

Debt Issuance and Debt Management Policy

June 15, 2023



**Massachusetts Port Authority
Debt Issuance and Debt Management Policy**

**Adopted by the Board on February 18, 2010
As Amended through June 15, 2023**

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MASSACHUSETTS PORT AUTHORITY DEBT ISSUANCE AND DEBT MANAGEMENT POLICY

I. Purpose

In accordance with the requirements of the Massachusetts State Finance and Governance Board (“SFGB”)¹, as well as the recommended practices of the Government Finance Officers Association (“GFOA”), the National Association of Bond Lawyers (“NABL”) and the Internal Revenue Service (“IRS”) of the U.S. Department of Treasury, the purpose of the Massachusetts Port Authority (“Massport” or the “Authority”) Debt Issuance and Debt Management Policy (the “Policy”) is to establish direction from the Members of the Authority (the “Board”) for the issuance and management of the Authority’s long and short-term debt in conformance with Massport’s Enabling Act² and other applicable laws, and with the terms of the 1978 Trust Agreement³, the Passenger Facility Charge (“PFC”) Depository Agreement⁴, and the 2011 Customer Facility Charge (“CFC”) Trust Agreement⁵, as applicable. No third party shall be a beneficiary of or have any rights under or to enforce this Policy.

Furthermore, the adoption and adherence to a Board-approved debt policy will enhance the Authority’s ability to preserve the quality of financial management and the associated double-A level of bond ratings that it has received/earned to date.

The amount of the Authority’s debt that is outstanding and its related annual costs are important long-term obligations. All debt service costs must be paid in full when due. This Policy provides guidelines for effective debt management. It is intended to assure that: (1) all debt is paid on time and in full, (2) the Authority complies with all applicable legal and regulatory requirements, including tax requirements, disclosure obligations and other applicable state and federal laws, and (3) the Authority adheres to prudent policy guidance regarding debt issuance and management that is intended to maintain the Authority’s strong credit ratings.

¹ See 976 CMR 2.04, requiring state entities authorized to issue debt to adopt policies relating to debt management.

² Chapter 465 of the Acts of 1956, as amended (the “Enabling Act”).

³ Trust Agreement dated as of August 1, 1978, as supplemented and amended from time to time (the “1978 Trust Agreement”), between the Authority and U.S. Bank Trust Company, National Association (as successor-in-interest to State Street Bank and Trust Company), as Trustee (the “GARB Trustee”).

⁴ PFC Depository Agreement dated as of July 3, 2017, as supplemented and amended from time to time (the “PFC Depository Agreement”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as depository (the “PFC Depository”).

⁵ CFC Trust Agreement dated as of May 18, 2011, as supplemented and amended from time to time (the “CFC Trust Agreement” and together with the 1978 Trust Agreement, the “Trust Agreements”), between the Authority and U.S. Bank Trust Company, National Association, as Trustee (the “CFC Trustee”).

II. Types of Debt Issued

Massport may issue revenue bonds and bond anticipation notes (in the form of commercial paper and other short-term debt instruments) under the 1978 Trust Agreement, and project bonds secured by a single stream of revenues (including CFC revenues under the CFC Trust Agreement and other special facilities revenue bonds). Bonds issued under the 1978 Trust Agreement may also be paid from “Available Funds” which can include specified PFCs or CFCs. Massport also may issue subordinated debt under the 1978 Trust Agreement payable solely from the Improvement and Extension (“I&E”) Fund and conduit debt, such as special facilities financings, for which dedicated revenues from the financed facility are the sole security for the bonds and a party or parties other than the Authority is the obligor. Each type of debt may be issued on either a tax-exempt or taxable basis.

As a revenue bond authority, all of Massport’s non-conduit debt is backed solely by Massport’s revenues. Since Massport does not have taxing power and cannot pledge taxes or mortgage its properties, Massport does not issue general obligation (“GO”) debt. Massport’s debt does not constitute a general obligation, or a debt or a pledge of the faith and credit of The Commonwealth of Massachusetts (the “Commonwealth”) or any political subdivision thereof.

