

NEW ISSUE - BOOK-ENTRY-ONLY

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

THE COMMONWEALTH OF MASSACHUSETTS



\$250,000,000

General Obligation Bonds

Consolidated Loan of 2006

Series C

The Bonds will be issued by means of a book-entry-only system evidencing ownership and transfer of the Bonds on the records of The Depository Trust Company, New York, New York ("DTC"), and its participants. Details of payment of the Bonds are more fully described in this Official Statement. The Bonds will bear interest from their date of delivery and interest will be payable on November 1, 2006 and semiannually thereafter on May 1 and November 1, calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are not subject to redemption prior to maturity.

The Bonds will constitute general obligations of The Commonwealth of Massachusetts (the "Commonwealth"), and the full faith and credit of the Commonwealth will be pledged to the payment of the principal of and interest on the Bonds. However, for information regarding certain statutory limits on state tax revenue growth and on expenditures for debt service, see "SECURITY FOR THE BONDS" (herein) and the Commonwealth Information Statement (described herein) under the headings "COMMONWEALTH REVENUES – Limitations on Tax Revenues" and "LONG-TERM LIABILITIES – General Authority to Borrow; Limit on Debt Service Appropriations."

The Bonds are offered when, as and if issued and received by the original purchasers, and subject to the unqualified approving opinion as to legality of Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, Bond Counsel. Certain legal matters will be passed upon for the Commonwealth by Ropes & Gray LLP, Boston, Massachusetts, Disclosure Counsel. Settlement of the issue is expected at DTC in New York, New York, on or about May 25, 2006.

May 17, 2006

THE COMMONWEALTH OF MASSACHUSETTS
\$250,000,000
General Obligation Bonds
Consolidated Loan of 2006, Series C

Dated: Date of Delivery

Due: May 1, as shown below

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2007*	\$20,605,000	5.00%	3.62%
2008*	20,805,000	5.00	3.65
2009	21,845,000	4.25	3.74
2010*	22,935,000	5.00	3.74
2011*	24,085,000	4.00	3.57
2012	25,285,000	5.00	3.91
2013	26,550,000	4.25	3.98
2014	27,880,000	5.00	4.14
2015*	29,275,000	5.00	4.19
2016	30,735,000	5.00	4.21

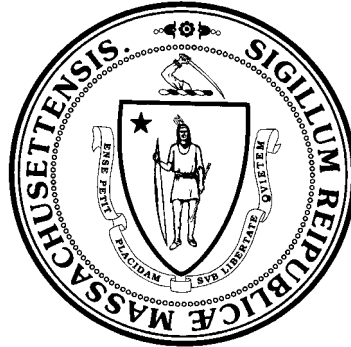
* Insured by CIFG Assurance North America, Inc. See "BOND INSURANCE".

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

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THE COMMONWEALTH OF MASSACHUSETTS



CONSTITUTIONAL OFFICERS

Mitt RomneyGovernor
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. TravagliniPresident of the Senate
Salvatore F. DiMasiSpeaker of the House

OFFICIAL STATEMENT

THE COMMONWEALTH OF MASSACHUSETTS

\$250,000,000
General Obligation Bonds
Consolidated Loan of 2006, Series C

INTRODUCTION

This Official Statement (including the cover page and Appendices A through D attached hereto) provides certain information in connection with the issuance by The Commonwealth of Massachusetts (the "Commonwealth") aggregate principal amount of its General Obligation Bonds, Consolidated Loan of 2006, Series C (the "Bonds"). The Bonds will be general obligations of the Commonwealth, and the full faith and credit of the Commonwealth will be pledged to the payment of the principal of and interest on the Bonds. However, for information regarding certain statutory limits on state tax revenue growth and expenditures for debt service, see "SECURITY FOR THE BONDS" and the Commonwealth Information Statement (described below) under the headings "COMMONWEALTH REVENUES – Limitations on Tax Revenues" and "LONG-TERM LIABILITIES – General Authority to Borrow; Limit on Debt Service Appropriations."

The Bonds are being issued to finance certain authorized capital projects of the Commonwealth. See "THE BONDS – Application of Proceeds of the Bonds."

Purpose and Content of Official Statement

This Official Statement describes the terms and use of proceeds of, and security for, the Bonds. This introduction is subject in all respects to the additional information contained in this Official Statement, including Appendices A through D. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document.

