we have projected that average daily room rates will grow at a stabilized growth rate of 2.5 percent annually over the projection period. The following table presents our projections for average room rate growth between 2004 and 2014.

| **Worcester** | | |
|---|---|---|
| **Projected Average Daily Rate 2004-2014** | | |
| Year[1] | Average Rate | Change % |
| 2004 | $99.54 | - |
| 2005 | $102.03 | 2.5% |
| 2006 | $104.58 | 2.5% |
| 2007 | $107.20 | 2.5% |
| 2008 | $109.88 | 2.5% |
| 2009 | $112.62 | 2.5% |
| 2010 | $115.44 | 2.5% |
| 2011 | $118.33 | 2.5% |
| 2012 | $121.28 | 2.5% |
| 2013 | $124.32 | 2.5% |
| 2014 | $127.42 | 2.5% |
| CAGR 2004-2014[2] | | 2.5% |

Notes:
1. Fiscal Years Beginning July 1 and ending June 30.
2. Compound Annual Growth Rate
Source: Pinnacle Advisory Group

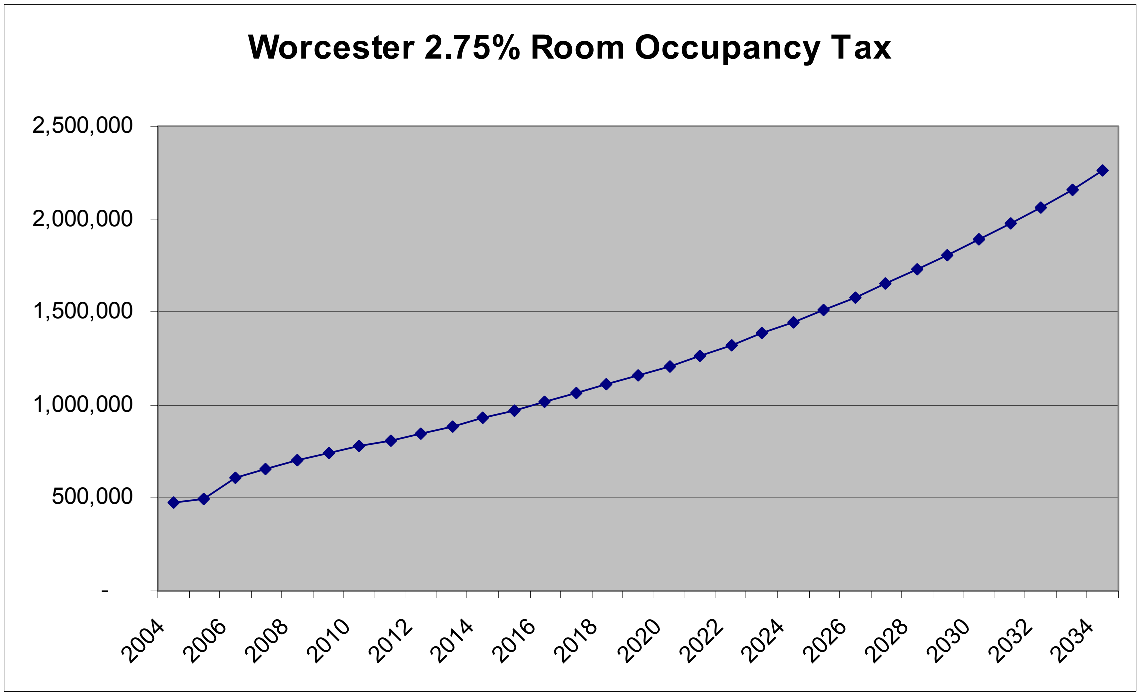
## Projected 2.75 Percent Room Occupancy Tax

### *Historical versus Imputed Collections*

The Commonwealth's Department of Revenue provided us with room occupancy tax collection data for the Worcester lodging market from February 2000 through January 2004. We compared this data to an imputed state room occupancy tax collection calculation by multiplying room revenues reported by the hotels in Worcester between January of 1999 and December of 2003 by the tax rate of 2.75 percent. During the respective periods, the Department of Revenue reported collections of $2,047,381 compared to imputed collections of $1,920,350, a variance of 6.2 percent.

### *Projected Collections*

To project room occupancy tax collections from fiscal year 2004 through fiscal year 2034 we multiplied the current room occupancy tax rate of 2.75 percent by the projected room revenues from our previously presented projections for supply, demand and average daily rate and increased that figure by 6.2 percent to reflect an estimated variance between actual and imputed tax collections. The following graph illustrates the projected tax collections between fiscal year 2004 and fiscal year 2034.


Worcester 2.75% Room Occupancy Tax
2,500,000
2,000,000
1,500,000
1,000,000
500,000
-
2004
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2034

# Addenda

Summary Projected Room Occupancy Tax Collections 2004-2034

Historical Massachusetts Room Occupancy Tax Collections 1967-2003

Boston/Cambridge Projected 2.75 Percent Room Occupancy Tax Collections 2004-2034

Boston/Cambridge Projected 5.7 Percent Room Occupancy Tax Collections on Rooms Opened After July 1, 1997

Greater Springfield Projected 2.75 Percent Room Occupancy Tax Collections 2004-2034

Springfield Civic and Convention Center Finance District Projected 5.7 Percent Room Occupancy Tax Collections on Rooms Opened After July 1, 2000

Springfield Civic and Convention Center Finance District Projected 4.0 Percent "Local Option" Room Occupancy Tax Collections on Rooms Opened After July 1, 2000

Worcester Projected 2.75 Percent Room Occupancy Tax Collections 2004-2034

**Convention Center Fund Room Occupancy Tax Collections Summary**

| Year[1] | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|---|
| 2.75% Occupancy Tax | | | | | | | | |
| Boston / Cambridge | 20,014,515 | 22,126,475 | 24,508,102 | 26,526,267 | 28,828,401 | 31,003,010 | 32,891,094 | 34,894,161 |
| Greater Springfield[2] | 1,283,901 | 1,309,579 | 1,345,946 | 1,425,582 | 1,512,995 | 1,580,308 | 1,650,647 | 1,736,034 |
| Worcester | 473,344 | 492,758 | 610,006 | 658,671 | 699,572 | 742,830 | 776,629 | 811,966 |
| 5.7% Occupancy Tax on "New Rooms"[3] | | | | | | | | |
| Boston / Cambridge | 8,565,494 | 10,488,776 | 12,703,646 | 15,716,658 | 18,042,345 | 20,512,017 | 23,012,354 | 25,702,497 |
| Springfield CCCFD[4] | - | - | 116,673 | 148,291 | 154,450 | 158,311 | 162,269 | 187,056 |
| 4.0% "Local Option" Occupancy Tax on "New Rooms" | | | | | | | | |
| Springfield CCCFD[4] | - | - | 81,876 | 104,064 | 108,386 | 111,096 | 113,873 | 131,267 |
| Total | 30,337,254 | 34,417,588 | 39,366,248 | 44,579,533 | 49,346,149 | 54,107,573 | 58,606,866 | 63,462,981 |

Notes:
1. Fiscal Years beginning July 1 and Ending June 30
2. Includes the communities of Springfield, West Springfield and Chicopee
3. Tax is on all new hotel rooms opened after July 1, 1997 in Boston / Cambridge, and after July 1, 2000 in the Springfield CCFD
4. Springfield Civic and Convention Center Finance District.

Source: Pinnacle Advisory Group

**Convention Center Fund Room Occupancy Tax Collections Summary**

| Year[1] | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|
| 2.75% Occupancy Tax | | | | | | | | |
| Boston / Cambridge | 37,019,216 | 39,273,686 | 41,665,453 | 44,202,880 | 46,439,545 | 48,789,386 | 51,258,129 | 53,851,790 |
| Greater Springfield[2] | 1,825,320 | 1,919,301 | 2,017,575 | 2,120,332 | 2,227,769 | 2,340,093 | 2,457,519 | 2,580,272 |
| Worcester | 848,910 | 887,536 | 927,919 | 970,139 | 1,014,280 | 1,060,430 | 1,108,679 | 1,159,124 |
| 5.7% Occupancy Tax on "New Rooms"[3] | | | | | | | | |
| Boston / Cambridge | 28,595,130 | 31,703,745 | 35,042,690 | 38,627,222 | 42,473,566 | 46,598,969 | 51,021,773 | 55,761,474 |
| Springfield CCCFD[4] | 216,989 | 248,302 | 281,045 | 315,270 | 351,031 | 375,909 | 427,382 | 468,089 |
| 4.0% "Local Option" Occupancy Tax on "New Rooms" | | | | | | | | |
| Springfield CCCFD[4] | 152,273 | 174,247 | 197,225 | 221,242 | 246,337 | 272,549 | 299,917 | 328,484 |
| Total | 68,657,838 | 74,206,817 | 80,131,907 | 86,457,085 | 92,752,528 | 99,437,336 | 106,573,400 | 114,149,233 |

Notes:
1. Fiscal Years beginning July 1 and Ending June 30
2. Includes the communities of Springfield, West Springfield and Chicopee
3. Tax is on all new hotel rooms opened after July 1, 1997 in Boston / Cambridge, and after July 1, 2000 in the Springfield CCFD
4. Springfield Civic and Convention Center Finance District.

Source: Pinnacle Advisory Group

| Convention Center Fund Room Occupancy Tax Collections Summary | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Year[1] | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
| 2.75% Occupancy Tax | | | | | | | | |
| Boston / Cambridge | 56,576,691 | 59,439,472 | 62,447,109 | 65,606,933 | 68,926,643 | 72,414,332 | 76,078,497 | 79,928,069 |
| Greater Springfield[2] | 2,708,587 | 2,827,490 | 2,951,696 | 3,081,441 | 3,216,976 | 3,358,561 | 3,506,469 | 3,660,983 |
| Worcester | 1,211,864 | 1,267,004 | 1,324,653 | 1,384,925 | 1,447,939 | 1,513,820 | 1,582,699 | 1,654,712 |
| 5.7% Occupancy Tax on "New Rooms"[3] | | | | | | | | |
| Boston / Cambridge | 60,838,796 | 66,275,771 | 72,095,814 | 78,323,813 | 84,986,219 | 92,111,139 | 99,728,445 | 107,869,877 |
| Springfield CCCFD[4] | 510,565 | 528,335 | 541,544 | 555,082 | 568,959 | 583,183 | 597,763 | 612,707 |
| 4.0% "Local Option" Occupancy Tax on "New Rooms" | | | | | | | | |
| Springfield CCCFD[4] | 358,291 | 370,762 | 380,031 | 389,532 | 399,270 | 409,252 | 419,483 | 429,970 |
| Total | 122,204,794 | 130,708,834 | 139,740,846 | 149,341,726 | 159,546,006 | 170,390,287 | 181,913,356 | 194,156,318 |

Notes:
1. Fiscal Years beginning July 1 and Ending June 30
2. Includes the communities of Springfield, West Springfield and Chicopee
3. Tax is on all new hotel rooms opened after July 1, 1997 in Boston / Cambridge, and after July 1, 2000 in the Springfield CCFD
4. Springfield Civic and Convention Center Finance District.

Source: Pinnacle Advisory Group

| Convention Center Fund Room Occupancy Tax Collections Summary | | | | | | | |
|---|---|---|---|---|---|---|---|
| Year[1] | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
| 2.75% Occupancy Tax | | | | | | | |
| Boston / Cambridge | 83,972,429 | 88,221,434 | 92,685,438 | 97,375,322 | 102,302,513 | 107,479,020 | 112,917,458 |
| Greater Springfield[2] | 3,822,403 | 3,991,038 | 4,167,214 | 4,351,270 | 4,543,562 | 4,744,461 | 4,954,356 |
| Worcester | 1,730,001 | 1,808,716 | 1,891,013 | 1,977,054 | 2,067,010 | 2,161,059 | 2,259,387 |
| 5.7% Occupancy Tax on "New Rooms"[3] | | | | | | | |
| Boston / Cambridge | 116,569,162 | 125,862,133 | 135,786,863 | 146,383,801 | 157,695,918 | 169,768,864 | 182,651,129 |
| Springfield CCCFD[4] | 628,025 | 643,725 | 659,819 | 676,314 | 693,222 | 710,552 | 728,316 |
| 4.0% "Local Option" Occupancy Tax on "New Rooms" | | | | | | | |
| Springfield CCCFD[4] | 440,719 | 451,737 | 463,031 | 474,606 | 486,471 | 498,633 | 511,099 |
| Total | 207,162,738 | 220,978,783 | 235,653,377 | 251,238,367 | 267,788,696 | 285,362,589 | 304,021,745 |

Notes:
1. Fiscal Years beginning July 1 and Ending June 30
2. Includes the communities of Springfield, West Springfield and Chicopee
3. Tax is on all new hotel rooms opened after July 1, 1997 in Boston / Cambridge, and after July 1, 2000 in the Springfield CCFD
4. Springfield Civic and Convention Center Finance District.

Source: Pinnacle Advisory Group

| **Massachusetts 5.7 Percent Room Occupancy Tax Historical Collections** *(Does not include local-option collections under MGL c. 65G § 3A)* | | |
|---|---|---|
| Fiscal Year | Dollars $ (000's) | Growth |
| FY1967(a) | 3,391 | |
| FY1968 | 4,507 | 32.9% |
| FY1969(b) | 5,246 | 16.4% |
| FY1970 | 6,403 | 22.0% |
| FY1971 | 6,952 | 8.6% |
| FY1972 | 7,428 | 6.9% |
| FY1973 | 8,027 | 8.1% |
| FY1974 | 7,851 | -2.2% |
| FY1975 | 9,662 | 23.1% |
| FY1976 | 10,515 | 8.8% |
| FY1977 | 11,392 | 8.3% |
| FY1978 | 13,539 | 18.8% |
| FY1979 | 15,526 | 14.7% |
| FY1980 | 17,831 | 14.8% |
| FY1981 | 22,094 | 23.9% |
| FY1982 | 24,290 | 9.9% |
| FY1983 | 26,221 | 7.9% |
| FY1984(c) | 29,607 | 12.9% |
| FY1985 | 31,869 | 7.6% |
| FY1986 | 37,086 | 16.4% |
| FY1987 | 39,724 | 7.1% |
| FY1988(d) | 50,222 | 26.4% |
| FY1989 | 57,896 | 15.3% |
| FY1990 | 56,626 | -2.2% |
| FY1991 | 55,983 | -1.1% |
| FY1992 | 55,864 | -0.2% |
| FY1993 | 59,291 | 6.1% |
| FY1994 | 62,819 | 6.0% |
| FY1995 | 68,825 | 9.6% |
| FY1996 | 72,857 | 5.9% |
| FY1997 | 80,544 | 10.6% |
| FY1998 | 96,156 | 19.4% |
| FY1999 | 98,102 | 2.0% |
| FY2000 | 112,622 | 14.8% |
| FY2001 | 123,496 | 9.7% |
| FY2002 | 102,813 | -16.7% |
| FY2003 | 99,271 | -3.4% |

Notes:

(a): MGL c. 64G, § 3. Created by St. 1966, c.14, § 25. Imposed rate of 5% when the daily rent amount of the room is $2 or more.

(b): St. 1969, c. 546, § 22. Additional tax of 14% of the taxes imposed under Ch. 64G, § 3.

(c): ST. 1984, c.31, § 3. Altered the definition of "lodging house", from 5 or more persons being let lodging to 4 or more. Also changed the minimum daily rent at which excise starts from $2 to $15.

(d): St. 1988, c.358, § 2. Added "Bed and breakfast establishments" to the list of places that must collect the imposed tax.