Massport issues debt according to the terms of its various Trust Agreements, which specify which revenues are pledged to repay the debt and other terms. As of 2023, the Authority has issued and outstanding senior lien debt under two separate trust agreements: the 1978 Trust Agreement and the CFC Trust Agreement. There are currently no PFC Revenue Bonds outstanding, although as noted herein, PFCs may be and have been designated as “Available Funds” under the 1978 Trust Agreement and applied to pay debt service on bonds issued thereunder.

Upon receiving bondholder consent, the Twenty-First Supplemental Agreement, dated June 23, 2016, effective July 17, 2019, states that the Authority has determined that having the ability to pledge and irrevocably set aside Available Funds (as defined herein) to pay principal of, interest on and premium, if any, on specific Series or maturities within a Series of Bonds would allow for the more efficient use of such PFCs, CFCs and other funds to finance improvements to its Airport Properties. In addition, “Available Funds” means for any period of time, (i) the amount of PFC Revenues and/or CFCs to be received by the Authority during such period and not previously pledged or irrevocably committed to payment of principal of, interest on or premium, if any, on a Series of Bonds, and (ii) the amount of any other future income or revenue source not then included in the definition of “Revenues” that the Authority designates as “Available Funds” in a future resolution duly adopted by the Members of the Authority supplementing the Agreement; provided, however, that any such resolution shall also establish a corresponding account and the functional provisions for the receipt, deposit and application of such source of income or revenue. The Authority has also issued subordinate debt, the debt service of which is paid

solely from the funds within the I&E Fund under a supplemental agreement to the 1978 Trust Agreement, and commercial paper, payable on a subordinated basis or from the proceeds of subsequently issued bonds.

Under the appropriate legal and administrative conditions, Massport can serve as a conduit issuer whereby an unrelated borrower seeks to access the Authority's issuing powers while assuming the responsibility to repay the debt. An example of an issue currently outstanding includes special facilities bonds issued to finance the construction of the airplane fuel distribution system at Logan Airport (the "BOSFUEL Bonds") for which a third party, BOSFuel Corporation, is solely responsible for repayment.

Each such issue of conduit bonds has its own unique loan and trust agreement that does not pledge any revenue source that would otherwise be available for the repayment of Massport's own indebtedness under its Trust Agreements.⁶

⁶ A list of all outstanding debt issued by the Authority can be found in the Authority's audited financial statements, Note 5: Bonds and Notes Payable.

III. Debt Limits

A. Legal Limits

Massport's debt is issued only in compliance with its Enabling Act and other applicable Massachusetts law, the appropriate Trust Agreement, and applicable federal law and Treasury Department regulations.

The Enabling Act requires that all Massport debt be issued to finance capital construction on or in properties owned by or subject to a long-term lease in favor of Massport, or to refund existing debt. Short-term bond anticipation notes, which have been issued in the form of commercial paper, may be issued in a principal amount of up to 10% of the value of the Authority's then outstanding long-term debt. Under the 1978 Trust Agreement, the Authority may not issue revenue anticipation notes, and may not borrow for working capital.

The 1978 Trust Agreement requires that, with stated, limited exceptions, all of the revenues collected by the Authority are pledged to secure payment of all of the senior debt issued under that Trust Agreement.⁷ The definition of pledged revenues generally includes all revenues generated by Massport, with certain limited exceptions, including PFCs, CFCs and revenues generated by facilities constructed with proceeds of special facilities revenue bonds, the revenues from which are pledged to the repayment of conduit bonds.

Before the Authority can issue additional bonds under the 1978 Trust Agreement, it must comply with certain provisions contained therein:

- Additional bonds must comply with the provisions in Section 210 of the 1978 Trust Agreement that include a choice of tests: either (i) minimum historical debt service coverage when comparing prior actual Net Revenues (pledged revenues minus current expenses as defined by the 1978 Trust Agreement) to the maximum annual anticipated debt service (including the debt to be issued) or (ii) minimum debt service coverage using projected Net Revenues upon completion of the funded projects compared with the maximum annual anticipated debt service.
- Of the other requirements for additional bonds, the most significant is the requirement that sufficient revenues be generated to fund projected operating costs, current debt service, a minimum deposit of 1% of replacement cost into the Maintenance Reserve Fund and a deposit to the Payment in Lieu of Taxes ("PILOT") Fund sufficient to pay PILOT as and when due, with sufficient funds available for deposit into the I&E Fund that are greater than the amounts required to cover the debt service on any subordinate debt then outstanding. This is referred to as the "One to One" test.