Specific reference is made to the Commonwealth's Information Statement dated April 18, 2006 (the "April Information Statement"), as it appears as Appendix A in the Official Statement dated April 18, 2006 of the Commonwealth with respect to the Commonwealth's \$180,875,000 General Obligation Refunding Bonds, 2006 Series A (Delayed Delivery), a copy of which has been filed with each Nationally Recognized Municipal Securities Information Repository currently recognized by the Securities and Exchange Commission and with the Municipal Securities Rulemaking Board. The April Information Statement contains certain fiscal, budgetary, financial and other general information concerning the Commonwealth. Exhibit A to the April Information Statement contains certain economic information concerning the Commonwealth. Exhibits B and C to the April Information Statement contain the financial statements of the Commonwealth for the fiscal year ended June 30, 2005, prepared on a statutory basis and on a GAAP basis, respectively. Specific reference is made to said Exhibits B and C, copies of which have been filed with each Nationally Recognized Municipal Securities Information Repository currently recognized by the Securities and Exchange Commission. The financial statements are also available at the home page of the Comptroller of the Commonwealth located at <http://www.mass.gov/osc> by clicking on "Financial Reports/Audits".

The information contained in the April Information Statement has been supplemented by the Commonwealth's Information Statement Supplement dated May 17, 2006 (the "May 17 Supplement"), which is attached hereto as Appendix A. The April Information Statement and the May 17 Supplement are referred to herein collectively as the "Commonwealth Information Statement."

Appendix B attached hereto contains the proposed form of legal opinion of Bond Counsel with respect to the Bonds. Appendix C attached hereto contains the proposed form of the Commonwealth's continuing disclosure undertaking to be included in the form of the Bonds to facilitate compliance by the initial purchasers of the Bonds with the requirements of paragraph (b)(5) of Rule 15c2-12 of the Securities and Exchange Commission. Appendix D attached hereto sets forth the specimen financial guaranty insurance policy of CIG Assuranc North America, Inc. with respect to the Bonds maturing on May 1, 2007, May 1, 2008, May 1, 2010, May 1, 2011, and May 1, 2015, respectively.

THE BONDS

General

The Bonds will be dated their date of delivery and will bear interest from such date payable semiannually on May 1 and November 1 of each year, commencing November 1, 2006 (each an "Interest Payment Date") until the principal amount is paid. The Bonds will mature on May 1 in the years and in the aggregate principal amounts, and shall bear interest at the rates per annum (calculated on the basis of a 360-day year of twelve 30-day months), as set forth on the inside cover page of this Official Statement. The Commonwealth will act as its own paying agent with respect to the Bonds. The Commonwealth reserves the right to appoint from time to time a paying agent or agents or bond registrar for the Bonds.

Book-Entry-Only System. The 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 Bonds in principal amounts of \$5,000 or integral multiples thereof. Transfers of ownership will be effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. Interest and principal due on the Bonds will be paid in federal funds to DTC or its nominee as registered owner of the Bonds. As long as the book-entry-only system remains in effect, DTC or its nominee will be recognized as the owner of the Bonds for all purposes, including notices and voting. The Commonwealth will not 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 Bonds will not be subject to redemption prior to maturity.

Application of Proceeds of the Bonds

The Bonds are being issued pursuant to the provisions of Section 49 of Chapter 29 of the Massachusetts General Laws and bond authorizations enacted by the Legislature. The net proceeds of the sale of the Bonds, including any premium received by the Commonwealth upon original delivery of the Bonds, will be applied by the Treasurer and Receiver-General of the Commonwealth (the "State Treasurer") to the various purposes for which the issuance of bonds has been authorized pursuant to such special laws, or to the payment of bond anticipation notes previously issued for such purposes, or to reimburse the Commonwealth's treasury for expenditures previously made pursuant to such laws. Any remaining premium received by the Commonwealth upon original delivery of the Bonds and not applied to the various purposes for which bonds have been authorized will be applied to the costs of issuance thereof and other financing costs related thereto or, without appropriation, to the payment of the principal of or sinking fund installments with respect to the Bonds.