Source: Massachusetts Department of Revenue

**Boston/Cambridge**
**2.75 Percent Rooms Tax Calculations**

| Year[1] | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|---|
| Supply | 18,340 | 18,889 | 19,468 | 20,633 | 20,970 | 21,599 | 22,247 | 22,914 |
| Occupancy | 71.1% | 72.0% | 73.0% | 71.0% | 73.0% | 74.0% | 74.0% | 74.0% |
| Rm Nights Sold | 4,759,628 | 4,964,029 | 5,187,115 | 5,346,912 | 5,587,457 | 5,833,917 | 6,008,934 | 6,189,202 |
| Average Daily Rate | $152.76 | $161.92 | $171.64 | $180.22 | $187.43 | $193.05 | $198.84 | $204.81 |
| Average Daily Rate Growth | -3.5% | 6.0% | 6.0% | 5.0% | 4.0% | 3.0% | 3.0% | 3.0% |
| Room Revenues | 727,073,468 | 803,795,283 | 890,313,378 | 963,627,881 | 1,047,258,236 | 1,126,255,938 | 1,194,844,924 | 1,267,610,980 |
| Tax Rate | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% |
| Projected Collections | 19,994,520 | 22,104,370 | 24,483,618 | 26,499,767 | 28,799,602 | 30,972,038 | 32,858,235 | 34,859,302 |
| Adjustment | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% |
| Adjusted Projected Collections | 20,014,515 | 22,126,475 | 24,508,102 | 26,526,267 | 28,828,401 | 31,003,010 | 32,891,094 | 34,894,161 |

Notes:
1. Presented in fiscal years beginning July 1 and ending June 30.
Source: Pinnacle Advisory Group

**Boston/Cambridge**
**2.75 Percent Rooms Tax Calculations**

| Year[1] | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|
| Supply | 23,602 | 24,310 | 25,039 | 25,790 | 26,306 | 26,832 | 27,369 | 27,916 |
| Occupancy | 74.0% | 74.0% | 74.0% | 74.0% | 74.0% | 74.0% | 74.0% | 74.0% |
| Rm Nights Sold | 6,374,879 | 6,566,125 | 6,763,109 | 6,966,002 | 7,105,322 | 7,247,428 | 7,392,377 | 7,540,224 |
| Average Daily Rate | $210.95 | $217.28 | $223.80 | $230.52 | $237.43 | $244.55 | $251.89 | $259.45 |
| Average Daily Rate Growth | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| Room Revenues | 1,344,808,489 | 1,426,707,326 | 1,513,593,802 | 1,605,771,665 | 1,687,023,711 | 1,772,387,111 | 1,862,069,899 | 1,956,290,635 |
| Tax Rate | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% |
| Projected Collections | 36,982,233 | 39,234,451 | 41,623,830 | 44,158,721 | 46,393,152 | 48,740,646 | 51,206,922 | 53,797,992 |
| Adjustment | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% |
| Adjusted Projected Collections | 37,019,216 | 39,273,686 | 41,665,453 | 44,202,880 | 46,439,545 | 48,789,386 | 51,258,129 | 53,851,790 |

Notes:
1. Presented in fiscal years beginning July 1 and ending June 30.
Source: Pinnacle Advisory Group

**2.75 Percent Rooms Tax Calculations**

| Year[1] | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| Supply | 28,475 | 29,044 | 29,625 | 30,218 | 30,822 | 31,438 | 32,067 | 32,709 |
| Occupancy | 74.0% | 74.0% | 74.0% | 74.0% | 74.0% | 74.0% | 74.0% | 74.0% |
| Rm Nights Sold | 7,691,029 | 7,844,850 | 8,001,747 | 8,161,781 | 8,325,017 | 8,491,517 | 8,661,348 | 8,834,575 |
| Average Daily Rate | $267.23 | $275.25 | $283.51 | $292.01 | $300.77 | $309.79 | $319.09 | $328.66 |
| Average Daily Rate Growth | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| Room Revenues | 2,055,278,942 | 2,159,276,056 | 2,268,535,425 | 2,383,323,317 | 2,503,919,477 | 2,630,617,802 | 2,763,727,063 | 2,903,571,653 |
| Tax Rate | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% |
| Projected Collections | 56,520,171 | 59,380,092 | 62,384,724 | 65,541,391 | 68,857,786 | 72,341,990 | 76,002,494 | 79,848,220 |
| Adjustment | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% |
| Adjusted Projected Collections | 56,576,691 | 59,439,472 | 62,447,109 | 65,606,933 | 68,926,643 | 72,414,332 | 76,078,497 | 79,928,069 |

Notes:
1. Presented in fiscal years beginning July 1 and ending June 30.
Source: Pinnacle Advisory Group

**2.75 Percent Rooms Tax Calculations**

| Year[1] | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|---|---|---|---|---|---|---|---|
| Supply | 33,363 | 34,030 | 34,711 | 35,405 | 36,113 | 36,835 | 37,572 |
| Occupancy | 74.0% | 74.0% | 74.0% | 74.0% | 74.0% | 74.0% | 74.0% |
| Rm Nights Sold | 9,011,266 | 9,191,492 | 9,375,321 | 9,562,828 | 9,754,084 | 9,949,166 | 10,148,149 |
| Average Daily Rate | $338.52 | $348.68 | $359.14 | $369.91 | $381.01 | $392.44 | $404.21 |
| Average Daily Rate Growth | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| Room Revenues | 3,050,492,378 | 3,204,847,293 | 3,367,012,566 | 3,537,383,401 | 3,716,375,001 | 3,904,423,577 | 4,101,987,410 |
| Tax Rate | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% |
| Projected Collections | 83,888,540 | 88,133,301 | 92,592,846 | 97,278,044 | 102,200,313 | 107,371,648 | 112,804,654 |
| Adjustment | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% |
| Adjusted Projected Collections | 83,972,429 | 88,221,434 | 92,685,438 | 97,375,322 | 102,302,513 | 107,479,020 | 112,917,458 |

Notes:
1. Presented in fiscal years beginning July 1 and ending June 30.
Source: Pinnacle Advisory Group

**Boston/Cambridge**
**5.7 Percent Rooms Tax on New Hotel Rooms Opened After July 1, 1997**

| Year[1] | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|---|
| **Boston/Cambridge** | | | | | | | | |
| Total Supply | 4,060 | 4,609 | 5,188 | 6,353 | 6,690 | 7,319 | 7,967 | 8,634 |
| "Old Supply" (Open more than one year) | 3,442 | 4,060 | 4,609 | 5,188 | 6,353 | 6,690 | 7,319 | 7,967 |
| Market Occupancy | 71.1% | 72.0% | 73.0% | 71.0% | 73.0% | 74.0% | 74.0% | 74.0% |
| Rooms Sold | 893,350 | 1,067,034 | 1,228,068 | 1,344,341 | 1,692,624 | 1,806,969 | 1,976,889 | 2,151,906 |
| Market Average Rate | $152.76 | $161.92 | $171.64 | $180.22 | $187.43 | $193.05 | $198.84 | $204.81 |
| Room Revenues | 136,466,738 | 172,778,326 | 210,784,865 | 242,278,911 | 317,248,829 | 348,841,027 | 393,093,936 | 440,732,102 |
| "New Supply" (Open less than one year) | 618 | 549 | 579 | 1,165 | 338 | 629 | 648 | 667 |
| Adjusted Occupancy (Market Less Ten Occ. Points) | 61.1% | 62.0% | 63.0% | 61.0% | 63.0% | 64.0% | 64.0% | 64.0% |
| Rooms Sold | 137,805 | 124,182 | 133,026 | 259,387 | 77,608 | 146,958 | 151,366 | 155,907 |
| Average Rate | $152.76 | $161.92 | $171.64 | $180.22 | $187.43 | $193.05 | $198.84 | $204.81 |
| Room Revenues | 21,050,904 | 20,108,062 | 22,832,516 | 46,747,126 | 14,546,108 | 28,370,656 | 30,098,429 | 31,931,423 |
| Total Boston / Cambridge Room Revenues | 157,517,641 | 192,886,388 | 233,617,381 | 289,026,037 | 331,794,938 | 377,211,683 | 423,192,365 | 472,663,525 |
| Tax Rate | 5.7% | 5.7% | 5.7% | 5.7% | 5.7% | 5.7% | 5.7% | 5.7% |
| Projected Collections | 8,978,506 | 10,994,524 | 13,316,191 | 16,474,484 | 18,912,311 | 21,501,066 | 24,121,965 | 26,941,821 |
| Adjustment | 4.6% | 4.6% | 4.6% | 4.6% | 4.6% | 4.6% | 4.6% | 4.6% |
| Adjusted Projected Collections | 8,565,494 | 10,488,776 | 12,703,646 | 15,716,658 | 18,042,345 | 20,512,017 | 23,012,354 | 25,702,497 |

Notes:
1. Presented in fiscal years beginning July 1 and ending June 30.
Source: Pinnacle Advisory Group

**Boston/Cambridge**
**5.7 Percent Rooms Tax on New Hotel Rooms Opened After July 1, 1997**

| Year[1] | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|
| **Boston/Cambridge** | | | | | | | | |
| Total Supply | 9,322 | 10,030 | 10,759 | 11,510 | 12,284 | 13,081 | 13,902 | 14,747 |
| "Old Supply" (Open more than one year) | 8,634 | 9,322 | 10,030 | 10,759 | 11,510 | 12,284 | 13,081 | 13,902 |
| Market Occupancy | 74.0% | 74.0% | 74.0% | 74.0% | 74.0% | 74.0% | 74.0% | 74.0% |
| Rooms Sold | 2,332,174 | 2,517,851 | 2,709,097 | 2,906,081 | 3,108,974 | 3,317,954 | 3,533,203 | 3,754,910 |
| Market Average Rate | $210.95 | $217.28 | $223.80 | $230.52 | $237.43 | $244.55 | $251.89 | $259.45 |
| Room Revenues | 491,982,394 | 547,086,121 | 606,299,924 | 669,896,736 | 738,166,788 | 811,418,686 | 889,980,551 | 974,201,228 |
| "New Supply" (Open less than one year) | 687 | 708 | 729 | 751 | 774 | 797 | 821 | 845 |
| Adjusted Occupancy (Market Less Ten Occ. Points) | 64.0% | 64.0% | 64.0% | 64.0% | 64.0% | 64.0% | 64.0% | 64.0% |
| Rooms Sold | 160,585 | 165,402 | 170,364 | 175,475 | 180,740 | 186,162 | 191,747 | 197,499 |
| Average Rate | $210.95 | $217.28 | $223.80 | $230.52 | $237.43 | $244.55 | $251.89 | $259.45 |
| Room Revenues | 33,876,047 | 35,939,098 | 38,127,789 | 40,449,772 | 42,913,163 | 45,526,574 | 48,299,143 | 51,240,561 |
| Total Boston / Cambridge Room Revenues | 525,858,441 | 583,025,219 | 644,427,713 | 710,346,507 | 781,079,951 | 856,945,261 | 938,279,694 | 1,025,441,789 |
| Tax Rate | 5.7% | 5.7% | 5.7% | 5.7% | 5.7% | 5.7% | 5.7% | 5.7% |
| Projected Collections | 29,973,931 | 33,232,437 | 36,732,380 | 40,489,751 | 44,521,557 | 48,845,880 | 53,481,943 | 58,450,182 |
| Adjustment | 4.6% | 4.6% | 4.6% | 4.6% | 4.6% | 4.6% | 4.6% | 4.6% |
| Adjusted Projected Collections | 28,595,130 | 31,703,745 | 35,042,690 | 38,627,222 | 42,473,566 | 46,598,969 | 51,021,773 | 55,761,474 |

Notes:
1. Presented in fiscal years beginning July 1 and ending June 30.
Source: Pinnacle Advisory Group

**Boston/Cambridge**
**5.7 Percent Rooms Tax on New Hotel Rooms Opened After July 1, 1997**

| Year[1] | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| **Boston/Cambridge** | | | | | | | | |
| Total Supply | 15,618 | 16,515 | 17,439 | 18,391 | 19,371 | 20,380 | 21,420 | 22,491 |
| "Old Supply" (Open more than one year) | 14,747 | 15,618 | 16,515 | 17,439 | 18,391 | 19,371 | 20,380 | 21,420 |
| Market Occupancy | 74.0% | 74.0% | 74.0% | 74.0% | 74.0% | 74.0% | 74.0% | 74.0% |
| Rooms Sold | 3,983,268 | 4,218,477 | 4,460,743 | 4,710,276 | 4,967,295 | 5,232,024 | 5,504,696 | 5,785,548 |
| Market Average Rate | $267.23 | $275.25 | $283.51 | $292.01 | $300.77 | $309.79 | $319.09 | $328.66 |
| Room Revenues | 1,064,451,570 | 1,161,125,803 | 1,264,642,970 | 1,375,448,470 | 1,494,015,688 | 1,620,847,722 | 1,756,479,221 | 1,901,478,335 |
| "New Supply" (Open less than one year) | 871 | 897 | 924 | 952 | 980 | 1,010 | 1,040 | 1,071 |
| Adjusted Occupancy (Market Less Ten Occ. Points) | 64.0% | 64.0% | 64.0% | 64.0% | 64.0% | 64.0% | 64.0% | 64.0% |
| Rooms Sold | 203,424 | 209,527 | 215,812 | 222,287 | 228,955 | 235,824 | 242,899 | 250,186 |
| Average Rate | $267.23 | $275.25 | $283.51 | $292.01 | $300.77 | $309.79 | $319.09 | $328.66 |
| Room Revenues | 54,361,111 | 57,671,702 | 61,183,909 | 64,910,009 | 68,863,029 | 73,056,787 | 77,505,945 | 82,226,057 |
| Total Boston / Cambridge Room Revenues | 1,118,812,681 | 1,218,797,505 | 1,325,826,879 | 1,440,358,479 | 1,562,878,717 | 1,693,904,509 | 1,833,985,167 | 1,983,704,392 |
| Tax Rate | 5.7% | 5.7% | 5.7% | 5.7% | 5.7% | 5.7% | 5.7% | 5.7% |
| Projected Collections | 63,772,323 | 69,471,458 | 75,572,132 | 82,100,433 | 89,084,087 | 96,552,557 | 104,537,154 | 113,071,150 |
| Adjustment | 4.6% | 4.6% | 4.6% | 4.6% | 4.6% | 4.6% | 4.6% | 4.6% |
| Adjusted Projected Collections | 60,838,796 | 66,275,771 | 72,095,814 | 78,323,813 | 84,986,219 | 92,111,139 | 99,728,445 | 107,869,877 |

Notes:
1. Presented in fiscal years beginning July 1 and ending June 30.
Source: Pinnacle Advisory Group