⁷ See Section 101 of the 1978 Trust Agreement.

Before the Authority can issue additional bonds under the CFC Trust Agreement, it must comply with certain provisions contained therein:

- Under Section 3.02 of the CFC Trust Agreement, additional parity CFC bonds must either meet a minimum historical debt service coverage test or a minimum projected debt service coverage test.
- The Authority must demonstrate continued funding of several reserve funds.
- The Authority may issue refunding bonds if it complies with one of the coverage tests or it demonstrates that debt service will be reduced.
- The Authority may issue subordinate debt secured by CFCs that meets a lesser coverage test.

For debt obligations to qualify for tax-exempt status under current federal law, the Internal Revenue Code requires, among other things, that the facilities financed by the debt serve a governmental purpose and not have excessive “private business use,” or the debt must qualify as “exempt facility” debt. Tax-exempt debt that finances facilities without excessive private business use will be considered “governmental” debt and in general will not be subject to the alternative minimum tax. Tax-exempt debt that qualifies as “exempt facility” debt will be considered “private activity” debt and, with certain exceptions, will be subject to the alternative minimum tax. Federal tax reform enacted in 2017 and effective January 1, 2018 eliminates tax-exempt advance refundings of governmental purpose bonds. Federal legislation enacted in 2009 permitted state and local governments and public authorities, including the Authority, to sell private activity bonds in 2009 and 2010 the interest on which is not subject to the alternative minimum tax. (This law expired on December 31, 2010.) The Authority issued three series of such bonds in 2010, including one series of bonds under the PFC Trust Agreement, all of which have been subsequently refunded. Certain refundings of such bonds may qualify for the same exception from alternative minimum tax.

B. Public Policy Objectives

- Bond-funded projects should be central to Massport’s core mission.
- Projects should be funded in a manner that does not overly impair or preclude the funding of future projects.
- Debt practices should support the maintenance of Massport’s Aa2 (Moody’s), AA (Fitch) and AA (S&P) long-term ratings on its senior lien bonds issued under the 1978 Trust Agreement.
- The Authority should maintain sufficient reserves and funds on hand to be available to pay a portion of expenses and debt service in emergency situations and to be available to finance a portion of projects on a pay-as-you-go basis.

- Projects to be funded with bond proceeds must be included in a five-year capital program (“Five-Year Capital Program”) that meets the tests of funding long-term maintenance of the Authority’s facilities at Logan, Hanscom and Worcester Airports.
- To the extent legally and practically feasible and consistent with Massport strategy, federally tax-exempt bonds are preferable to federally taxable bonds, and tax-exempt bonds eligible for exclusion from federal alternative minimum tax are preferable to tax-exempt bonds subject to the federal alternative minimum tax.

C. Financial Limits

Revenue bonds for which the Authority is both issuer and obligor should conform to the goal of maintaining the metrics associated with a double-A credit. New aeronautical projects funded with bonds should generate 1.25x coverage. (Coverage is defined as a project’s revenue minus operating expenses, divided by the project’s annual debt service.) New non-aeronautical projects should generate more than 1.50x coverage if they are to be funded with bonds.