The purposes for which the Bonds will be issued have been authorized by the Legislature under various bond authorizations. The proceeds will be used to finance or reimburse the Commonwealth for a variety of capital expenditures that are included within the current capital spending plan established by the Executive Office for Administration and Finance. The plan, which is an administrative guideline and is subject to amendment at any time, sets forth capital spending allocations through fiscal 2009 and establishes annual capital spending limits. See the April Information Statement under the heading "COMMONWEALTH CAPITAL ASSET INVESTMENT PLAN."

SECURITY FOR THE BONDS

The Bonds will be general obligations of the Commonwealth to which its full faith and credit will be pledged for the payment of principal and interest when due. However, it should be noted that Chapter 62F of the Massachusetts General Laws imposes a state tax revenue growth limit and does not exclude principal and

interest payments on Commonwealth debt obligations from the scope of the limit. It should be noted further that Section 60B of Chapter 29 of the Massachusetts General Laws imposes an annual limitation on the percentage of total appropriations that may be expended for payment of interest and principal on general obligation debt of the Commonwealth. These statutes are both subject to amendment or repeal by the Legislature. Currently, both actual tax revenue growth and annual general obligation debt service are below the statutory limits. See the Commonwealth Information Statement under the headings “COMMONWEALTH REVENUES – Limitations on Tax Revenues” and “LONG-TERM LIABILITIES – General Authority to Borrow; Limit on Debt Service Appropriations.”

The Commonwealth has waived its sovereign immunity and consented to be sued on contractual obligations, including the Bonds, and all claims with respect thereto. However, the property of the Commonwealth is not subject to attachment or levy to pay a judgment, and the satisfaction of any judgment generally requires a legislative appropriation. Enforcement of a claim for payment of principal of or interest on the Bonds may also be subject to the provisions of federal or state 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 the Commonwealth. 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.

BOND INSURANCE

CIFG Assurance North America, Inc. (the “Insurer”) has made a commitment to issue a financial guaranty insurance policy (the “Financial Guaranty Insurance Policy”) relating to the Bonds maturing on May 1, 2007, on May 1, 2008, on May 1, 2010, on May 1, 2011, and on May 1, 2015, respectively (collectively, the “Insured Bonds”). Certain information regarding payment of the Insured Bonds pursuant to the Financial Guaranty Insurance Policy and the Insurer appears below. The following information has been supplied by the Insurer for inclusion in the Official Statement. No representations are made by the Commonwealth as to the accuracy or completeness of the following information.

General

The Insurer is a monoline financial guaranty insurance company incorporated under the laws of the State of New York. The address of the principal executive offices of the Insurer is 825 Third Avenue, Sixth Floor, New York, New York 10022; its toll-free telephone number is (866) CIFG-212 and its general telephone number is (212) 909-3939.

The Insurer is a member of the CIFG Group of financial guaranty companies, which also includes CIFG Europe, a French insurance company licensed to do business in twenty member countries of the European Union, and CIFG Guaranty, a dedicated French reinsurance corporation. In addition to its capital and surplus as set forth below, the Insurer is supported by a net worth maintenance agreement from CIFG Guaranty, which provides that CIFG Guaranty will maintain the Insurer’s New York statutory capital and surplus at no less than \$80 million, and may cede a substantial portion (not to exceed 90%) of its exposure on each transaction to CIFG Guaranty through a facultative reinsurance agreement.

Each of the Insurer, CIFG Europe and CIFG Guaranty has received an insurer financial strength rating of “AAA” from Fitch, an insurer financial strength rating of “Aaa” from Moody’s, and an insurer financial enhancement rating of “AAA” from Standard and Poor’s, the highest rating assigned by each rating agency. Each such rating should be evaluated independently. The ratings reflect the respective rating agency’s current assessment of each company’s capacity to pay claims on a timely basis and are not recommendations to buy, sell or hold the Bonds. Such ratings may be subject to revision or withdrawal at any time.

The Insurer is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York, its state of domicile, and is licensed to do business in 46 jurisdictions. The Insurer is subject to Article 69 of the New York Insurance Law which, among other things, limits the business of such insurers to financial guaranty insurance and related lines, requires that such insurers maintain a minimum surplus to policyholders, establishes contingency, loss and unearned premium reserve requirements for such insurers, and limits the size of individual transactions and the volume of transactions that may be

underwritten by such insurers. Other provisions of the New York Insurance Law applicable to non-life insurance companies such as the Insurer regulate, among other things, permitted investments, payment of dividends, transactions with affiliates, mergers, consolidations, acquisitions or sales of assets and incurrence of liabilities for borrowings.