**Boston/Cambridge**
**5.7 Percent Rooms Tax on New Hotel Rooms Opened After July 1, 1997**

| Year[1] | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|---|---|---|---|---|---|---|---|
| **Boston/Cambridge** | | | | | | | |
| Total Supply | 23,594 | 24,730 | 25,901 | 27,106 | 28,348 | 29,627 | 30,944 |
| "Old Supply" (Open more than one year) | 22,491 | 23,594 | 24,730 | 25,901 | 27,106 | 28,348 | 29,627 |
| Market Occupancy | 74.0% | 74.0% | 74.0% | 74.0% | 74.0% | 74.0% | 74.0% |
| Rooms Sold | 6,074,825 | 6,372,781 | 6,679,675 | 6,995,776 | 7,321,360 | 7,656,712 | 8,002,124 |
| Market Average Rate | $338.52 | $348.68 | $359.14 | $369.91 | $381.01 | $392.44 | $404.21 |
| Room Revenues | 2,056,448,780 | 2,222,032,038 | 2,398,909,682 | 2,587,805,851 | 2,789,489,875 | 3,004,779,054 | 3,234,541,623 |
| "New Supply" (Open less than one year) | 1,103 | 1,136 | 1,170 | 1,205 | 1,242 | 1,279 | 1,317 |
| Adjusted Occupancy (Market Less Ten Occ. Points) | 64.0% | 64.0% | 64.0% | 64.0% | 64.0% | 64.0% | 64.0% |
| Rooms Sold | 257,691 | 265,422 | 273,385 | 281,586 | 290,034 | 298,735 | 307,697 |
| Average Rate | $338.52 | $348.68 | $359.14 | $369.91 | $381.01 | $392.44 | $404.21 |
| Room Revenues | 87,233,624 | 92,546,152 | 98,182,213 | 104,161,509 | 110,504,945 | 117,234,697 | 124,374,290 |
| Total Boston / Cambridge Room Revenues | 2,143,682,404 | 2,314,578,190 | 2,497,091,895 | 2,691,967,361 | 2,899,994,820 | 3,122,013,751 | 3,358,915,912 |
| Tax Rate | 5.7% | 5.7% | 5.7% | 5.7% | 5.7% | 5.7% | 5.7% |
| Projected Collections | 122,189,897 | 131,930,957 | 142,334,238 | 153,442,140 | 165,299,705 | 177,954,784 | 191,458,207 |
| Adjustment | 4.6% | 4.6% | 4.6% | 4.6% | 4.6% | 4.6% | 4.6% |
| Adjusted Projected Collections | 116,569,162 | 125,862,133 | 135,786,863 | 146,383,801 | 157,695,918 | 169,768,864 | 182,651,129 |

Notes:
1. Presented in fiscal years beginning July 1 and ending June 30.
Source: Pinnacle Advisory Group

**Greater Springfield**
**2.75 Percent Rooms Tax Calculations**

| Year[1] | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|---|
| Supply | 2,555 | 2,555 | 2,690 | 2,690 | 2,741 | 2,793 | 2,846 | 2,921 |
| Occupancy | 63.0% | 63.0% | 60.0% | 62.0% | 63.0% | 63.0% | 63.0% | 63.0% |
| Rm Nights Sold | 587,522 | 587,522 | 589,110 | 608,747 | 630,316 | 642,301 | 654,527 | 671,595 |
| Average Daily Rate | $80.92 | $82.54 | $84.60 | $86.72 | $88.89 | $91.11 | $93.39 | $95.72 |
| Room Revenues | $47,543,096 | $48,493,957 | $49,840,635 | $52,789,539 | $56,026,462 | $58,519,100 | $61,123,739 | $64,285,659 |
| Tax Rate | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% |
| Projected Collections | $1,307,435 | $1,333,584 | $1,370,617 | $1,451,712 | $1,540,728 | $1,609,275 | $1,680,903 | $1,767,856 |
| Adjustment | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% |
| Adjusted Projected Collections | $1,283,901 | $1,309,579 | $1,345,946 | $1,425,582 | $1,512,995 | $1,580,308 | $1,650,647 | $1,736,034 |

Notes:
1. Presented in fiscal years beginning July 1 and ending June 30.
Source: Pinnacle Advisory Group

**Greater Springfield**
**2.75 Percent Rooms Tax Calculations**

| Year[1] | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|
| Supply | 2,996 | 3,073 | 3,152 | 3,232 | 3,313 | 3,395 | 3,478 | 3,563 |
| Occupancy | 63.0% | 63.0% | 63.0% | 63.0% | 63.0% | 63.0% | 63.0% | 63.0% |
| Rm Nights Sold | 688,913 | 706,716 | 724,782 | 743,118 | 761,728 | 780,619 | 799,796 | 819,264 |
| Average Daily Rate | $98.11 | $100.57 | $103.08 | $105.66 | $108.30 | $111.01 | $113.78 | $116.63 |
| Room Revenues | $67,591,942 | $71,072,069 | $74,711,177 | $78,516,279 | $82,494,696 | $86,654,068 | $91,002,373 | $95,547,937 |
| Tax Rate | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% |
| Projected Collections | $1,858,778 | $1,954,482 | $2,054,557 | $2,159,198 | $2,268,604 | $2,382,987 | $2,502,565 | $2,627,568 |
| Adjustment | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% |
| Adjusted Projected Collections | $1,825,320 | $1,919,301 | $2,017,575 | $2,120,332 | $2,227,769 | $2,340,093 | $2,457,519 | $2,580,272 |

Notes:
1. Presented in fiscal years beginning July 1 and ending June 30.
Source: Pinnacle Advisory Group

**Greater Springfield**
**2.75 Percent Rooms Tax Calculations**

| Year[1] | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|---|---|---|---|---|---|---|---|---|
| Supply | 3,649 | 3,716 | 3,785 | 3,855 | 3,926 | 3,999 | 4,073 | 4,149 |
| Occupancy | 63.0% | 63.0% | 63.0% | 63.0% | 63.0% | 63.0% | 63.0% | 63.0% |
| Rm Nights Sold | 839,030 | 854,499 | 870,279 | 886,374 | 902,790 | 919,535 | 936,615 | 954,037 |
| Average Daily Rate | $119.54 | $122.53 | $125.59 | $128.73 | $131.95 | $135.25 | $138.63 | $142.10 |
| Room Revenues | $100,299,453 | $104,702,475 | $109,301,819 | $114,106,319 | $119,125,204 | $124,368,126 | $129,845,168 | $135,566,873 |
| Tax Rate | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% |
| Projected Collections | $2,758,235 | $2,879,318 | $3,005,800 | $3,137,924 | $3,275,943 | $3,420,123 | $3,570,742 | $3,728,089 |
| Adjustment | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% |
| Adjusted Projected Collections | $2,708,587 | $2,827,490 | $2,951,696 | $3,081,441 | $3,216,976 | $3,358,561 | $3,506,469 | $3,660,983 |

Notes:
1. Presented in fiscal years beginning July 1 and ending June 30.
Source: Pinnacle Advisory Group

**Greater Springfield**
**2.75 Percent Rooms Tax Calculations**

| Year[1] | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|---|---|---|---|---|---|---|---|
| Supply | 4,226 | 4,305 | 4,385 | 4,467 | 4,551 | 4,636 | 4,723 |
| Occupancy | 63.0% | 63.0% | 63.0% | 63.0% | 63.0% | 63.0% | 63.0% |
| Rm Nights Sold | 971,807 | 989,932 | 1,008,420 | 1,027,278 | 1,046,513 | 1,066,132 | 1,086,144 |
| Average Daily Rate | $145.65 | $149.29 | $153.02 | $156.85 | $160.77 | $164.79 | $168.91 |
| Room Revenues | $141,544,259 | $147,788,844 | $154,312,665 | $161,128,306 | $168,248,919 | $175,688,252 | $183,460,675 |
| Tax Rate | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% |
| Projected Collections | $3,892,467 | $4,064,193 | $4,243,598 | $4,431,028 | $4,626,845 | $4,831,427 | $5,045,169 |
| Adjustment | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% |
| Adjusted Projected Collections | $3,822,403 | $3,991,038 | $4,167,214 | $4,351,270 | $4,543,562 | $4,744,461 | $4,954,356 |

Notes:
1. Presented in fiscal years beginning July 1 and ending June 30.
Source: Pinnacle Advisory Group

**Springfield Convention Center Finance District**
**5.7 Percent Rooms Tax on New Hotel Rooms Opened After July 1, 2000**

| Year[1] | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|---|
| **Springfield Convention Center Finance District** | | | | | | | | |
| Total Supply | 0 | 0 | 135 | 135 | 135 | 135 | 135 | 155 |
| "Old Supply" (Open more than one year) | 0 | 0 | 0 | 135 | 135 | 135 | 135 | 135 |
| Market Occupancy | 63.0% | 63.0% | 60.0% | 62.0% | 63.0% | 63.0% | 63.0% | 63.0% |
| Rooms Sold | - | - | - | 30,551 | 31,043 | 31,043 | 31,043 | 31,043 |
| Market Average Rate | $80.92 | $82.54 | $84.60 | $86.72 | $88.89 | $91.11 | $93.39 | $95.72 |
| Room Revenues | - | - | - | 2,649,289 | 2,759,320 | 2,828,303 | 2,899,011 | 2,971,486 |
| "New Supply" (Open less than one year) | 0 | 0 | 135 | 0 | 0 | 0 | 0 | 20 |
| Adjusted Occupancy (Market Less Ten Occ. Points) | 53.0% | 53.0% | 50.0% | 52.0% | 53.0% | 53.0% | 53.0% | 53.0% |
| Rooms Sold | - | - | 24,638 | - | - | - | - | 3,869 |
| Average Rate | $80.92 | $82.54 | $84.60 | $86.72 | $88.89 | $91.11 | $93.39 | $95.72 |
| Room Revenues | - | - | 2,084,413 | - | - | - | - | 370,344 |
| Total Springfield CCFD Room Revenues | - | - | 2,084,413 | 2,649,289 | 2,759,320 | 2,828,303 | 2,899,011 | 3,341,830 |
| Tax Rate | 5.7% | 5.7% | 5.7% | 5.7% | 5.7% | 5.7% | 5.7% | 5.7% |
| Projected Collections | - | - | 118,812 | 151,009 | 157,281 | 161,213 | 165,244 | 190,484 |
| Adjustment | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% |
| Adjusted Projected Collections | - | - | 116,673 | 148,291 | 154,450 | 158,311 | 162,269 | 187,056 |

Notes:
1. Presented in fiscal years beginning July 1 and ending June 30.
Source: Pinnacle Advisory Group

**Springfield Convention Center Finance District**
**5.7 Percent Rooms Tax on New Hotel Rooms Opened After July 1, 2000**

| Year[1] | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|
| **Springfield Convention Center Finance District** | | | | | | | | |
| Total Supply | 175 | 195 | 215 | 235 | 255 | 275 | 295 | 315 |
| "Old Supply" (Open more than one year) | 155 | 175 | 195 | 215 | 235 | 255 | 275 | 295 |
| Market Occupancy | 63.0% | 63.0% | 63.0% | 63.0% | 63.0% | 61.0% | 63.0% | 63.0% |
| Rooms Sold | 35,642 | 40,241 | 44,840 | 49,439 | 54,038 | 56,776 | 63,236 | 67,835 |
| Market Average Rate | $98.11 | $100.57 | $103.08 | $105.66 | $108.30 | $111.01 | $113.78 | $116.63 |
| Room Revenues | 3,496,999 | 4,046,930 | 4,622,172 | 5,223,647 | 5,852,307 | 6,302,496 | 7,195,147 | 7,911,391 |
| "New Supply" (Open less than one year) | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 |
| Adjusted Occupancy (Market Less Ten Occ. Points) | 53.0% | 53.0% | 53.0% | 53.0% | 53.0% | 51.0% | 53.0% | 53.0% |
| Rooms Sold | 3,869 | 3,869 | 3,869 | 3,869 | 3,869 | 3,723 | 3,869 | 3,869 |
| Average Rate | $98.11 | $100.57 | $103.08 | $105.66 | $108.30 | $111.01 | $113.78 | $116.63 |
| Room Revenues | 379,603 | 389,093 | 398,820 | 408,790 | 419,010 | 413,278 | 440,223 | 451,228 |
| Total Springfield CCFD Room Revenues | 3,876,601 | 4,436,023 | 5,020,992 | 5,632,438 | 6,271,317 | 6,715,774 | 7,635,369 | 8,362,619 |
| Tax Rate | 5.7% | 5.7% | 5.7% | 5.7% | 5.7% | 5.7% | 5.7% | 5.7% |
| Projected Collections | 220,966 | 252,853 | 286,197 | 321,049 | 357,465 | 382,799 | 435,216 | 476,669 |
| Adjustment | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% |
| Adjusted Projected Collections | 216,989 | 248,302 | 281,045 | 315,270 | 351,031 | 375,909 | 427,382 | 468,089 |

Notes:
1. Presented in fiscal years beginning July 1 and ending June 30.
Source: Pinnacle Advisory Group

| Springfield Convention Center Finance District<br>5.7 Percent Rooms Tax on New Hotel Rooms Opened After July 1, 2000 | | | | | | | |
|---|---|---|---|---|---|---|---|
| Year[1] | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| **Springfield Convention Center Finance District** | | | | | | | |
| Total Supply | 335 | 335 | 335 | 335 | 335 | 335 | 335 |
| "Old Supply" (Open more than one year) | 315 | 335 | 335 | 335 | 335 | 335 | 335 |
| Market Occupancy | 63.0% | 63.0% | 63.0% | 63.0% | 63.0% | 63.0% | 63.0% |
| Rooms Sold | 72,434 | 77,033 | 77,033 | 77,033 | 77,033 | 77,033 | 77,033 |
| Market Average Rate | $119.54 | $122.53 | $125.59 | $128.73 | $131.95 | $135.25 | $138.63 |
| Room Revenues | 8,658,951 | 9,438,943 | 9,674,917 | 9,916,790 | 10,164,710 | 10,418,827 | 10,679,298 |
| "New Supply" (Open less than one year) | 20 | 0 | 0 | 0 | 0 | 0 | 0 |
| Adjusted Occupancy (Market Less Ten Occ. Points) | 53.0% | 53.0% | 53.0% | 53.0% | 53.0% | 53.0% | 53.0% |
| Rooms Sold | 3,869 | - | - | - | - | - | - |
| Average Rate | $119.54 | $122.53 | $125.59 | $128.73 | $131.95 | $135.25 | $138.63 |
| Room Revenues | 462,509 | - | - | - | - | - | - |
| Total Springfield CCFD Room Revenues | 9,121,459 | 9,438,943 | 9,674,917 | 9,916,790 | 10,164,710 | 10,418,827 | 10,679,298 |
| Tax Rate | 5.7% | 5.7% | 5.7% | 5.7% | 5.7% | 5.7% | 5.7% |
| Projected Collections | 519,923 | 538,020 | 551,470 | 565,257 | 579,388 | 593,873 | 608,720 |
| Adjustment | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% |
| Adjusted Projected Collections | 510,565 | 528,335 | 541,544 | 555,082 | 568,959 | 583,183 | 597,763 |