- Individual projects that do not generate at least 1.25x coverage may be considered if (i) such projects are being completed in order to pursue revenue generating projects in the future and (ii) another revenue source has been identified to ensure such coverage. Otherwise, such projects should be funded with internally generated capital (also referred to as “pay-go cash”).
- Each fiscal year’s financial projections associated with the Five-Year Capital Program should (i) fully fund the debt service for bonds issued under the 1978 Trust Agreement, (ii) fund projected operating expenses, (iii) maintain the desired minimum balances in the Maintenance Reserve Fund (\$30 million) and in the I&E Fund (\$50 million), and (iv) pass the “One-to-One” test each year (which means that sufficient revenues must be collected to fund operating expenses, current debt service, the deposit of at least 1% of the replacement cost of the Authority’s assets into the Maintenance Reserve Fund, the required deposit into the Payment in Lieu of Taxes Fund, and still make a deposit into the I&E Fund that is greater than the debt service requirements of the subordinate debt then outstanding).
- Each year’s projections within the five-year forecast should aim to demonstrate the coverage shown for the least robust year in the five-year projections should not be below 1.75x, and annual debt service coverage (that is, Revenues according to the 1978 Trust Agreement⁸ less current expenses according to the 1978 Trust Agreement divided by annual debt service) in excess of 2.00x.

⁸ The debt limits are calculated according to terms defined in the 1978 Trust Agreement, which are not the same as the terms used in GAAP accounting that form the basis of the Authority’s audited financials.

- Each year's projections should demonstrate day's cash (the combined ending balance, aggregating the balances in the operating reserve⁹, the Maintenance Reserve Fund and the I&E Fund (including the Capital Budget Account) divided by the quotient of the Current Expense Budget divided by 365) of 200 days, with the goal of attaining overall liquidity (defined as cash plus CFC Revenues plus unutilized commercial paper) of 250 days cash on hand.
- Each year's projections should demonstrate an operating ratio (Operating Expenses plus PILOT payments divided by Operating Revenues (i.e. revenues without interest earnings)) that should be no more than 70%, with a goal of attaining 65%.
- Neither the Maintenance Reserve Fund nor the I&E Fund is expected to be used for the payment of debt service on senior lien tax-exempt debt, nor is there reasonable assurance that amounts would be available in such funds to pay debt service in the event the Authority encounters financial difficulties (in the rare instances where subaccounts within the I&E Fund are used to pay debt service on subordinate debt, appropriate measures are taken to ensure compliance with the arbitrage rules).

Conduit debt may be issued when the project is central to the Authority's mission, will be owned by the Authority, subject to a lease to the obligor for a period at least equal to the term of the debt and is or will be located on Authority property.

It is Massport's desire to issue such conduit debt in ways that do not place substantial operating or administrative burdens on the Authority should the obligor be unable to repay the debt obligations in the future. Furthermore, Massport would not expect to sell conduit debt that relies on the Authority's general creditworthiness or individual revenue sources of the Authority.

Short-term debt issuance is limited by the Enabling Act to a maximum principal amount of 10% of the Authority's outstanding long term revenue bonds, and to the purpose of funding capital projects. Matters of specific sizing of short-term debt and its term should be consistent with the Authority's financial plan supporting that year's Five-Year Capital Program.

⁹ See, generally, sub clause (iv) of Section 506(II) of the 1978 Trust Agreement.

IV. Use of Derivatives

- Use of derivatives in connection with debt must comply with the terms of the Authority's Financial Hedge Policy adopted by the Authority on October 21, 2004, as amended from time to time, and with the Investment Oversight Committee's Financial Hedge Policies and Procedures then in effect.
- Bond Counsel and the Financial Advisor and/or an independent Swap Advisor will be consulted in the event the Authority is considering entering into, or modifying, any swap or other derivative in connection with tax-exempt debt.
- In order to use derivative products, the Authority must comply with the requirements set forth in 976 CMR 2.01 – 2.08 regarding submittal to and review of derivative products by the State Finance and Governance Board. Note that these regulations can be interpreted to include variable rate debt as a "derivative" subject to SFGB review.