Capitalization

The following tables set forth the capitalization of the Insurer on the basis of accounting practices prescribed or permitted by the New York State Insurance Department (“statutory accounting practices”).

	Statutory Accounting Practices December 31, 2005 (in thousands of US dollars)	
	Unaudited	
Admitted Assets	\$	175,333
Liabilities.....	\$	66,758
Capital and Surplus	\$	108,575

The following table sets forth the capitalization of CIFG Guaranty on the basis of accounting principles generally accepted in France (“French GAAP”).

	French GAAP December 31, 2005	
	Unaudited	
	(in thousands of euros)	(in thousands of US dollars) (1)
Assets	€ 745,839	\$ 883,036
Liabilities.....	€ 158,672	\$ 187,860
Shareholder’s Equity.....	€ 587,167	\$ 695,176

(1) The translation of euros to U.S. dollars is presented solely for the convenience of the reader, using the observed exchange rate at December 31, 2005 of \$1.18395 to €1.00. The convenience translation should not be construed as representation that the euro amounts have been, could have been, or in the future could be, converted into U.S. dollars at this or any rate of exchange.

For further information concerning the Insurer and CIFG Guaranty, see the audited financial statements of both companies, including the respective notes thereto, prepared on the basis of statutory accounting practices in the case of the Insurer and in accordance with French GAAP in the case of CIFG Guaranty, as of December 31, 2004 and 2003 and for each of the two years in the period ended December 31, 2004, which are available on the CIFG Group's website at www.cifg.com. Copies of prior audited annual financial statements of the Insurer prepared in accordance with statutory accounting practices are also available on the website. Copies of all such financial statements may be obtained, without charge, upon request to the Insurer at its address above, Attention: Finance Department.

LITIGATION

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

There are pending in courts within the Commonwealth various suits in which the Commonwealth is a defendant. In the opinion of the Attorney General, no litigation is pending or, to his knowledge, threatened which is likely to result, either individually or in the aggregate, in final judgments against the Commonwealth that would affect materially its financial condition. For a description of certain litigation affecting the Commonwealth, see the Commonwealth Information Statement under the heading "LEGAL MATTERS."

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company, New York, New York, will act as securities depository for the Bonds. The Bonds will initially be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity set forth on the inside cover page hereof, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants (the "DTC Participants") deposit with DTC. DTC also facilitates the post-trade settlement among DTC Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between DTC Participants' accounts. This eliminates the need for physical movement of securities certificates. DTC 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 the DTC Participants 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, respectively, also subsidiaries of DTCC), as well as by 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 DTC Participant, either directly or indirectly (the "Indirect Participants"). The rules applicable to DTC and the DTC Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through DTC Participants, which will receive a credit for the Bonds in the records of DTC. The ownership interest of each actual purchaser of each Bond (the "Beneficial Owner") is in turn to be recorded on the DTC Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations of their purchase providing details of the transaction, as well as periodic statements of their holdings, from the DTC Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests

in the Bonds will be accomplished by entries made on the books of DTC Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

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

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Commonwealth. Under such circumstances, in the event that a

successor depository is not obtained, Bonds will be delivered and registered as designated by the Beneficial Owners. The Beneficial Owner, upon registration of Bonds held in the Beneficial Owner's name, will become the Bondowner.

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

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

RATINGS

The Bonds have been assigned ratings of "AA," "Aa2" and "AA" by Fitch Ratings ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services ("Standard & Poor's"), respectively.

For the Insured Bonds, the ratings assigned by Fitch, Moody's and Standard & Poor's are "AAA," "Aaa" and "AAA," respectively, based upon the understanding that the payment of the principal of and the interest on the Insured Bonds will be guaranteed by a financial guaranty insurance policy to be issued simultaneously with the delivery of the Insured Bonds by the Insurer.

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 Bonds.