Notes:
1. Presented in fiscal years beginning July 1 and ending June 30.
Source: Pinnacle Advisory Group

| Springfield Convention Center Finance District<br>5.7 Percent Rooms Tax on New Hotel Rooms Opened After July 1, 2000 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Year[1] | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
| **Springfield Convention Center Finance District** | | | | | | | | |
| Total Supply | 335 | 335 | 335 | 335 | 335 | 335 | 335 | 335 |
| "Old Supply" (Open more than one year) | 335 | 335 | 335 | 335 | 335 | 335 | 335 | 335 |
| Market Occupancy | 63.0% | 63.0% | 63.0% | 63.0% | 63.0% | 63.0% | 63.0% | 63.0% |
| Rooms Sold | 77,033 | 77,033 | 77,033 | 77,033 | 77,033 | 77,033 | 77,033 | 77,033 |
| Market Average Rate | $142.10 | $145.65 | $149.29 | $153.02 | $156.85 | $160.77 | $164.79 | $168.91 |
| Room Revenues | 10,946,280 | 11,219,937 | 11,500,436 | 11,787,947 | 12,082,645 | 12,384,712 | 12,694,329 | 13,011,688 |
| "New Supply" (Open less than one year) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Adjusted Occupancy (Market Less Ten Occ. Points) | 53.0% | 53.0% | 53.0% | 53.0% | 53.0% | 53.0% | 53.0% | 53.0% |
| Rooms Sold | - | - | - | - | - | - | - | - |
| Average Rate | $142.10 | $145.65 | $149.29 | $153.02 | $156.85 | $160.77 | $164.79 | $168.91 |
| Room Revenues | - | - | - | - | - | - | - | - |
| Total Springfield CCFD Room Revenues | 10,946,280 | 11,219,937 | 11,500,436 | 11,787,947 | 12,082,645 | 12,384,712 | 12,694,329 | 13,011,688 |
| Tax Rate | 5.7% | 5.7% | 5.7% | 5.7% | 5.7% | 5.7% | 5.7% | 5.7% |
| Projected Collections | 623,938 | 639,536 | 655,525 | 671,913 | 688,711 | 705,929 | 723,577 | 741,666 |
| Adjustment | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% | 1.8% |
| Adjusted Projected Collections | 612,707 | 628,025 | 643,725 | 659,819 | 676,314 | 693,222 | 710,552 | 728,316 |

Notes:
1. Presented in fiscal years beginning July 1 and ending June 30.
Source: Pinnacle Advisory Group

**Worcester**
**2.75 Percent Rooms Tax Calculations**

| Year[1] | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|---|
| Supply | 697 | 697 | 897 | 915 | 933 | 952 | 971 | 990 |
| Occupancy | 64.0% | 65.0% | 61.0% | 63.0% | 64.0% | 65.0% | 65.0% | 65.0% |
| Rm Nights Sold | 162,819 | 165,363 | 199,717 | 210,390 | 218,005 | 225,839 | 230,356 | 234,963 |
| Average Daily Rate | $99.54 | $102.03 | $104.58 | $107.20 | $109.88 | $112.62 | $115.44 | $118.33 |
| Room Revenues | $16,207,631 | $16,872,397 | $20,887,035 | $22,553,376 | $23,953,833 | $25,435,041 | $26,592,335 | $27,802,286 |
| Tax Rate | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% |
| Projected Collections | $445,710 | $463,991 | $574,393 | $620,218 | $658,730 | $699,464 | $731,289 | $764,563 |
| Adjustment | 6.2% | 6.2% | 6.2% | 6.2% | 6.2% | 6.2% | 6.2% | 6.2% |
| Adjusted Projected Collections | $473,344 | $492,758 | $610,006 | $658,671 | $699,572 | $742,830 | $776,629 | $811,966 |

Notes:
1. Presented in fiscal years beginning July 1 and ending June 30.
Source: Pinnacle Advisory Group

**Worcester**
**2.75 Percent Rooms Tax Calculations**

| Year[1] | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|
| Supply | 1,010 | 1,030 | 1,051 | 1,072 | 1,093 | 1,115 | 1,138 | 1,160 |
| Occupancy | 65.0% | 65.0% | 65.0% | 65.0% | 65.0% | 65.0% | 65.0% | 65.0% |
| Rm Nights Sold | 239,662 | 244,456 | 249,345 | 254,332 | 259,418 | 264,607 | 269,899 | 275,297 |
| Average Daily Rate | $121.28 | $124.32 | $127.42 | $130.61 | $133.88 | $137.22 | $140.65 | $144.17 |
| Room Revenues | $29,067,290 | $30,389,852 | $31,772,590 | $33,218,243 | $34,729,673 | $36,309,873 | $37,961,973 | $39,689,242 |
| Tax Rate | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% |
| Projected Collections | $799,350 | $835,721 | $873,746 | $913,502 | $955,066 | $998,522 | $1,043,954 | $1,091,454 |
| Adjustment | 6.2% | 6.2% | 6.2% | 6.2% | 6.2% | 6.2% | 6.2% | 6.2% |
| Adjusted Projected Collections | $848,910 | $887,536 | $927,919 | $970,139 | $1,014,280 | $1,060,430 | $1,108,679 | $1,159,124 |

Notes:
1. Presented in fiscal years beginning July 1 and ending June 30.
Source: Pinnacle Advisory Group

**Worcester**
**2.75 Percent Rooms Tax Calculations**

| Year[1] | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|
| Supply | 1,184 | 1,207 | 1,231 | 1,256 | 1,281 | 1,307 | 1,333 |
| Occupancy | 65.0% | 65.0% | 65.0% | 65.0% | 65.0% | 65.0% | 65.0% |
| Rm Nights Sold | 280,803 | 286,419 | 292,147 | 297,990 | 303,950 | 310,029 | 316,229 |
| Average Daily Rate | $147.77 | $151.47 | $155.25 | $159.14 | $163.11 | $167.19 | $171.37 |
| Room Revenues | $41,495,103 | $43,383,130 | $45,357,063 | $47,420,809 | $49,578,456 | $51,834,275 | $54,192,735 |
| Tax Rate | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% |
| Projected Collections | $1,141,115 | $1,193,036 | $1,247,319 | $1,304,072 | $1,363,408 | $1,425,443 | $1,490,300 |
| Adjustment | 6.2% | 6.2% | 6.2% | 6.2% | 6.2% | 6.2% | 6.2% |
| Adjusted Projected Collections | $1,211,864 | $1,267,004 | $1,324,653 | $1,384,925 | $1,447,939 | $1,513,820 | $1,582,699 |

Notes:
1. Presented in fiscal years beginning July 1 and ending June 30.
Source: Pinnacle Advisory Group

**Worcester**
**2.75 Percent Rooms Tax Calculations**

| Year[1] | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|---|---|---|---|---|---|---|---|---|
| Supply | 1,360 | 1,387 | 1,414 | 1,443 | 1,472 | 1,501 | 1,531 | 1,562 |
| Occupancy | 65.0% | 65.0% | 65.0% | 65.0% | 65.0% | 65.0% | 65.0% | 65.0% |
| Rm Nights Sold | 322,554 | 329,005 | 335,585 | 342,297 | 349,143 | 356,126 | 363,248 | 370,513 |
| Average Daily Rate | $175.66 | $180.05 | $184.55 | $189.16 | $193.89 | $198.74 | $203.71 | $208.80 |
| Room Revenues | $56,658,504 | $59,236,466 | $61,931,726 | $64,749,619 | $67,695,727 | $70,775,882 | $73,996,185 | $77,363,011 |
| Tax Rate | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% |
| Projected Collections | $1,558,109 | $1,629,003 | $1,703,122 | $1,780,615 | $1,861,632 | $1,946,337 | $2,034,895 | $2,127,483 |
| Adjustment | 6.2% | 6.2% | 6.2% | 6.2% | 6.2% | 6.2% | 6.2% | 6.2% |
| Adjusted Projected Collections | $1,654,712 | $1,730,001 | $1,808,716 | $1,891,013 | $1,977,054 | $2,067,010 | $2,161,059 | $2,259,387 |

Notes:
1. Presented in fiscal years beginning July 1 and ending June 30.
Source: Pinnacle Advisory Group

## APPENDIX B

## SUMMARY OF CERTAIN DEFINITIONS AND PROVISIONS OF THE TRUST AGREEMENT

Summary definitions of certain terms not otherwise defined in this Official Statement and summaries of certain provisions contained in the Trust Agreement are set forth below. The summaries do not purport to be comprehensive or definitive and reference should be made to the Trust Agreement, copies of which are available from the Commonwealth or the Trustee, for full and complete statements of such definitions and all provisions of the Trust Agreement.

**Definitions**

"Accreted Value" means with respect to any Capital Appreciation Bonds, an amount equal to the principal amount of such 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 Bonds and ending at the maturity date thereof, at a yield which, if produced until maturity, will produce $5,000 at maturity.

"Additional Bonds" means Bonds, other than the 2004 Bonds and any Refunding Bonds, issued pursuant to the Trust Agreement.

"Additional Pledged Receipts" means the receipts from any fees, duties, excises or other taxes which the Commonwealth may impose upon the transfer of occupancy of any room or rooms in any hotel, motel or other lodging establishment, or upon the sales at retail by a vendor of meals, beverages and other tangible personal property or services, or upon the purchase price of a ticket for any sightseeing tour or other tourist venue or any parking facility appertaining thereto, or from any other fee, duty, excise, or other source of revenue, which are hereafter pledged by the Commonwealth to the payment of the Bonds pursuant to the Trust Agreement and any applicable provision of law.

"Adjusted Bond Debt Service Requirement" means for any period of calculation the aggregate Bond Debt Service Requirement with respect to all Bonds Outstanding or projected to be Outstanding during such period, as applicable, taking into account certain adjustments for Variable Rate Bonds, Tender Bonds, Bonds subject to Credit Enhancement, Scheduled Hedge Payments payable by the Commonwealth under Qualified Hedge Agreements, investment earnings allocable to the Capital Reserve Fund and amounts projected to be received as payment of accrued interest from the sale of Bonds and any Bond proceeds that will be applied to pay interest on the Bonds.

"Advance Refunded Municipal Bonds" means 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 all interest when due, and all principal of and redemption premium, if any, on such bonds or other obligations described in this definition on the maturity date or dates thereof or on the specified redemption date or dates, as appropriate, and (iii) as to which the principal of and interest on the Government Obligations which have been deposited in such fund along with any cash on deposit in such fund is sufficient to pay all interest when due, and all principal of and redemption premium, if any, on the bonds or other obligations described in this definition on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable notice referred to in subclause (i) above, as appropriate.

"Agency Obligations" means obligations of the Federal National Mortgage Association, Government National Mortgage Association, Federal Financing Bank, Federal Intermediate Credit Banks, Federal Bank for Cooperatives, Federal Land Banks, Federal Home Loan Banks, Farmers Home Administration, Export-Import Bank of the United States, Student Loan Marketing Association, United States Postal Service, Tennessee Valley Authority or Federal Home Loan Mortgage Corporation or any successor agency to each of the foregoing.

"Applicable Supplemental Trust Agreement" means with respect to any series of Bonds, the Supplemental Trust Agreement authorizing such series of Bonds.

"Appreciated Value" means with respect to any Deferred Income Bonds, an amount equal to the principal amount of such 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 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.

"Assumed Hedge Rate" means the average interest rate, as determined by an Authorized Officer, which will be payable during the term of any Variable Rate Hedge Agreement then in effect on a notional amount of fixed rate bonds.

"Authorized Officer" means 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 Authorization" means the Act and such other provisions of the laws of the Commonwealth, enacted in accordance with the applicable provisions of the Constitution of the Commonwealth, authorizing bonds for the acquisition, planning, development, construction or improvement of a convention center, civic center, conference center, parking facility or other like facility or part thereof together with facilities supportive thereof or ancillary thereto or necessary or desirable to provide services or accommodations to the public in connection therewith or to refund any Bonds.

"Bond Debt Service Requirement" means, 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 any Bonds the interest on which is payable only at maturity or earlier redemption and the Appreciated Value of any Bonds on which the payment of interest is deferred to a future date which are coming due at maturity or by virtue of Sinking Fund Payments on such Bonds.

"Bond Related Costs" means (i) all costs, fees and expenses, other than costs of issuance, incurred for or related to the administration of the Trust Agreement, including costs incurred by 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, Trustee, remarketing agents, rebate consultants, accountants, hospitality and other industry consultants and others retained by the Commonwealth in connection with a series of Bonds, and, to the extent provided in the Trust Agreement and any Supplemental Trust Agreement, any Reimbursement Obligation or other fee, charge and expense that may be lawfully incurred by the Commonwealth to a provider of any Credit Enhancement, Liquidity Facility or Reserve Credit Facility and any interest on such Reimbursement Obligation or other repayment obligation and (ii) except as otherwise provided in the Applicable Supplemental Trust Agreement, all payments to be made by the Commonwealth on any Qualified Hedge Agreement other than Scheduled Hedge Payments to be made by the Commonwealth on a Parity Hedge Agreement..

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

"Capital Reserve Fund Requirement" means, 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) 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) 125% of the average annual aggregate amount of Principal Installments and interest becoming due in any Fiscal Year on all Bonds Outstanding (or any Reimbursement Obligations incurred in connection therewith which are deemed to be Outstanding Bonds as described in "Credit Enhancement/Liquidity Facilities" below) using the Assumed Rate for any Variable Rate Bonds; provided that, if the Commonwealth (1) enters into a Qualified Hedge Agreement 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 such 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 thereunder, the interest payable on such Bonds shall be determined at the Fixed Hedge Rate or the Assumed Hedge Rate, as the case may be, applicable to payments to be made by the Commonwealth under such Qualified Hedge Agreement; or

(iii) the maximum Adjusted Bond Debt Service Requirement in the current or any future Fiscal Year on all Bonds Outstanding;

"Convention Center Financing Fee" means the 2.75% Convention Center Financing Fee imposed by the Commonwealth under the Act upon the transfer of occupancy of rooms in hotels, motels and other lodging establishments located within all the municipalities in the Tax Base.

"Convention Center Fund" means the Commonwealth's Convention and Exhibition Center Fund established by the Act or any other fund or account of the Commonwealth or any agency or authority thereof created in replacement thereof.

"Credit Enhancement" means any agreement, including, but not limited to a policy of bond insurance, surety bond, irrevocable letter of credit, credit agreement, credit facility or guaranty arrangement with a bank, trust company, insurance company, surety-bonding company pension fund or other financial institution that provides increased credit on or security for any series of Bonds (or portion thereof) or the obligations of the Commonwealth under any Qualified Hedge Agreement and, if authorized by a Supplemental Trust Agreement, shall include a Reserve Credit Facility.

"Current Receipts" means the amount of Pledged Receipts collected by the Commonwealth and deposited in the Revenue Fund during any Fiscal Year in accordance with the Trust Agreement.

"Debt Service Fund Requirement" means, as of any particular date of computation, the amount of money obtained by aggregating the several sums, computed with respect to the Bonds of each series Outstanding, of (i) any 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 Payment Date other than by reason of redemption at the option of the Commonwealth or the registered owner 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 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 Payment Date, or if there be no such date with respect to such Bonds, the date of issuance thereof, to such Payment Date; provided that, if the Commonwealth (1) enters into a Parity Hedge Agreement and (2) has made a determination that such Parity Hedge Agreement was entered into for the purpose of providing substitute interest payments or limiting the potential increase in the interest rate for a particular maturity of Bonds in a principal amount equal to the notional amount of such Parity Hedge Agreement, then during the term of such Parity Hedge

Agreement and so long as the Hedge Provider under such Hedge Agreement is not in default thereunder, the interest payable on such Bonds shall be determined at the Fixed Hedge Rate or the Variable Hedge Rate, as the case may be, applicable to payments to be made by the Commonwealth under such Parity Hedge Agreement.

"Debt Service Payment Date" means any date on which any Principal Installment of or interest on any Bond Outstanding is payable in accordance with the terms of such Bond; except as otherwise provided in the Applicable Supplemental Trust Agreement, the Debt Service Payment Dates for all Bonds shall be January 1 and July 1 in the years set forth in the Applicable Supplemental Trust Agreement.

"Defeasance Obligations" means Government Obligations, Agency Obligations and Advance Refunded Municipal Bonds.

"Deferred Income Bonds" means bonds which provide for the deferral of interest to a future date.

"Financial Feasibility Consultant" means an independent consultant or firm of consultants having a national reputation for expertise in the development of revenue projections or market studies selected by the Commonwealth and satisfactory to the Trustee.

"Fiscal Year" means 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.