V. Debt Structuring Practices

- The maximum term of Massport's debt should not exceed the useful life of the assets financed, generally 25 to 30 years. Shorter-lived assets should be funded with internally-generated funds or grants, or with short-term debt.
- The debt service schedule should generally provide for substantially level debt service payments in the aggregate in order to maximize future debt capacity, unless circumstances, as described in a memo prepared by the Financial Advisor [or Bond Counsel], warrant differing treatment.
- Debt that is non-callable beyond customary periods (usually ten years) should generally be avoided to optimize future flexibility. In the event that a longer non-callable period is considered, a cost benefit analysis should be performed in connection with making such determination, and Bond Counsel should be consulted in the event of tax-exempt debt.
- Capitalized interest (or the payment of interest from bond proceeds) should be limited to two years unless the project construction period specifically calls for a longer time period; capitalized interest should be avoided on PFC and CFC debt, with respect to which the revenue streams are independent of the completion date of the project, unless using capitalized interest provides a financial or economic benefit without incurring additional risk.
- The Authority's debt portfolio will be structured in accordance with the criteria of the rating agencies then in effect for double-A credits. As of the date of this Policy, the guidelines are that fixed rate debt should constitute at least 70% of the revenue bond portfolio. All variable-rate debt outstanding, including utilized and outstanding commercial paper, should be hedged. Variable-rate debt will be considered hedged if the Authority has either an equivalent amount of cash, or through the use of interest rate swaps or other derivative hedging products. Debt hedged with interest rate swaps and derivative products should not exceed 15% of the portfolio.

VI. Debt Issuance Practices

- The Authority will engage Bond Counsel to advise it on its debt issuances and related matters.
- The Authority will engage a Financial Advisor to advise it on, among other matters, the advantages, disadvantages and risks associated with the financial structure of the proposed debt issuances and to aid the Authority in negotiating the transaction with the investment bankers and to conform with the requirements of the Enabling Act and the relevant Trust Agreement. The Authority shall ensure that the Financial Advisor is a duly registered municipal advisor in good standing with the Securities and Exchange Commission (“SEC”) and the Municipal Securities Rulemaking Board (“MSRB”).
- The Authority will engage Disclosure Counsel to advise it on current disclosure practices and on the type of disclosure that is necessary to comply with regulatory requirements or is otherwise desirable.
- Senior managing underwriters and co-managing underwriters shall be selected through a competitive process.
- It is Massport’s preference to sell debt on a negotiated basis in recognition of the markets’ and the rating agencies’ views of airports and that airport revenue bonds are “story bonds”. Sale through a negotiated process also enables the Authority to select the appropriate time to enter the market and to structure or restructure the debt issues as market conditions warrant. However, from time to time the Authority will consider other methods of selling debt, such as a competitive sale.
- Projects to be funded with a new money issue will first be identified and designated for bond funding in an Inducement Resolution (adopted each year, or more frequently, by the Board following the approval of the Five-Year Capital Program) to ensure compliance with U.S. Treasury Department regulations. The Inducement Resolution will identify those capital expenditures that the Authority expects to reimburse with proceeds of tax-exempt debt. Inducement Resolutions should be reviewed by Bond Counsel to ensure compliance with the law and interpretation thereof existing at the time each Inducement Resolution is adopted. Inducement Resolutions should not be adopted as “blanket declarations” (e.g., should not be declared as a matter of course or in amounts substantially in excess of the amounts expected to be necessary for a project).
- Taxable or tax-exempt refundings will be considered when the following targets are met: aggregate present value savings are at least 3% and the present value savings per bond is generally at least 2% per maturity. In addition to debt service savings, the Authority will consider the opportunity cost of refunding the bonds, the potential loss of call option flexibility, and the potential of refunding the bonds for greater savings in the future when evaluating refunding opportunities. There may be circumstances when these targets are not met due to various factors such as the desire to modify legal provisions, to reduce administrative costs by eliminating an entire outstanding bond issue, or to restructure debt in order to adhere to the financial limits

stated in this Policy and, in such cases, such circumstances shall be appropriately memorialized.