TAX EXEMPTION

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

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

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. Failure to comply with these requirements may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The Commonwealth has covenanted to comply with such requirements to ensure that interest on the Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events

occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Further, no assurance can be given that pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any regulatory or administrative development with respect to existing law, will not adversely affect the value of, or the tax status of interest on, the Bonds. Prospective purchasers of the Bonds are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from Massachusetts personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a holder's federal or state tax liability. Among other possible consequences of ownership or disposition of, or the accrual or receipt of interest on, the Bonds, the Code requires recipients of certain social security and railroad retirement benefits to take into account receipts or accruals of interest on the Bonds in determining the portion of such benefits that are included in gross income. The nature and extent of these other tax consequences will depend upon the particular tax status of the holder or the holder's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences, and holders of the Bonds should consult with their own tax advisors with respect to such consequences.

On the date of delivery of the Bonds, the original purchasers of the Bonds will be furnished with an opinion of Bond Counsel substantially in the form attached hereto as Appendix B – "Proposed Form of Opinion of Bond Counsel."

OPINION OF COUNSEL

The unqualified approving opinion as to the legality of the Bonds will be rendered by Edwards Angell Palmer & Dodge LLP, of Boston, Massachusetts, Bond Counsel to the State Treasurer. The proposed form of the opinion of Bond Counsel relating to the Bonds is attached hereto as Appendix B. Certain legal matters will also be passed upon by Ropes & Gray LLP of Boston, Massachusetts, as Disclosure Counsel to the State Treasurer.

COMPETITIVE SALE OF BONDS

After bidding on May 17, 2006, the Bonds were awarded by the Commonwealth to Merrill Lynch & Co. as purchaser. The purchaser has supplied the information as to the public reoffering yields of the Bonds set forth on the inside cover hereof. If all of the Bonds were resold to the public at such yields, the purchaser has informed the Commonwealth that its total compensation is expected to be \$605,667. The purchaser may change the public offering yields from time to time.

CONTINUING DISCLOSURE

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

For information concerning the availability of certain other financial information from the Commonwealth, see the Commonwealth Information Statement under the heading "CONTINUING DISCLOSURE."

MISCELLANEOUS

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

This Official Statement contains certain forward-looking statements that are subject to a variety of risks and uncertainties that could cause actual results to differ from the projected results, including without

limitation general economic and business conditions, conditions in the financial markets, the financial condition of the Commonwealth and various state agencies and authorities, receipt of federal grants, litigation, arbitration, force majeure events and various other factors that are beyond the control of the Commonwealth and its various agencies and authorities. Because of the inability to predict all factors that may affect future decisions, actions, events or financial circumstances, what actually happens may be different from what is set forth in such forward-looking statements. Forward-looking statements are indicated by use of such words as “may,” “will,” “should,” “intends,” “expects,” “believes,” “anticipates,” “estimates” and others.

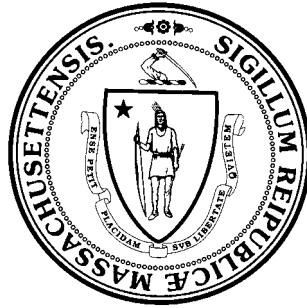
All estimates and assumptions in this Official Statement have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates and assumptions are correct. So far as any statements in this Official Statement involve any matters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

The Commonwealth has prepared the prospective financial information set forth in this Official Statement in connection with its budgeting and appropriations processes. This prospective financial information was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the Commonwealth, was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best knowledge and belief of the offices of the Commonwealth identified in this Official Statement as the sources of such information, the expected course of action and the expected future budgeted revenues and expenditures of the Commonwealth. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the prospective financial information.

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

The information, estimates and assumptions and expressions of opinion in 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.

**THE
COMMONWEALTH
OF
MASSACHUSETTS**



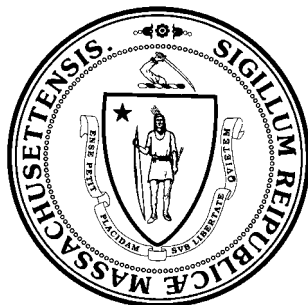
INFORMATION STATEMENT SUPPLEMENT

Dated May 17, 2006

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THE COMMONWEALTH OF MASSACHUSETTS



CONSTITUTIONAL OFFICERS

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
Salvatore F. DiMasi..... Speaker of the House