"Fixed Rate Hedge Agreement" means a Qualified Hedge Agreement requiring the Commonwealth to pay a fixed interest rate on a notional amount.

"Fixed Hedge Rate" means the fixed interest rate payable by the Commonwealth on a notional amount under a Fixed Rate Hedge Agreement.

"Funded Capital Reserve Fund Requirement" means, as of any particular date of computation, an amount equal to the Capital 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.

"Government Obligations" means direct general obligations of, or obligations the timely payment of principal of and interest on which are unconditional guaranteed by, the United States of America.

"Liquidity Facility" means any agreement with a bank, trust company, insurance company, surety bonding company, pension fund, investment banking company or other financial institution under which it agrees to purchase Tender Bonds.

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

"Parity Hedge Agreement" means a Qualified Hedge Agreement under which the obligations of the Commonwealth to make all or any portion of the Scheduled Hedge Payments required to be made by the Commonwealth thereunder are secured by a pledge of the Trust Estate on a parity with the pledge created under the Trust Agreement for the benefit of the registered owners of the Bonds.

"Permitted Investments," except as otherwise limited by any Supplemental Trust Agreement, means 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 safe keeping on behalf of the registered owners of such receipts;

(iii) Agency Obligations;

(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 two 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 two highest rating categories by each Rating Agency then maintaining a rating on any Bonds Outstanding; and

(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 Receipts" means all receipts collected by the Commonwealth derived from the excise taxes and other dedicated fees and surcharges imposed by the Commonwealth and collected under the Act for the payment of the Bonds which include the (i) Convention Center Financing Fee, (ii) the 5.7% Room Occupancy Tax imposed on the transfer of certain hotel rooms in Boston, Cambridge and Springfield, (iii) the 4% Room Occupancy Tax imposed, at the option of the City of Springfield, on certain hotel rooms in Springfield, (iv) the Vehicular Rental Surcharge imposed on all vehicular rental transaction contracts in Boston, (v) the Sales Tax imposed on all meals, beverages and tangible personal property sold in certain hotels and other retail establishments in Boston, Cambridge and Springfield, (vi) the Sightseeing Surcharge imposed on the ticket price paid for water and land-based sightseeing tours and cruises in Boston, (vii) the $2 per day parking surcharge on vehicles parking in any parking facility that may be built in conjunction with the 2004 Projects, (vii) such Additional Pledged Receipts, if any, as the Commonwealth may by a Supplemental Trust Agreement pledge to the Trustee as security for the Bonds and (viii) any amounts collected in order to reimburse the Convention Center Fund in the event that the total amount of Pledged Receipts, including Room Occupancy Tax receipts, collected within all municipalities in the Greater Springfield Area in any three year period is less than the principal and interest payable with respect to the $17,500,000 principal amount of 2004 Bonds allocable to the SCCC Project, amortized ratably over the life of the 2004 Bonds, payable first, from a $3 per ticket "facility betterment fee" on all events held at the SCCC Project; second, from an additional $3 per space Parking Surcharge on all commercial parking spaces within the SCCC Finance District or otherwise under the control of the Springfield Parking Authority during the 2 hour period before any event held at the SCCC Project; and third, from the Springfield city operating budget.

"Principal Installment" means (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.

"Project" means the Boston convention and exhibition center, the Springfield civic and convention center and the Worcester convention center, each as more fully described in the Act, and any other purpose authorized by a Bond Authorization for which Bonds may be issued.

"Projection of Pledged Receipts" means a revenue projection, market study or financial feasibility analysis prepared by or on behalf of the Commonwealth setting forth for a period of calculation the aggregate amount of Pledged Receipts reasonably expected to be collected by the Commonwealth and deposited in the Convention Center Fund during such period of calculation, accompanied, except as otherwise provided in the Trust Agreement, by an opinion or other certificate of one or more Financial Feasibility Consultants to the effect that the assumptions used in such projection, study or analysis are reasonable.

"Qualified Hedge Agreement" means an interest rate exchange, cap, floor or collar agreement between the Commonwealth and a counterparty based upon a notional amount, where either (a) the hedge agreement or the counterparty is rated, or the person who guarantees the obligation of the counterparty to make any payments due to the Commonwealth has unsecured long-term obligations rated, as of the date the hedge agreement is entered into, by each Rating Agency then maintaining a rating on the Bonds Outstanding, in one of the three highest Rating Categories of such Rating Agency but in no event lower than the Rating Category designated by such Rating Agency for the Bonds Outstanding subject to such hedge agreement, or (b) the Commonwealth has received a Rating Confirmation with respect to such hedge agreement prior to entering into such hedge agreement.

"Qualified Hedge Payments" means, collectively, all Scheduled Hedge Payments and all Termination Hedge Payments payable by the Commonwealth or a Hedge Provider, as the case may be, under a Qualified Hedge Agreement.

"Rating Agency" means Moody's Investors Service and Standard & Poor's Ratings Services and their successors or assigns.

"Rating Categories" means 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.

"Rating Confirmation," with respect to any action taken or to be taken under the Trust Agreement, means a letter (or other evidence satisfactory to the Trustee) from a Rating Agency to the effect that it will not lower, suspend or otherwise adversely affect any rating then maintained on any Bonds Outstanding as a result of such action.

"Redemption Price" means, with respect to any Bond, the principal amount thereof plus the premium, if any, payable upon redemption thereof.

"Refunding Bonds" means any Bonds issued for the purpose of refunding all or any part of the Bonds Outstanding under the Trust Agreement.

"Reimbursement Obligation" means the Commonwealth's obligation to reimburse the issuer of any Credit Enhancement or Liquidity Facility for amounts paid under the terms of any such Credit Enhancement or Liquidity Facility together with interest thereon.

"Reserve Credit Facility" means one or more of the following:

(i) an irrevocable, unconditional and unexpired letter of credit or other financial commitment or guarantee issued by a banking institution, insurance company or other financial institution, the unsecured long-term obligations of which are rated by each Rating Agency then maintaining a rating on the Bonds Outstanding in one of the two highest Rating Categories by such Rating Agency, or, if any such Rating Agency does not maintain a rating on such banking institution, insurance company or other financial institution, such Rating Agency has provided a Rating Confirmation to the Trustee, or

(ii) an irrevocable and unconditional policy or policies of insurance, surety bond or other similar commitment in full force and effect issued by an insurer having a rating from each Rating Agency then maintaining a rating on the Bonds Outstanding in one of the two highest Rating Categories by such Rating Agency, or, if any such Rating Agency does not maintain a rating on such insurer, such Rating agency has provided a Rating Confirmation to the Trustee,

in each case, above, providing for the payment of sums for the payment of Principal Installments and interest on Bonds in the manner provided under the section entitled "Capital Reserve Fund" below.

"Retained Receipts" means the amounts, if any, of Pledged Receipts remaining in the Convention Center Fund on the date of delivery of the 2004 Bonds or thereafter deposited therein pursuant to the Trust Agreement and not withdrawn therefrom or segregated into separate accounts that are free and clear of lien and pledge of the Trust Agreement.

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

"Supplemental Trust Agreement" means any Trust Agreement of the Commonwealth amending or supplementing the Trust Agreement.

"Sinking Fund Payment" means 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.

"Tender Bonds" means Bonds which are subject to repurchase or redemption at the option of the registered owner thereof.

"Termination Hedge Payments," except as otherwise provided in the Applicable Supplemental Trust Agreement, means all payments, other than Scheduled Hedge Payments, to be made by the Commonwealth or a Hedge Provider, as the case may be, under a Qualified Hedge Agreement.

"Variable Hedge Rate" means the variable interest rate payable by the Commonwealth on a notional amount under a Variable Rate Hedge Agreement.

"Variable Rate Bonds" means Bonds which provide for a variable, adjustable, convertible or other similar rate of interest.

"Variable Rate Hedge Agreement" means a Qualified Hedge Agreement requiring the Commonwealth to pay a variable interest rate on a notional amount.

**Pledge of the Trust Agreement**

There are pledged for the payment of the principal and Redemption Price of and interest on the Bonds and for the payment of Scheduled Hedge Payments payable by the Commonwealth on any Parity Hedge Agreement, (i) the Pledged Receipts 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 monies, securities and any Reserve Credit Facilities and any investment earnings with respect thereto, in all Funds established by or pursuant to the Trust Agreement other than the Rebate Fund, and (iii) all Scheduled Hedge Payments and, subject to legislative appropriation for such purpose, all Termination Hedge Payments payable to the Commonwealth by a Hedge Provider pursuant to a Qualified Hedge Agreement, all of the foregoing collectively referred to as the "Trust Estate."

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

The Commonwealth may in any Supplemental Trust Agreement pledge Additional Pledged Receipts to the payment of the Bonds and any Qualified Hedge Agreement, provided that no amounts may be pledged under the Trust Agreement which are subject to any other lien or pledge unless either (i) such lien or pledge is made expressly subordinate to the pledge created by the Trust Agreement or (ii) the effective date of such Supplemental Trust Agreement is conditioned upon the delivery of a Rating Confirmation to the Trustee. On and after the effective date of such Supplemental Trust Agreement such amounts shall be deemed part of the Trust Estate under the Trust Agreement.

The Bonds and any Qualified Hedge Agreement shall be special obligations of the Commonwealth and the full faith and credit of the Commonwealth has not been pledged 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. Subject to the provisions and limitations provided in the Trust Agreement, the Bonds may be issued as fixed rate bonds, Variable Rate Bonds, Tender Bonds, capital appreciation bonds the interest on which is payable only at maturity or earlier redemption, deferred income bonds the interest on which is deferred to a future date or discount bonds, including zero interest bonds, or any combination thereof.

**Additional Bonds**

One or more series of Additional Bonds may be issued for the purpose of (i) paying the cost of any Project (ii) the making of deposits to the Debt Service Fund and the Capital Reserve Fund, (iii) the payment of the costs of issuance of Bonds, (iv) the payment of the principal of and interest and premium, if any, on notes or other obligations issued in anticipation of such Additional Bonds, or (v) any combination of the foregoing.

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

(i) An opinion of nationally recognized bond counsel with respect to the validity of the Additional Bonds and the enforceability of the pledge under the Trust Agreement;

(ii) A certificate of an Authorized Officer stating that, as of the delivery of any Additional Bonds and application of their proceeds, no Event of Default under the Trust Agreement will have happened and will then by continuing and no Reimbursement Obligations will then be outstanding and unpaid or the providers of the Credit Enhancement or Liquidity Facility to which such Reimbursement Obligations pertain have consented to the issuance of such Additional Bonds;

(iii) An amount of cash, Permitted Investments, Reserve Credit Facilities in a stated amount or other moneys, including proceeds of Bonds, such that following the issuance of the Additional Bonds, the Capital Reserve Fund will at least equal the Capital Reserve Fund Requirement;

(iv) A certificate or certificates of the Commissioner of Revenue or the Comptroller of the Commonwealth setting forth the amount of Pledged Receipts received by the Commonwealth for each month in the eighteen (18) month period ending with the last full month immediately preceding the month in which the Additional Bonds are issued;

(v) One of the following certificates, as determined by the Treasurer:

(A) A certificate of an Authorized Officer showing that the amount of Pledged Receipts certified as being received by the Treasurer during any twelve consecutive months out of the preceding eighteen months was not less than 150% of the maximum Adjusted Bond Debt Service Requirement in the then current Fiscal Year or any future Fiscal Year with respect to all Bonds Outstanding including the proposed Additional Bonds; or

(B) If the Supplemental Trust Agreement authorizing such Addition Bonds provides for the pledge of Additional Pledged Receipts to the Bonds which have been collected by the Commonwealth for at least twelve consecutive months of the previous eighteen months, (x) a certificate of the Comptroller and/or the Commissioner of Revenue setting forth the amount of Pledged Receipts received by the Commonwealth for each month in the eighteen month period ending with the last full month immediately preceding the month in which the Additional Bonds are issued, calculated on the basis that Pledged Receipts shall include such Additional Pledged Receipts for such period, and (y) a certificate of an Authorized Officer showing that the Pledged Receipts as so calculated for any twelve consecutive months during such eighteen (18) month period shall be not less than 150% of the maximum Adjusted Bond Debt Service Requirement in the then current Fiscal Year or any future Fiscal Year with respect to all Bonds Outstanding including the proposed Additional Bonds; or

(C) A Projection of Pledged Receipts setting forth the estimated amount of Pledged Receipts, including any Additional Pledged Receipts, which are expected to be collected by the Commonwealth and deposited in the Convention Center Fund in each of the five full Fiscal Years immediately succeeding the issuance of the proposed Additional Bonds or, if later, in the five full Fiscal Years following completion of the Project to be financed by the proposed Additional Bonds (if the completion of such Project is expected to result in the collection of Additional Pledged Receipts), and demonstrating that (x) in each such Fiscal Year the Pledged Receipts to be collected in such Fiscal Year, including any such Additional Pledged Receipts, shall be not less than the Adjusted Bond Debt Service Requirement for such Fiscal Year on all Bonds Outstanding including the proposed Additional Bonds, (y) in each such Fiscal Year the Pledged Receipts to be collected in such Fiscal Year, plus the amount of any Retained Receipts held in the Convention Center Fund pursuant to the Trust Agreement on the first day of such Fiscal Year, shall be not less than 150% of the maximum Adjusted Bond Debt Service Requirement for such Fiscal Year or any future Fiscal Year on all Bonds Outstanding including the proposed Additional Bonds and (z) in the fifth such Fiscal Year the Pledged Receipts to be collected in such Fiscal Year (without taking into account any Retained Receipts on deposit in the Convention Center Fund) shall be not less than 150% of the maximum Adjusted Bond Debt Service Requirement for such Fiscal Year or any future Fiscal Year with respect to all Bonds Outstanding including the proposed Additional Bonds;

(vi) If the Commonwealth elects to deliver a certificate pursuant to paragraphs (B) or (C), above, or if any such Additional Bonds are to be issued as Variable Rate Bonds or Tender Bonds or any Variable Rate Bonds will be Outstanding following issuance of such Additional Bonds, or if the Debt Service Payment Dates of such Additional Bonds are other than January 1 and July 1, a Rating Confirmation from each Rating Agency maintaining a rating on Bonds Outstanding; and

(vii) If applicable, the certificate of an Authorized Officer setting forth the interest rate that the Authorized officer reasonably determines will be the average interest rate payable for the next succeeding twelve consecutive months on the notional amount under any Qualified Hedge Agreement relating to any fixed rate bonds which will remain Outstanding under which the Commonwealth is required to pay a variable interest rate on such notional amount.

**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 the section entitled “Additional Bonds;”

(ii) A certificate of an Authorized Officer stating that, as of the date of delivery of any Additional Bonds and application of their proceeds, (a) no Event of Default under the Trust Agreement will have happened and will then by continuing and (b) the amount on deposit in the Capital Reserve Fund is at least equal to the Capital Reserve Fund Requirement;

(iii) A certificate of an Authorized Officer setting forth the Adjusted Bond Debt Service Requirement for each Fiscal Year in which Bonds are or will be Outstanding (a) computed immediately prior to the delivery of such Refunding Bonds and (b) computed immediately after the delivery of such Refunding Bonds, and showing 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 Authorized Officer may deliver to the

Trustee (x) certificates and projections satisfying the conditions described above under "Additional Bonds" or (y) a Rating Confirmation;

(iv) An amount of money or Defeasance Obligations sufficient to effect payment at maturity or redemption of the Bonds to be refunded;

(v) If any such Refunding Bonds are to be Variable Rate Bonds or Tender Bonds, a Rating Confirmation from each Rating Agency then maintaining a rating on any Bonds Outstanding; and

(vi) If applicable, the certificate of an Authorized Officer setting forth the interest rate that the Authorized officer reasonably determines will be the average interest rate payable for the next succeeding twelve consecutive months on the notional amount under any Qualified Hedge Agreement relating to any fixed rate bonds which will remain Outstanding under which the Commonwealth is required to pay a variable interest rate on such notional amount.