- Credit ratings should be maintained with at least two of the three rating agencies currently rating Massport's bonds: Moody's, Standard & Poor's and Fitch, or any other Nationally Recognized Statistical Rating Organization ("NRSRO") designated by the Authority by notice to the applicable bond trustee.
- Prior to or at the time of the final approval of any resolution to issue debt, other than special facilities revenue bonds, the Board should review and adopt a recommendation from the Authority's Financial Advisor regarding the structure, size, and manner of sale of a proposed issue. Any such Board approval and the text of the Financial Advisor's recommendation will be presented for review to the State Finance and Governance Board, if required in accordance with the policies and procedures of that board.
- Prior to the distribution of a Preliminary Official Statement ("POS") relating to an issuance of the Authority's bonds, the Board will be provided with a draft of the POS and the opportunity to review and comment upon it, and the Board will adopt a resolution authorizing the issuance of the proposed debt and delegating to staff the ability to approve the final pricing of the bonds within specified parameters.
- In order to comply with the SEC's and the MSRB's requirements regarding municipal advisors, and obtain on-going information from parties other than the Financial Advisor that may constitute "municipal advice" under the SEC's regulations, the Authority may utilize the provisions of the "independent registered municipal advisor exception" to the SEC's regulations. In order to do so, the Authority may post or otherwise disseminate to participants in the municipal market the name and principal address of the Financial Advisor, the names of the persons associated with the Financial Advisor that are primarily assigned to serve the Authority, and a summary of the Financial Advisor's scope of services. Before accepting any municipal advice from a person other than the Financial Advisor, such person shall disclose in writing to the Authority and the Financial Advisor that such person is not acting as a municipal advisor and that such person does not have a fiduciary duty to the Authority. Following receipt of such notice, Authority staff may meet with such persons with or without the Financial Advisor being present and may elect to hold any materials provided by such person in confidence, to the extent permitted by applicable law.

VII. Debt Management Practices

On an annual basis, in conjunction with the audit, the Authority will review the procedures below and prepare a memorandum confirming the Authority's continuing compliance with such procedures with respect to each outstanding tax-exempt debt issue.¹⁰ The Authority's staff shall adopt and implement practices

¹⁰ Certain of the procedures contained in this Section VII of the Policy have been modeled on the Post Issuance Compliance Checklist jointly developed by NABL and the GFOA.

and procedures that are intended to ensure compliance with the requirements of federal tax and securities law and regulation relating to tax-exempt bonds.

A. Form 8038 and Use of Facilities

- Form 8038-G (for governmental bonds) or Form 8038 (for private activity bonds) shall be filed promptly after closing, and proof of filing the form with the IRS will be included in the official bond transcript.
- New money commercial paper issued within an 18-month period will be treated as a single issue for tax purposes, and a single Form 8038-G or 8038 (as applicable) shall be filed at the beginning of each such 18-month period, except as may be otherwise provided in the applicable tax certificates.
- Governmental bonds (Non-AMT debt): Bond Counsel review at the time of issuance, based on information provided by the Authority, will ensure that no private business use arrangement with a private entity beyond permitted *de minimis* use will be included in the financed facilities. The Administration & Finance (A&F) Treasury Unit will monitor the use of bond-financed facilities on an on-going quarterly basis thereafter, consulting with Bond Counsel as required.
- Private activity bonds (i.e., generally, bonds on which the interest is subject to the alternative minimum tax): Bond Counsel review at the time of issuance, based on information provided by the Authority, will ensure that the financed facilities will qualify as “exempt facilities” for federal tax purposes. The A&F Treasury Unit will monitor use of these facilities on an on-going quarterly basis thereafter, consulting with Bond Counsel as required.
- In the event that the A&F Treasury Unit determines that noncompliant use of financed activities has occurred, or is reasonably expected to occur, the A&F Treasury Unit will promptly consult with Bond Counsel to determine whether it is necessary to take a remedial action to meet the applicable use-of-proceeds requirements. In the case of governmental bonds, remedial actions may include, depending on the facts and circumstances, the following: redemption or defeasance of nonqualified bonds; alternative qualifying use of disposition proceeds; and alternative qualifying use of financed facilities. In the case of qualified private activity bonds, remedial actions may include redemption or defeasance of nonqualified bonds. In general, the A&F Treasury Unit will obtain an opinion of Bond Counsel relating to each remedial action. In the event that it is not possible to take a remedial action, because of timing or other factors, the A&F Treasury Unit will consult with Bond Counsel to determine whether it is necessary to submit a voluntary closing agreement request to the Internal Revenue Service.