THE COMMONWEALTH OF MASSACHUSETTS
INFORMATION STATEMENT SUPPLEMENT

May 17, 2006

This supplement (Supplement) to the Information Statement of The Commonwealth of Massachusetts (the Commonwealth) dated April 18, 2006 (the April Information Statement) is dated May 17, 2006, and contains information which updates the information contained in the April Information Statement. The April Information Statement appears as Appendix A to the Official Statement dated April 18, 2006 for the Commonwealth's \$180,875,000 General Obligation Refunding Bonds 2006 Series A (Delayed Delivery), a copy of which has been filed with each Nationally Recognized Municipal Securities Information Repository (NRMSIR) currently recognized by the Securities and Exchange Commission. This Supplement and the April Information Statement must be read collectively and in their entirety in order to obtain the appropriate fiscal, financial and economic information concerning the Commonwealth through May 17, 2006. All capitalized terms not otherwise defined in this Supplement shall have the meanings ascribed to them in the April Information Statement.

The April Information Statement includes three exhibits. Exhibit A is the Statement of Economic Information as of March 31, 2006, which sets forth certain economic, demographic and statistical information concerning the Commonwealth. Exhibits B and C, respectively, are the Commonwealth's Statutory Basis Financial Report for the year ended June 30, 2005 and the Commonwealth's Comprehensive Annual Financial Report, reported in accordance with generally accepted accounting principles (GAAP), for the year ended June 30, 2005. Specific reference is made to said Exhibits B and C, copies of which have been filed with each NRMSIR currently recognized by the Securities and Exchange Commission. The financial statements are also available at the web site of the Comptroller of the Commonwealth located at <http://www.mass.gov/osc> by clicking on "Financial Reports/Audits."

RECENT DEVELOPMENTS

Fiscal 2006

Health Insurance Legislation. In October 2005, the federal Center for Medicare and Medicaid Services (CMS) notified the Commonwealth under the terms and conditions of its 1115 Demonstration Waiver that a federally approved plan for reducing the number of uninsured individuals in the Commonwealth must be in place by July 1, 2006 in order for federal funding associated with the Safety Net Care Pool (SNCP) to be made available to the Commonwealth for fiscal 2007 and beyond. CMS has indicated that the purpose of the SNCP funds is to reduce the level of uninsured persons in Massachusetts through mechanisms other than the Medicaid program. Subsequently, U.S. Secretary of Health and Human Services Michael Leavitt reaffirmed that the federal government could withhold up to \$385 million in federal funds if a new plan meeting the SNCP goals and agreeable to CMS were not approved and implemented by July 1, 2006. To allow time for review, CMS had requested that a plan be submitted to it by January 15, 2006. The Commonwealth did not submit a plan by January 15.

On April 12, 2006, Governor Romney signed into law "An Act Providing Access to Affordable, Quality, Accountable Health Care" (detailed below) to reduce the level of uninsured persons in Massachusetts. Based on this enacted legislation, the Executive Office of Health and Human Services (EOHHS) has submitted a description of the plan to CMS for federal approval. In this submission, the Commonwealth argues that the plan complies with the terms and conditions of the waiver and that all \$385 million should be made available for spending in fiscal 2007. CMS has agreed to expedite review of the plan, and its response is expected before fiscal 2007 begins.

The health care reform legislation is projected to provide health insurance coverage for 95% of the Commonwealth's uninsured by 2009, reducing reliance on the Commonwealth's uncompensated care pool.

The legislation creates or includes:

- An individual mandate requiring all residents 18 years and older to obtain health care insurance by July 1, 2007. The legislation also requires parents to provide insurance for their children.
- A requirement that all businesses with eleven or more employees offer health insurance to their full time employees and make a “fair and reasonable contribution” or be assessed an annual fee of up to \$295 per employee. \$48.0 million of revenue is attributed to this provision.
- The Commonwealth Health Insurance Connector to increase accessibility to affordable, private health insurance coverage for individuals and small businesses and permitting payment of premiums on a pre-tax basis.
- The Commonwealth Care Health Insurance program to provide premium assistance to subsidize the purchase of private health insurance for individuals below specified income levels.

The Governor originally vetoed certain sections of the bill. All but two vetoes have been overridden. The two remaining vetoes contain no material financial implications.

For fiscal 2006, the legislation appropriates or transfers \$60.0 million: \$25.0 million to establish the Commonwealth Health Insurance Connector, \$14.5 million to expand and restore prevention programs at the Department of Public Health, \$10.0 million for a reserve to fund additional administrative costs of various agencies, \$5.0 million for the Massachusetts Technology Park Corporation for a computerized physician order entry initiative and other healthcare related activities, and \$5.5 million for additional program expenditures. These funds are available for expenditure through fiscal 2007.