**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 Receipts to the payment of such notes on a subordinated basis, provided that prior to the issuance of any such notes, the Treasurer shall (i) 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 and (ii) deliver a Rating Confirmation to the Trustee.

**Creation of Liens; Other Indebtedness**

The Commonwealth may not issue any bonds, notes or other evidences of indebtedness, other than the Bonds, or enter into any Qualified Hedge Agreement secured by a pledge of or other lien on the Trust Estate or any other moneys, securities and funds held or set aside by the Commonwealth or by the Trustee under the Trust Agreement, and shall not otherwise create any lien or charge on such Trust Estate. Notwithstanding the foregoing, the Trust Agreement permits the issuance of other indebtedness (and renewals thereof), including bond anticipation notes, and any Qualified Hedge Agreement to be secured by a subordinate lien on the Trust Estate provided that prior to incurring any such indebtedness, other than bond anticipation notes, or entering into any such Qualified Hedge Agreement, the Commonwealth must receive and file a Rating Confirmation with the Trustee.

**Credit Enhancement and Liquidity Facilities**

In connection with the issuance of Bonds or any Qualified Hedge Agreement, the Commonwealth may obtain Credit Enhancement or a Liquidity Facility providing for the payment of all or a portion of the principal, premium, or interest due or to become due on such Bonds or any Qualified Hedge Payments by the Commonwealth under such Qualified Hedge Agreement or providing for the purchase of such Bonds or a portion thereof, provided that prior to the effective date of any such Credit Enhancement or Liquidity Facility the Commonwealth shall provide a Rating Confirmation to the Trustee. The Commonwealth may agree with the issuer of such Credit Enhancement or Liquidity Facility to reimburse such issuer directly for any Reimbursement Obligation. Such Reimbursement Obligation may be subject to a lien on the Trust Estate on a parity with the lien created under the Trust Agreement for the benefit of the Bonds Outstanding. To the extent provided in the Applicable Supplemental Trust Agreement, upon the payment of amounts under any Credit Enhancement, other than a Reserve Credit Facility, which is secured by a lien on the Trust Estate on a parity with the lien created under the Trust Agreement, any Reimbursement Obligation arising therefrom may be deemed a Bond Outstanding or, in the case of a Reimbursement Obligation arising from Credit Enhancement for any Parity Hedge Agreement, a Scheduled Hedge Payment thereunder payable in either case from the Debt Service Fund on a parity with the Bonds. Except as otherwise provided in the Applicable Supplemental Trust Agreement, any Reimbursement Obligation arising upon the payment of amounts under any Reserve Credit Facility shall be payable from amounts deposited in the Capital Reserve Fund.

**Qualified Hedge Agreements**

Subject to the receipt of a Rating Confirmation and satisfaction of certain other requirements of the Trust Agreement, the Commonwealth may from time to time enter into Qualified Hedge Agreements with a counterparty with respect to all or a portion of the Bonds of any series Outstanding. Except as otherwise provided in the Applicable Supplemental Trust Agreement, all Scheduled Hedge Payments to be made by the Commonwealth under any Parity Hedge Agreement shall be payable from amounts deposited in the Debt Service Fund on a parity with all other payments therefrom with respect to the Bonds. The obligation of the Commonwealth to make all or any portion of any Termination Hedge Payment under any Parity Hedge Agreement, and the obligation of the Commonwealth to make Qualified Hedge Payments under any other Qualified Hedge Agreement may be secured by a pledge of the Trust Estate, provided that such pledge shall in all respects be subordinate to the pledge created thereby for the benefit of the Bonds Outstanding. Except as otherwise provided in the Applicable Supplemental Trust Agreement, any Termination Hedge Payments to be made by the Commonwealth on any Parity Hedge Agreement and any Qualified Hedge Payments to be made by the Commonwealth on any other Qualified Hedge Agreement shall be payable solely from amounts deposited in the Bond Related Costs Fund on a parity with all other payments therefrom.

**Establishment of Funds and Accounts**

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

(i) Revenue Fund;

(ii) Debt Service Fund;

(iii) Redemption Fund;

(iv) Capital Reserve Fund;

(v) Bond Related Costs Fund; and

(vi) Rebate Fund.

Such funds, except the Rebate Fund, are subject to the pledge created under the Trust Agreement and all the funds shown above are deemed to be within the Convention Center Fund.

**Flow of Funds**

Under the Trust Agreement, all Pledged Receipts are required to be deposited in the Convention Center Fund upon receipt by the Commonwealth, and the Commissioner of Revenue of the Commonwealth is required to deliver to the Treasurer and the Trustee within fifteen (15) business days after the end of each month a certificate stating the amount of Pledged Receipts collected by the Commonwealth during such month. Such amount, shall then be withdrawn from the Convention Center Fund by the Treasurer and paid to the Trustee within two (2) business days thereafter and deposited by the Trustee in the Revenue Fund until the amount so deposited in the Revenue Fund in each Fiscal Year, together with any other amounts deposited in the Revenue Fund, equals an amount sufficient to meet the requirements of the Revenue Fund during such Fiscal Year, as described below. There shall also be deposited in the Revenue Fund any Scheduled Hedge Payments and, subject to legislative appropriation for such purpose, any Termination Hedge Payments, payable to the Commonwealth by a Hedge Provider pursuant to a Qualified Hedge Agreement.

On the last business day prior to each Debt Service Payment Date of the Bonds, the Trustee shall transfer from amounts available in the Revenue Fund 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 such Debt Service Payment Date;

(ii) to the Capital Reserve Fund, an amount sufficient to cause the balance therein to equal the Funded Capital Reserve Fund Requirement as of as of such Debt Service Payment Date;

(iii) To the Bond Related Costs Fund, in such amounts, if any, as are set forth in an Applicable Supplemental Trust Agreement or the certificate of an Authorized Officer delivered to the Trustee as necessary to pay Bond Related Costs or to reimburse the Commonwealth for the payment thereof; and

(iv) To the Rebate Fund, an amount sufficient to cause the balance therein to equal the Rebate Fund Requirement, if any, determined in accordance with all Applicable Supplemental Trust Agreements.

Subject to the following two paragraphs, any balance remaining in the Revenue Fund following the payments described above shall be retained in the Revenue Fund to be available for payments therefrom on the succeeding Debt Service Payment Date.

If on the last business day prior to any Debt Service Payment Date, the amount available in the Revenue Fund is insufficient to make the payments required to be made, as set forth above, the Treasurer shall withdraw from the Convention Center Fund and pay to the Trustee the amount necessary to meet the deficiency from any Retained Receipts then on deposit in the Convention Center Fund. Any such amount paid to the Trustee shall be deposited in the Revenue Fund and applied as provided above.

On the last business day of each Fiscal Year, after the payments required above to be made from the Revenue Fund shall have been duly made or provided for, any amount remaining in the Revenue Fund which shall have been determined by the Treasurer, with the concurrence of the Secretary, not to be reasonably required for the purposes of the Revenue Fund during the next succeeding Fiscal Year, shall be withdrawn and paid to the Treasurer for deposit in the Convention Center Fund.

**Debt Service Fund**

The Trustee shall pay out of the Debt Service Fund (i) on or before each Debt Service Payment Date, the amount required for the interest and Principal Installments payable on such date, (ii) on or before each redemption date for the Bonds, other than a redemption date on account of Sinking Fund Payments, the amount required for the payment of interest and Redemption Price on the Bonds then to be redeemed and (iii) on or before each Debt Service Payment Date the amount, if any, required for all Scheduled Hedge Payments payable by the Commonwealth on such date under any Parity Hedge Agreement. 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 to the Trustee, on behalf of the Commonwealth, 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 Receipts, not otherwise required by the Trust Agreement to be deposited or applied. Subject to the provisions of the last paragraph of the section entitled "Flow of Funds," above, 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 the Redemption Fund may be applied by the Commonwealth to the redemption of Bonds or to the purchase 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.

**Capital Reserve Fund**

If at any time the amounts on deposit and available therefor in the Debt Service Fund and the Redemption Fund are insufficient to pay (i) the principal or the Redemption Price of, and interest on, the Bonds then due and (ii) all Scheduled Hedge Payments then payable by the Commonwealth under any Parity Hedge Agreements, the Trustee shall withdraw from the Capital Reserve Fund and deposit in the Debt Service Fund the amount necessary to meet the deficiency. Amounts so withdrawn from the Capital 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 providing for such Reserve Credit Facility.

If any draws are made from Reserve Credit Facilities and cash or Permitted Investments, amounts paid into the Capital 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 Capital Reserve Fund.

If on any interest payment date, the amount on deposit in the Capital Reserve Fund is in excess of the Capital 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 to the Revenue Fund or, if directed by a certificate of an Authorized Officer, shall reduce the face amount of one or more Reserve Credit Facilities held for the account of the Capital Reserve Fund.

Whenever the Trustee shall determine that the amount of cash and Permitted Investments on deposit in the Capital Reserve Fund, together with all other funds available for the purpose, is at least equal to 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 Capital Reserve Fund or the Redemption Fund, as applicable, in connection with the payment or redemption of all Bonds Outstanding.

At any time, the Trustee shall, upon the written direction of an Authorized Officer, transfer any amount in the Capital Reserve Fund to the Treasurer for deposit in the Convention Center Fund upon receipt by the Trustee of one or more Reserve Credit Facilities with aggregate stated and unpaid amounts not less than the amount so transferred.

**Bond Related Costs Fund**

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

Upon the certification of an Authorized Officer that, with respect to a particular series of Bonds, all costs of issued such Bonds and Bond Related Costs for such Bonds have been paid, any balance in the Bond Related

Costs Fund allocable to such Bonds, or any portion thereof as directed by an Authorized Officer, shall be withdrawn from the Bond Related Costs Fund and paid to the Treasurer and deposited in the Convention Center Fund.

**Investments**

Except as otherwise described under the section entitled “Defeasance”, below, money held for the credit of any fund established 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. Amounts on deposit in the Capital Reserve Fund may only be invested in Permitted Investments of the type described in subparagraphs (i), (ii), (iii), (iv), (v), (vi), (ix) or (xi) of the definition of Permitted Investments which mature or are otherwise redeemable at the option of the owner on a date not less than five (5) years after the date of purchase thereof or in Permitted Investments of the type described in subparagraph (xi) of the definition of Permitted Investments which permit withdrawal of the amounts invested and any time such amounts are required to be applied under any provision of this Trust Agreement. All income earned on investment or deposit of amounts held in the Capital Reserve Fund shall be credited to and deposited upon receipt in the Revenue Fund.

In computing the amount in any Fund for any purpose, Permitted Investments shall be valued at amortized cost. The term “amortized cost,” when used with respect to an obligation purchased at a premium above or a discount below par, means the value as of any given time obtained by dividing the total premium or discount at which such obligation was purchased by the number of days remaining to maturity on such obligation at the date of such purchase and by multiplying the amount thus calculated by the number of days between the date of purchase and the maturity date; and (i) in the case of an obligation purchased at a premium by deducting the product thus obtained from the purchase price, and (ii) in the case of an obligation purchased at a discount by adding the product thus obtained to the purchase price. Unless otherwise provided in the Trust Agreement, Permitted Investments in any Fund thereunder shall be valued at least once in each Fiscal Year on the last day thereof. Notwithstanding the foregoing, Permitted Investments in the Capital Reserve Fund shall be valued at amortized cost for all purposes 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 Capital Reserve Fund Requirement. So long as no default shall have occurred and be continuing thereunder, any Reserve Credit Facility held for the account of the Capital Reserve Fund under the Trust Agreement shall be valued at the stated and unpaid amount thereof.

**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 Trust Estate pledged by the Trust Agreement in the manner and to the extent therein provided. The Commonwealth covenants that the Trust Estate is and will be free and clear of any pledge, lien, charge or encumbrance thereon with respect thereto prior to, or of equal rank with, the pledge created by the Trust Agreement except to the extent expressly permitted thereby. The Commonwealth agrees at all times, to the extent permitted by law, to defend, preserve and protect the pledge of the Trust Estate pledged under the Trust Agreement and all the rights of the registered owners and each Hedge Provider under the Trust Agreement against all claims and demands of all persons whomsoever.

**Covenants as to Convention Center Fund and Pledged Receipts**

So long as any Bonds are Outstanding, the Commonwealth shall take all action necessary and appropriate to receive, deposit and apply all Pledged Receipts at the times and in the manner provided in the Trust Agreement and in the Act and any other applicable laws of the Commonwealth, including without limitation all actions necessary and appropriate to enforce the payment of such Pledged Receipts to the Commonwealth as provided in the Act and otherwise by law.

Until the Principal Installments of and interest on all Bonds shall be paid or, if earlier, shall be deemed paid under the Trust Agreement, the Commonwealth covenants that, (i) the Pledged Receipts shall not be diverted from the purposes identified in the Trust Agreement and in the Act; (ii) no Pledged Receipts or other portion of the Trust

Estate shall be diverted from the Convention Center Fund or the funds established under the Trust Agreement except as provided in the Trust Agreement and in the Act; (iii) in any Fiscal Year, until the Treasurer, with the concurrence of the Secretary, has determined that Pledged Receipts have been or will be deposited in the Revenue Fund in an amount sufficient to meet the requirements of the Revenue Fund during such Fiscal Year as provided above under the section entitled "Flow of Funds," no such Pledged Receipts or, subject to the provisions summarized below, any other amounts held in the Convention Center Fund, shall be applied to any other use; and (iv) so long as any Bond is Outstanding, the rate of the Convention Center Financing Fee and the other excises, the revenues from which constitute Pledged Receipts under the Trust Agreement, shall not be reduced below the applicable rate in effect at the date of issuance of such Bond. Any provisions of the Act creating covenants with registered owners of the Bonds shall be deemed a covenant with the registered owners under the Trust Agreement only to the extent expressly provided in the Trust Agreement and as limited thereby.

So long as any Bond shall be Outstanding under the Trust Agreement, all Pledged Receipts on deposit in the Convention Center Fund on the date of delivery of the 2004 Bonds and thereafter collected and deposited therein shall be applied solely as provided in the Trust Agreement. Notwithstanding the foregoing, at or prior to the delivery of the 2004 Bonds, the Treasurer, with the concurrence of the Secretary, may set up on the books of the Commonwealth one or more segregated accounts within the Convention Center Fund and may credit to such accounts such portion of the Pledged Receipts then on deposit in the Convention Center Fund to be applied as provided in the Act to purposes other than the payment of the Principal Installments of and interest on the Bonds. Any amounts credited to any such account as aforesaid shall not be deemed to be on deposit in the Convention Center Fund for any purpose of this Trust Agreement or subject to the lien and pledge of the Trust Agreement unless and until withdrawn from such account by the Treasurer and redeposited in the Convention Center Fund.

If the amount of Current Receipts collected in any Fiscal Year, commencing with the Fiscal Year ending June 30, 2005, is an amount at least equal to the Adjusted Bond Debt Service Requirement for such Fiscal Year then, on or after the first business day of the next succeeding Fiscal Year, the Treasurer, with the concurrence of the Secretary, may withdraw all or any portion of the Retained Receipts on deposit in the Convention Center Fund which are not required to be retained therein to satisfy the requirements of this paragraph for application to any purpose provided by law or for deposit in one or more segregated accounts within the Convention Center Fund as provided in the preceding paragraph, in either case free and clear of the lien and pledge of the Trust Agreement.