B. Arbitrage Regulations

- The Authority will engage a Rebate Consultant to calculate the rebate and yield reduction payment liability annually for each issue of tax-exempt bonds and to instruct the Authority as to the amount to be paid to the U.S. Treasury Department, if any, on each fifth anniversary of the issuance of each series of bonds and on retirement of the bonds (plus 60 days in each case). Any rebate or yield reduction payment compliance issues that are identified by the Rebate Consultant or the Authority may be raised with Bond Counsel.
- The A&F Treasury Unit will monitor the expenditures of new money bond proceeds against the three-year or five-year temporary period, as applicable. The A&F Treasury Unit will generally take reasonable steps to ensure that all investments (other than United States Treasury Securities – State and Local Government Series, or “SLGS”) are purchased and sold at fair market value. If open market securities or a guaranteed investment contract (“GIC”) are acquired with bond proceeds, Bond Counsel will confirm that such securities or GIC are properly bid to comply with applicable federal tax requirements.
- The A&F Accounting Unit will oversee the creation of new classifications within funds, as requested by the Assistant Treasurer, to ensure the correct use of each classification and the appropriate treatment of interest earnings on each classification.
- Interest earned on the bond project or construction funds may be used to pay debt service for the related bonds. This is to say that the bond project funds generally will be “gross funded”; if such funds were “net funded” the interest earned thereon would be used to pay project costs.
- Reimbursement of pre-issuance expenditures will only occur upon delivery of a memo to Accounting prepared by the Financial Program Manager or the Capital Budget Manager, with approval from the Assistant Treasurer, in conformity with the Authority’s Inducement Resolution and other federal tax requirements.
- The Investment Strategy Committee will monitor the rate of expenditure of the bond project funds to determine whether the funds comply with the six-month, 18-month and, if applicable, two-year spending exceptions to rebate.
- The Financial Program Manager will publish a list of which projects are funded by which funds to guide the A&F Accounts Payable Unit in the proper coding of any project to a bond project fund.
- If there is a need to transfer any project expenditure made prior to the issuance of the debt into a bond project fund, the Financial Program Manager will prepare a memo addressed to Accounting requesting such a transfer, and will confirm such transfers with the Assistant Treasurer.

C. Investment of Bond Proceeds

- All investment decisions and practices should comply with the Authority's Investment Policy adopted on July 20, 2000, as amended from time to time, the investment restrictions set forth in the 1978 Trust Agreement (which are typically reflected in the Investment Policy), and with the Investment Oversight Committee's Policies and Procedures then in effect.
- All structured and other investments of bond proceeds should be acquired in compliance with federal tax regulations, in consultation with Bond Counsel. The Authority prefers to fund debt service reserve funds with cash. Such cash may be derived from bond proceeds or internal funds. Any alternate funding plan will be included in the recommendation from the Authority's Financial Advisor.

D. Disclosure

- The Authority's Secretary-Treasurer shall oversee and, advised by Disclosure Counsel and Authority staff, be responsible for the filing and accuracy of all primary and secondary disclosure regarding the Authority and its debt obligations.
- The Authority shall engage Disclosure Counsel to guide its primary and secondary market disclosure, and to prepare event notices as necessary.
- The Authority will comply with the requirements of the 1978 Trust Agreement continuing disclosure agreements and the CFC Trust Agreement continuing disclosure certificate (collectively, the Authority's "disclosure undertakings") by filing or causing to be filed annual financial information and operating data and event notices in accordance with Rule 15c2-12(b) (5) of the Securities Exchange Act of 1934, as amended.
- The Authority will comply with the Annual Filing requirements of its "disclosure undertakings" through the publication of an Official Statement, by inclusion of the appropriate information in the Authority's Annual Comprehensive Financial Report ("ACFR"), or otherwise.
- The Secretary-Treasurer shall take reasonable actions to obtain timely knowledge of any event that must be disclosed pursuant to the "disclosure undertakings".
- Both Annual Filings and any required event notices will be filed with the Electronic Municipal Market Access ("EMMA") system. EMMA is the comprehensive source for official statements, continuing disclosure documents, advanced refunding documents and real-time price information on municipal securities maintained by the Municipal Securities Rulemaking Board ("MSRB"). (See www.emma.msrb.org).
- The Authority shall employ a Dissemination Agent. The Authority has engaged the Digital Assurance Certification, L.L.C. (or "DAC") to perform this role for the Authority's bonds.
- Disclosure shall be posted electronically on EMMA by the Dissemination Agent.