Notwithstanding the foregoing, prior to the withdrawal or segregation of any Retained Receipts as aforesaid, the Treasurer is required to file with the Trustee a Projection of Pledged Receipts setting forth the estimated amount of Current Receipts which are expected to be collected by the Commonwealth and deposited in the Convention Center Fund in each of the next succeeding five full Fiscal Years, which Projection of Pledged Receipts must demonstrate that:

(i) the amount of Current Receipts which are expected to be collected by the Commonwealth in each such Fiscal Year is an amount at least equal to the Adjusted Bond Debt Service Requirement for such Fiscal Year with respect to all Bonds Outstanding or projected to be Outstanding in such Fiscal Year, and,

(ii) the amount of Current Receipts which are expected to be collected by the Commonwealth in each such Fiscal Year, plus the amount, if any, of Retained Receipts projected to be on deposit in the Convention Center Fund on the first day of such Fiscal Year, is an amount at least equal to 150% of the maximum Adjusted Bond Debt Service Requirement for such Fiscal Year or any future Fiscal Year with respect to all Bonds Outstanding or projected to be Outstanding in such Fiscal Year.

Notwithstanding anything in the Trust Agreement to the contrary, the requirement that a Projection of Pledged Receipts must be accompanied by an opinion or certificate of a Financial Feasibility Consultant shall not apply to a Projection of Pledged Receipts filed with the Trustee in accordance with the foregoing paragraph if the amount of Current Receipts collected by the Commonwealth and deposited in the Convention Center Fund in the last full Fiscal Year prior to the filing of such Projection of Pledged Receipts was at least equal to 150% of the maximum Adjusted Bond Debt Service Requirement for such Fiscal Year or any future Fiscal Year with respect to all Bonds Outstanding in such Fiscal Year.

In addition, the Commonwealth has covenanted that it will not withdraw any amount from the Convention Center Fund in order to make a Termination Hedge Payment under any of the 2004 Hedge Agreements if any such withdrawal would cause the amount, if any, of Retained Receipts on deposit in the Convention Center Fund following such withdrawal, plus the amount of Current Receipts which are expected to be collected by the Commonwealth in the current Fiscal Year to be less than one hundred fifty percent (150%) of the maximum Adjusted Bond Debt Service Requirement for such Fiscal Year or for any future Fiscal Year with respect to all Bonds then Outstanding.

Notwithstanding anything in the Trust Agreement to the contrary, if the Commissioner of Revenue of the Commonwealth shall determine and certify to the Treasurer and the Secretary upon audit of the Convention Center Fund or upon audit or examination of any person subject to the excise taxes and surcharges and other fees which constitute Pledged Receipts under the Trust Agreement that the amount deposited in the Convention Center Fund is greater than or less than the amount that should have been deposited in the Convention Center Fund in accordance with the Act, the Treasurer may withdraw the excess amount, if any, so deposited in the Convention Center Fund or shall deposit in the Convention Center Fund the amount, if any, that should have been so deposited therein, as applicable. Any such withdrawal may be made by the Treasurer without compliance with the requirements of the foregoing paragraphs relating to the withdrawal of Retained Receipts from the Convention Center Fund.

If on the last day of any Fiscal Year during which Bonds are Outstanding the balance on deposit in the Capital Reserve Fund is less than the Capital Reserve Fund Requirement as then calculated, the Convention Center Financing Fee shall be increased, in the City of Boston only, to the maximum rate permitted by law until the balance on deposit in the Capital Reserve Fund shall again equal the Capital Reserve Fund Requirement as certified by the Secretary.

**Accounts and Report**

As soon as it shall become available, the Treasurer shall file with the Trustee for each Fiscal Year during which Bonds shall be Outstanding the statutory basis annual financial report of the Commonwealth prepared by the Comptroller of the Commonwealth which presents the financial position of the Convention Center Fund for such Fiscal Year, 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 all such action as may from time to time be required to assure the continued exclusion from the federal gross income of registered owners of any series of tax exempt bonds, including prohibiting the investment of the proceeds of such bonds in any property that would make the bonds "arbitrage bonds" within the meaning of the Code and including making provision for the payment of any rebate due under the Code with respect to any series of tax exempt bonds.

**Events of Default**

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

(i) if default shall be made in the payment of the principal or Redemption Price of any Bond when due, whether at maturity or by call for mandatory redemption or redemption or purchase at the option of the 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 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 if corrective action is instituted by the Commonwealth within such period and diligently pursued until the default is remedied.

**No Right of Acceleration**

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

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

The Commonwealth covenants in the Trust Agreement that if an Event of Default shall happen and shall not have been remedied, the Commonwealth, upon demand of the Trustee, shall pay over to the Trustee to the extent permitted by law, all Pledged Receipts not otherwise held by the Trustee under the Trust Agreement upon receipt thereof by the Commonwealth.

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

(i) to the payment of the reasonable and proper charges and expenses of the Trustee and of any counsel selected by a Trustee;

(ii) 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, 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; and

(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.

If the Commonwealth (1) enters into a Parity Hedge Agreement and (2) has made a determination that such Parity Hedge Agreement was entered into for the purpose of providing substitute interest payments or limiting the potential increase in the interest rate for a particular maturity of Bonds in a principal amount equal to the notional amount of such Parity Hedge Agreement, then during the term of such Parity Hedge Agreement and so long as the Hedge Provider under such Parity Hedge Agreement is not in default thereunder, the interest payable on such Bonds pursuant to Paragraph (b) above shall be deemed to include any Scheduled Hedge Payments payable by the Commonwealth under such Parity Hedge Agreement.

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 registered owners not parties to such direction.

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 registered owners not parties to such direction.

Regardless of the happening of an Event of Default, the Trustee shall have power to, but unless requested in writing by the registered owners of a majority in principal amount of the 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 registered owners.

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

**Restriction on Registered Owners' Action**

No registered owner of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Trust Agreement or for any remedy under the Trust Agreement, unless such registered owner shall have previously given to the Trustee written notice of the happening of any Event of Default and the registered owners of at least a majority in principal amount of 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.

**Responsibility of Trustee**

The duties and obligations of the Trustee shall be determined by the express provisions of the Trust Agreement. The Trustee shall be under no 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. The Trustee shall be under no 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. The Trustee shall not be liable in connection with the performance of its duties under the Trust Agreement except for its own gross negligence or bad faith nor shall the Trustee 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.

**Resignation and Removal 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 (30) days' written notice to the Treasurer and to each registered owner specifying the date when resignation shall take effect.

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, 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 registered owners. 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 and having a capital and surplus aggregating at least fifty million dollars ($50,000,000).

**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 for any purpose permitted under the Trust Agreement or authorized by law and, in connection therewith, to specify and determine any matters and things relative to such Bonds not contrary to or inconsistent with the Trust Agreement;

(vi) to authorize any Credit Enhancement, Liquidity Facility, or Reserve Credit Facility;

(vii) to exercise any provision in the Trust Agreement or to make such determinations thereunder as expressly provided therein to be exercised or determined in a Supplemental Trust Agreement;

(viii) to confirm, as further assurance, any pledge under and the subjection to any lien or pledge created or to be created by the Trust Agreement of the Pledged Receipts; and

(ix) for any other purpose, upon receipt of a Rating Confirmation from each Rating Agency then maintaining a rating on any Bonds Outstanding, subject to the provisions of the Trust Agreement summarized below under the heading "Powers of Amendment."

**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 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. No modification or amendment of the Trust Agreement made by any Supplemental Trust Agreement executed by the Commonwealth and the Trustee 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, except as otherwise provided in the Applicable Supplemental Trust Agreement, the terms of any Credit Enhancement or Liquidity Facility relating to a Bond, without the consent of the registered owner of such Bond, or shall have a materially adverse effect on any of the rights or obligations of the Trustee or any Hedge Provider without its written assent thereto, or shall reduce the percentages of the principal amount of Bonds the consent of which is required to effect any such modification or amendment.

**Defeasance**

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, and if no Reimbursement Obligations, Qualified Hedge Payments or Bond Related Costs then due and payable remain unpaid or the payment of any such Reimbursement Obligations, Qualified Hedge Payments or Bond Related Costs have been provided for, then the pledge of any Pledged Receipts or other moneys and securities pledged by the Trust Agreement and all other rights granted by the Trust Agreement shall be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys shall be held by the Trustee, 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.

**No Recourse on the Bonds**

No recourse shall be had for the payment of the principal or Redemption Price of or the interest on the Bonds or for any Reimbursement Obligation or any Qualified Hedge Payment 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 or the applicable Qualified Hedge Agreement. No official, agent, representative or employee of the Commonwealth shall be held personally liable to any purchaser or registered owner of any Bond under or upon such Bond, or under or upon the Trust Agreement or any Supplemental Trust Agreement, or to any Hedge Provider or the issuer of any Credit Enhancement or any Liquidity Facility, or, to the extent permitted by law, because of the sale or issuance or attempted sale or issuance of Bonds, or because of any act or omission in connection with the investment or management of the Pledged Receipts, funds or moneys of the 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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**APPENDIX C - PROPOSED FORM OF OPINION OF BOND COUNSEL**

[Date of Delivery]

The Honorable Timothy P. Cahill
Treasurer and Receiver-General
The Commonwealth of Massachusetts
State House - Room 227
Boston, Massachusetts 02133

(The Commonwealth of Massachusetts
Special Obligation Dedicated Tax Revenue Bonds, Series 2004)

We have acted as Bond Counsel to The Commonwealth of Massachusetts (the "Commonwealth") in connection with the issuance by the Commonwealth of $686,715,000 aggregate principal amount of its Special Obligation Dedicated Tax Revenue Bonds, Series 2004 dated their date of delivery (the "2004 Bonds").

The 2004 Bonds are issued pursuant to Chapter 152 of the Acts of 1997, as amended, of Commonwealth (the "Act") and under and pursuant to a Trust Agreement dated as of May 1, 2004 by and between the Commonwealth and J.P. Morgan Trust Company, National Association, as trustee (the "Trustee"), as supplemented by a First Supplemental Trust Agreement dated as of May 1, 2004 by and between the Commonwealth and the Trustee (collectively, the "Trust Agreement"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

Under the Trust Agreement, the Commonwealth has pledged for the payment of the principal of and interest on the 2004 Bonds when due (i) the Pledged Receipts, (ii) all moneys, securities and Reserve Credit Facilities, if any, and any investment earnings with respect thereto, in all Funds 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 (collectively, the "Trust Estate"). Under the Trust Agreement the Commonwealth may issue additional special obligation bonds (collectively with the 2004 Bonds, the "Bonds") on a parity with the 2004 Bonds under the terms and conditions set forth in the Trust Agreement.

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

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

1. The Commonwealth has the right and power under the Act to enter into the Trust Agreement; and the Trust Agreement has been duly authorized, executed and delivered on behalf of the Commonwealth, with the concurrence of the Secretary of the Executive Office for Administration and Finance, is in full force and effect, and constitutes a legal, valid and binding obligation of the Commonwealth enforceable in accordance with its terms. No other authorization for the Trust Agreement is required.

2. The Trust Agreement creates the valid pledge of the Trust Estate for the security of the Bonds, including the 2004 Bonds, that it purports to create. The Act provides that such pledge shall be perfected by filing the Trust Agreement in the records of the Treasurer; the Trust Agreement has been so filed and the lien of such pledge shall be valid and binding as against all persons or entities of any kind having claims of any kind in tort, contract or otherwise, irrespective of whether such persons or entities have notice thereof.


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3. The 2004 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 their terms and the terms of the Trust Agreement and entitled to the benefits of the Act as provided under the Trust Agreement. The 2004 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 Commonwealth is not obligated to make any payments with respect to the 2004 Bonds, except as specified therein and in the Trust Agreement and the Commonwealth is not obligated to impose any additional taxes, other than the taxes specified in the Act, to satisfy the obligations thereunder.

4. The interest on the 2004 Bonds (including any accrued original issue discount properly allocable thereto) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of computing the alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code"); it should be noted, however, that interest on the 2004 Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes). The opinions set forth in the preceding sentence are subject to the condition that the Commonwealth comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2004 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 these requirements. Failure to comply with certain of these requirements may cause the inclusion of interest on the 2004 Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the 2004 Bonds. We express no opinion regarding any other tax consequences arising with respect to the 2004 Bonds.

5. Interest on the 2004 Bonds is exempt from Massachusetts personal income taxes, and the 2004 Bonds are exempt from Massachusetts personal property taxes. We express no opinion as to other Massachusetts tax consequences arising with respect to the 2004 Bonds nor as to the taxability of the 2004 Bonds or the income therefrom under the laws of any state other than Massachusetts.

It is to be understood that the rights of the holders of the 2004 Bonds and the enforceability thereof and of the Trust Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Yours faithfully,

## APPENDIX D – CONTINUING DISCLOSURE UNDERTAKING

Commonwealth of Massachusetts

Special Obligation Dedicated Tax Revenue Bonds,
Series 2004

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 the audited financial statements of the Commonwealth for such fiscal year if audited financial statements are then available, provided, however, that if the 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 historical 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 June 3, 2004 (the "Official Statement") relating to the Commonwealth's Special Obligation Dedicated Tax Revenue Bonds, Series 2004, and in each case substantially in the same level of detail as is found in the section of the Official Statement entitled "Pledged Receipts – Historical Collection of Pledged Receipts."

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.

## APPENDIX E - CPI BONDS

The following definitions apply to the descriptions of the CPI Bonds and the MUNI-CPI Rate contained in the Official Statement to which this Appendix E is appended.

**“Calculation Agent”** means, initially, the Treasurer and Receiver-General of the Commonwealth or his designee, or such other Calculation Agent as may be selected by the Commonwealth, their successors or assigns.

**“Constant Rate”** varies among the CPI Bonds and is set forth below under the heading “The CPI Bonds: Maturities, Principal Amounts and Constant Rates.”

**“CPI-U”** means the non-seasonally adjusted U.S. City Average All Items Consumer Price Index for All Urban Consumers, published monthly by the Bureau of Labor Statistics of the U.S. Department of Labor. See “THE CPI BONDS—Description of CPI-U” herein.

**“Days in the Year”** means 365 or if any portion of an interest period falls in a leap year 365 plus the number of days in that portion of the interest period falling in a leap year divided by 366. For example, if a July 1 interest payment falls in a leap year the Days in the Year will be 365 plus the actual days in the period January through June (182) divided by 366; for the following January 1 the Days in the Year will be 365 plus the actual days in the period July through December (184) divided by 366.

**“Debt Service Payment Date”** means January 1 and July 1.

**“Floating Rate-CPI”** means the rate, calculated by the Calculation Agent on the Reset Date immediately prior to each Debt Service Payment Date, equal to (a) the quotient of (1) the Reference CPI-U for the current Debt Service Payment Date minus the Reference CPI-U for the immediately preceding Debt Service Payment Date (or in the case of the first Debt Service Payment Date, the Initial CPI-U), divided by (2) the Reference CPI-U for the immediately preceding Debt Service Payment Date (or in the case of the first Debt Service Payment Date, the Initial CPI-U), multiplied by (b) the quotient of (1) the Days in the Year in which the current Debt Service Payment Date falls, divided by (2) the actual number of days in the current interest period. The resulting product will be truncated to six decimal places and rounded to five decimal places.

**“Initial CPI-U”** equals 188.0

**“MUNI-CPI Rate”** means for each maturity the sum of the Floating Rate-CPI plus the Constant Rate for such maturity. If for any Debt Service Payment Date the sum of the Floating Rate-CPI plus the Constant Rate results in zero or a negative number, the MUNI-CPI Rate will be zero for that Debt Service Payment Date. In no event will the MUNI-CPI Rate exceed 18% per annum.

**“Reference CPI-U”** means the CPI-U for the third calendar month immediately preceding the Debt Service Payment Date.

**“Reference Month”** means the third calendar month immediately preceding the relevant Debt Service Payment Date.

**“Reset Date”** means a date that is not earlier than the fifth Business Day following the release of the Reference CPI-U for the applicable Debt Service Payment Date or later than the date which is seven days prior to the respective Debt Service Payment Date.

**“Treasury Inflation-Protection Securities”** means the inflation-indexed securities issued by the United States Treasury.

**The CPI Bonds: Maturities, Principal Amounts and Constant Rates**

| CPI Bonds Maturing January 1 | Principal Amount | Constant Rate |
|---|---|---|
| 2015 | $19,995,000 | 1.78% [(1)] |
| 2016 | 21,075,000 | 1.75% [(1)] |
| 2017 | 22,210,000 | 1.71% [(1)] |
| 2018 | 23,310,000 | 0.80% [(2)] |

[(1)] CPI Bonds reoffered at a premium.
[(2)] CPI Bonds reoffered at par.

**MUNI-CPI Rate -General**

The CPI Bonds bear interest at a floating MUNI-CPI Rate such that each interest payment thereon takes into account inflation and deflation from the Reference Month with respect to the immediately preceding Debt Service Payment Date. The MUNI-CPI Rate has two components, which are together paid to the registered owner semiannually: (i) the Floating Rate-CPI, which increases or decreases during each semiannual period to correspond to the percentage change in the CPI-U and (ii) the Constant Rate. If for any Debt Service Payment Date the sum of the Floating Rate-CPI and the Constant Rate results in zero or a negative number the interest rate for the CPI Bonds for such Debt Service Payment Date will be zero. In no event will the MUNI-CPI Rate exceed 18% per annum.

**Calculating the MUNI-CPI Rate; Interest Payments**

The MUNI-CPI Rate for the CPI Bonds equals the Floating Rate-CPI plus the Constant Rate. The Floating Rate-CPI equals the change in CPI-U multiplied by the quotient of(i) the number of Days in the Year in which the Debt Service Payment Date falls divided by (ii) the actual number of days in the current interest period. The change in the CPI-U will equal the quotient of(a) the Reference CPI-U for the current Debt Service Payment Date minus the Reference CPI-U for the immediately preceding Debt Service Payment Date (or in the case of the first Debt Service Payment Date, the Initial CPI-U), divided by (b) the Reference CPI-U for the immediately preceding Debt Service Payment Date (or in the case of the first Debt Service Payment Date, the Initial CPI-U).

The MUNI-CPI Rate per annum on the CPI Bonds for any interest period will be determined as follows and will depend on the value of the Current Reference CPI-U and the Preceding Reference CPI-U as shown below:

$$\text{Floating Rate-CPI} = \frac{\text{Current Reference CPI-U} - \text{Preceding Reference CPI-U}}{\text{Preceding Reference CPI-U}} \quad \textbf{multiplied by} \quad \frac{\text{Days in the Year}}{\text{Actual Days in Current Interest Period}^{1}}$$

MUNI-CPI Rate = Floating Rate CPI-U determined for the applicable Debt Service Payment Date plus the Constant Rate

Current Reference CPI-U = The Reference CPI-U for the current Debt Service Payment Date.

[1] The current interest period will include the preceding Interest Payment Date and will exclude the day on which the current Debt Service Payment Date falls.
The Floating Rate-CPI will be truncated to six decimal places and rounded to five decimal places. If the number in the sixth decimal place is five or higher, the fifth decimal place will be rounded up.

Preceding Reference CPI-U = The Reference CPI-U for the immediately preceding Debt Service Payment Date (or the Initial CPI-U for the initial interest calculation).

Interest on the CPI Bonds at the MUNI-CPI Rate will be payable in arrears on each Debt Service Payment Date to the owners thereof as of the applicable Record Date and will be computed on the basis of a 365 or 366-day year (as applicable) for the number of days actually elapsed. Interest will accrue at the MUNI-CPI Rate on the principal amount from and including the delivery date or the immediately preceding Debt Service Payment Date to, but not including, the next succeeding Debt Service Payment Date. The MUNI-CPI Rate is determined in arrears on each Reset Date and applied retroactively to all days in the relevant interest period. Interest payments on any Debt Service Payment Date shall equal the principal amount of CPI Bonds multiplied by the MUNI-CPI Rate multiplied by the quotient obtained by dividing (1) the actual number of days in the relevant interest period by (2) the Days in the Year in which the Debt Service Payment Date falls. The determination of any MUNI-CPI Rate by the Calculation Agent will be final, absent manifest error. The minimum MUNI-CPI Rate for any interest period will be zero and the maximum will be 18%.

Interest on the CPI Bonds shall be paid on each Debt Service Payment Date; provided, however, that notwithstanding anything herein to the contrary, for purposes of calculating interest accruals at the MUNI-CPI Rate for any interest period, the Debt Service Payment Dates shall be deemed to be January 1 and July 1, without regard for whether any of such dates is a Business Day.

At or prior to 12:00 Noon (New York City time) on each Reset Date, the Calculation Agent shall calculate the Floating Rate-CPI applicable to the next succeeding Debt Service Payment Date and shall supply to the Trustee the Floating Rate-CPI so determined and the number of days in the period to which such Floating Rate-CPI applies in writing or by electronic communication promptly confirmed in writing. As noted, the calculation of the Floating Rate-CPI by the Calculation Agent shall be final and conclusive and binding on the Trustee, the holders of the CPI Bonds and the Commonwealth, absent manifest error.

There will be no adjustment to the principal amount of the CPI Bonds at maturity or at any other time during the term of the CPI Bonds. The amount that holders of the CPI Bonds will receive at maturity is equal to the principal amount of CPI Bonds purchased by such holders.

*Example.* Assume if the Constant Rate is 1.1%, the Reference CPI-U for the current Debt Service Payment Date is 184.5 and the Initial CPI-U (or the Reference CPI-U for the previous Debt Service Payment Date) was 181.7. Further assume the actual number of days in the current interest period are 183, and assuming no portion of the current interest period falls in a leap year, the Days in the Year are 365. The Floating Rate-CPI and the amount of interest paid on $1,000 of principal amount of CPI Bonds for such interest period would be as follows:

$$\text{Floating Rate-CPI} = \frac{184.5-181.7}{181.7} \times \frac{365}{183}$$

$$= 0.030735$$

$$= 0.030735 \text{ (truncated to six decimal places)}$$

$$\text{Floating Rate-CPI} = 0.03074 \text{ (rounded to five decimal places)}$$

$$\text{MUNI-CPI Rate} = 0.0110 + 0.03074$$

$$= 0.04174$$

Amount of interest paid for the calculation period on $1,000 principal amount of CPI Bonds:

$$\text{Interest Paid} = 4.174\% \times \frac{183}{365} \times \$1{,}000$$

$$= \$20.93$$

The numbers in the foregoing example are given for illustration and information purposes only and are in no way a prediction of the CPI-U or interest rates on the CPI Bonds offered hereby.

**Description of CPI-U**

The CPI-U is a measure of the average change in consumer prices over time in a fixed market basket of goods and services, including food, clothing, shelter, fuels, transportation, charges for doctors' and dentists' services, and drugs. In calculating the CPI-U, price changes for the various items are averaged together with weights that represent their importance in the spending of urban households in the United States. The contents of the market basket of goods and services and the weights assigned to the various items are updated periodically to take into account changes in consumer expenditure patterns.

The CPI-U is expressed in relative terms in relation to a time base reference period for which the level is set at 100. For example, if the CPI-U for the 1982-1984 reference period is 100.0, an increase of 16.5 percent from that period would be shown as 116.5. The CPI-U for a particular month is generally released and published in the following month. From time to time, the CPI-U is rebased to a more recent base reference period. The base reference period for the CPI Bonds will be the 1982-1984 period with an average of 100.0. This is the same base reference period used by the U.S. Treasury for purposes of calculating the inflation adjustment for the Treasury Inflation-Protection Securities first auctioned on January 29, 1997 (CUSIP #9128272M3).

**If a previously reported CPI-U is revised, the CPI Bonds will continue to use the previously reported CPI-U in calculating interest payments. If CPI-U is rebased to a different year, the CPI Bonds will continue to use the CPI-U based on the base reference year in effect on the date the CPI Bonds were issued.**

If while a Treasury Inflation-Protection Security is outstanding, the applicable CPI-U is (1) discontinued, (2) in the judgment of the Secretary of the U.S. Treasury, fundamentally altered in a manner materially adverse to the interests of an investor in Treasury Inflation-Protection Securities, or (3) in the judgment of the Secretary of the U.S. Treasury, altered by legislation or executive order in a manner materially adverse to the interests of an investor in Treasury Inflation-Protection Securities (each, a "Material Alteration"), the U.S. Treasury has announced that, after consulting with the Bureau of Labor Statistics, or any successor agency, the U.S. Treasury will substitute an appropriate alternative index and will notify the public of the substitute index and how it will be applied (the "Substitute Index and Methodology"). Determinations of the Secretary of the U.S. Treasury in this regard will be final. If the U.S. Treasury announces a Substitute Index and Methodology for determining the CPI-U while a Treasury Inflation-Protection Security is outstanding, the MUNI-CPI Rate will be calculated based on such Substitute Index and Methodology. Determinations of the Calculation Agent of the MUNI-CPI Rate utilizing the Substitute Index and Methodology will be final.

For any date in respect of which the Reference CPI-U is determined (a "Reference Date"), if (i) while a Treasury Inflation-Protection Security that requires a determination of the CPI-U for such Reference Date (the "Reference TIP") is outstanding, a Material Alteration has occurred, and the U.S. Treasury has not notified the public of a Substitute Index and Methodology or (ii) while a Reference TIP is not outstanding, and in the judgment of the Calculation Agent the CPI-U is (a) discontinued, (b) fundamentally altered in a manner materially adverse to the interests of an investor in the CPI Bonds, or (c) altered by legislation or executive order in a manner materially adverse to the interests of an investor in the CPI Bonds, then the Calculation Agent will substitute an appropriate alternative index and will determine how it will be applied, which, in the judgment of the Calculation Agent, will result in interest payments on the CPI Bonds which are substantially the same as those which would have been calculated utilizing the methodology for determining CPI-U applicable on the date the CPI Bonds were issued. Determinations of the Calculation Agent in this regard will be final.

If the CPI-U for a particular month is not reported by the last day of the following month, the U.S. Treasury has indicated that it will announce an index number based on the last twelve-month change in the CPI-U available (the "Substitute Index Number"). Any calculations of the Commonwealth's payment obligations on the CPI Bonds that rely on that month's CPI-U will be based on the Substitute Index Number. The formula for calculating the Substitute Index Number to be used is:

$$\text{Reference CPI-U}_M = \text{CPI} - \text{U}_{M-1} \quad \text{x} \quad \left[ \frac{\text{CPI-U}_{M-1}}{\text{CPI-U}_{M-13}} \right]^{1/12}$$

This Substitute Index Number will be used for all subsequent calculations that rely on that month's index number and will not be replaced by the actual CPI-U when it is reported. Generalizing for the last reported CPI-U issued N months prior to month M:

$$\text{Reference CPI-U}_M = \text{CPI} - \text{U}_{M-N} \quad \text{x} \quad \left[ \frac{\text{CPI-U}_{M-N}}{\text{CPI-U}_{M\ N-13}} \right]^{N/12}$$

M = current month

In the event that the Secretary of the U.S. Treasury has not announced a Substitute Index Number pursuant to the immediately preceding paragraph, then the Calculation Agent will determine the Substitute Index Number based on the formula set forth above.

**Bondowner's Considerations**

Owners of the CPI Bonds should note that the MUNI-CPI Rate will increase or decrease on each Debt Service Payment Date as the Floating Rate-CPI increases or decreases from the Reference Month with respect to the immediately preceding Debt Service Payment Date. Therefore, application of the MUNI-CPI Rate to the par amount will result in lower interest if the Floating Rate-CPI decreases from the Reference Month with respect to the immediately preceding Debt Service Payment Date and higher interest if the Floating Rate-CPI increases from the Reference Month with respect to the immediately preceding Debt Service Payment Date. If for any Debt Service Payment Date the sum of the Floating Rate-CPI and the Constant Rate is zero or a negative number, the MUNI-CPI Rate for such period will be zero.

An investment in securities with interest determined by reference to an inflation index involves factors independent of the creditworthiness of the Commonwealth or the Convention Center Fund or otherwise not associated with an investment in securities with interest determined by reference to a fixed rate, floating rate or other index-linked rate. Such factors may include, without limitation, the volatility of the CPI-U, the amount of other securities linked to the CPI-U, the level, direction and volatility of the market interest rates generally, the possibility that the inflation index may be subject to significant changes, that changes in the inflation index may or may not correlate to changes in interest rates generally or with changes in other indices and that the resulting interest may be greater or less than that payable on other securities of similar maturities. **In addition, in the event of a reduction in the rate of increase in the inflation index or deflation, the amount of the semiannual interest payments may decrease or may be zero.**

The value of the inflation index may depend on a number of factors, including economic, financial and political events over which the Commonwealth has no control. The historical experience of the inflation index should not be taken as an indication of its performance during the term of the CPI Bonds. While the CPI-U measures changes for prices in goods and services, movements in the CPI-U that have occurred in the past are not necessarily indicative of changes that may occur in the future. The calculation of the index ratio incorporates an approximate three-month lag, which may have an impact on the trading price of the securities, particularly during periods of significant, rapid changes in the index. In addition, there can be no assurance that accrued interest determined prior to the release of the Reference CPI-U will accurately reflect the rate payable on the next succeeding Debt Service Payment Date.

## APPENDIX F - SPECIMEN BOND INSURANCE POLICY

FGIC

Financial Guaranty Insurance Company
125 Park Avenue
New York, NY 10017
T 212·312·3000
T 800·352·0001

# Municipal Bond
# New Issue Insurance Policy

| | |
|---|---|
| **Issuer:** | **Policy Number:** |
| | **Control Number:** 0010001 |
| **Bonds:** | **Premium:** |



Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to U.S. Bank Trust National Association or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all



Form 9000 (10/93)

FGIC

Financial Guaranty Insurance Company
125 Park Avenue
New York, NY 10017
T 212·312·3000
T 800·352·0001

# Municipal Bond
# New Issue Insurance Policy

principal and interest Due for Payment on such Bond. “Notice” means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. “Business Day” means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.



In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

**President**

**Effective Date:** **Authorized Representative**

U.S. Bank Trust National Association, acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

**Authorized Officer**



Form 9000 (10/93)

FGIC

Financial Guaranty Insurance Company
125 Park Avenue
New York, NY 10017
T 212·312·3000
T 800·352·0001

# Endorsement
## To Financial Guaranty Insurance Company Insurance Policy

| Policy Number: | Control Number: 0010001 |
| --- | --- |



It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

Frank Bivona

**President**

**Effective Date:** **Authorized Representative**

**Acknowledged as of the Effective Date written above:**

**Authorized Officer**
**U.S. Bank Trust National Association, as Fiscal Agent**



Form 9000 (10/93)