- The Authority will comply with the terms of the 1978 Trust Agreement and CFC Trust Agreement, if and to the extent bonds are issued and outstanding thereunder, relating to the submission of annual budgets, audited financials, traffic reports, proof of insurance, etc. to the GARB Trustee and the CFC Trustee, as applicable.
- The Authority will comply with the terms of the Enabling Act and other applicable state legislation regarding the delivery of the audited financials and the annual report to the Governor, and of the biannual report on debt issuance to the Secretary of Administration and Finance, the State Auditor, the Chairs of Senate and House Ways and Means Committees, and the Senate and House Chairs of the Joint Committee on Bonding, Capital Expenditures and State Assets.
- The Authority shall post its Official Statements and ACFRs electronically on its website.¹¹ The Authority may post additional information approved by the Secretary-Treasurer on the Investor Relations section of its website. The Investor Relations section of its website will be reviewed periodically to move or remove dated or inapplicable data.
- The Authority's staff that are involved in the preparation and dissemination of its disclosure, including without limitation A&F Treasury Unit staff designated by the Secretary-Treasurer and legal staff designated by the Chief Legal Counsel, shall receive appropriate training no less than once each calendar year regarding the requirements and practices of applicable regulatory bodies concerning disclosure relating to the Authority.

E. Record Retention¹²

- The formal transcript of the bond issue containing copies of all material contracts, certificates and legal opinions, will be kept (i) permanently by the Legal Department and (ii) by the Secretary-Treasurer for six (6) years after the final maturity of the bond issue (or if such issue is refunded, for six (6) years after maturity of the last refunding issue).
- The investment records of debt service funds, debt service reserve funds, bond project funds, and any other funds containing bond proceeds (including bidding records), the records relating to the calculation and payment of rebate and yield reduction payments (e.g., rebate consultant's reports and IRS form 8038-T), and any records relating to derivatives entered into with respect to tax-exempt bonds will be kept by the Assistant Treasurer for six (6) years after the maturity of the bond issue (or if such issue is refunded, for six (6) years after maturity of the last refunding issue).

¹¹ Copies of Annual Statements prepared pursuant to SEC Rule 15c2-12 with respect to the Authority's bonds issued under the Trust Agreements can be found in the Investor Relations section of the Authority's website at <http://www.massport.com/massport/finance/investor-relations/> and are also available at <http://www.emma.msrb.org>.

¹² All record retention periods herein have been established in accordance with the requirements of the IRS, the Massachusetts Statewide Records Retention Schedule and the Authority's Investment Policy, as applicable.

- Construction invoices for the projects funded with bond proceeds will be kept by the A&F Accounts Payables Unit. Summary records of the expenditure of bond funds will be kept by the Assistant Treasurer and Treasury staff. All such records should be held for six (6) years after the maturity of the bond issue (or if such issue is refunded, for six (6) years after maturity of the last refunding issue).
- With respect to governmental bonds, records of any private business uses should be held for six (6) years after the maturity of the bond issue (or if such issue is refunded, for six (6) years after maturity of the last refunding issue).
- The memorandum memorializing the Authority's continued compliance with the procedures described above with respect to each tax-exempt debt issue will be retained for six (6) years after the maturity of the last issue outstanding to which the memorandum relates (or the last issue that refunds any such issue).
- For purposes of this section the "final maturity" refers to the earlier of stated final maturity or the date the last bond of an issue is actually retired.
- The records required to be kept under this section may be in any form as may be permitted by applicable law, including electronic form or other digital storage media.

VIII. Review and Revision of the Policy

This policy will be reviewed by Authority staff and reauthorized (as amended) by the Board every five (5) years.