For fiscal 2007 the legislation would result in a total of \$390.9 million in new general fund spending: \$177.0 million in rate increases for hospitals, physicians and managed care organizations; \$94.0 million to eliminate waitlists for current MassHealth programs; \$81.0 million for the restoration of certain MassHealth optional benefits, notably dental coverage for adults; and \$38.9 million to expand MassHealth eligibility for children to 300% of the federal poverty level. The Commonwealth expects to receive federal financial participation in an amount equal to one-half of these expenditures. The legislation also requires the Uncompensated Care Pool to make an additional \$70 million of payments to certain hospitals, which may be offset by additional federal reimbursements for pool spending and which may also require further state appropriations.

For fiscal 2008 and 2009, the legislation provides an incremental \$90.0 million in rate increases for hospitals and physicians in each year.

Commonwealth Care premium assistance payments for the purchase of private insurance by low-income individuals will be funded by redeploying existing funds previously used to reimburse hospitals for free care. Total premium assistance payments in fiscal 2007 are projected to be \$160.0 million.

The health care reform legislation is also expected to result in a reduction in tax revenues starting in fiscal 2007, due to increased pre-tax spending on health insurance premiums by employees and businesses in the Commonwealth. The amount of tax reduction cannot be estimated until the cost of the health plans is set by the Health Insurance Connector and private health insurers.

Transitional Escrow Fund. The financial tables in this Supplement continue to assume no appropriations from the Transitional Escrow Fund and that the balance in that fund of \$304.8 million will revert to the Stabilization Fund on June 30, 2006. However, it should be noted that the budget for fiscal 2007 proposed by the House would apply the balance of the Transitional Escrow Fund and additional moneys from the Stabilization Fund to economic stimulus and supplemental spending. The Senate Committee on Ways and Means budget proposal extends the term of the Transitional Escrow Fund through June 30, 2007, and directs a transfer of \$136.0 million from the Commonwealth’s Stabilization Fund to the Transitional Escrow Fund. To the extent that balances in the Transitional Escrow Fund are appropriated or extended beyond June 30, 2006, the fiscal 2006 year end project balance in the Commonwealth Stabilization Fund will decrease. See “Fiscal 2007 Budget Proposals” below.

Tobacco Master Settlement Agreement Revenue. On April 17 and April 19, 2006, the Commonwealth received two payments totaling \$233.4 million as part of the Master Settlement Agreement with the tobacco manufacturers. This amount is \$26.6 million less than had previously been projected. The Commonwealth is pursuing legal action to compel the payment of the additional funds. See the April Information Statement under the heading “LITIGATION—Taxes and Revenues.” Since any additional recovery may occur after the end of the fiscal year, the fiscal 2006 financial tables in this Supplement have been revised to reflect the actual amount of such revenue received to date.

Proposed Supplemental Appropriations. On May 4, 2006, the Governor filed legislation recommending \$80.3 million in supplemental appropriations for fiscal 2006. This legislation would fund collective bargaining costs, notably at the University of Massachusetts system and for the State Police. This legislation would fund the incremental costs for fiscal 2006 and 2007.

On April 24, 2006, the Governor filed supplemental legislation to provide \$5.0 million for a Nanotechnology Research Center at the University of Massachusetts at Amherst.

Tax Revenue Limitations. As of March 31, 2006, actual state tax revenue exceeded the permissible state tax revenue limit set by Chapter 62F by \$60.0 million, and that amount was diverted from the General Fund to the temporary holding account. Based on the January 17, 2006 tax revenue estimate for fiscal 2006, the permissible tax revenue limit will require diversion of excess tax revenue from the General Fund if the inflation rate (as determined by the implicit price deflator for state and local government purchases) is below approximately 4.1% when measured at the end of the fiscal year. As of the March 31, 2006 calculation of permissible state tax revenue, inflation was 5.4%.

Fiscal 2007 Budget Proposals

On January 25, 2006, Governor Romney filed his fiscal 2007 budget proposal. The spending plan budgeted \$25.187 billion, including \$7.101 billion in Medicaid, \$4.047 billion in K-12 education, \$2.064 billion for debt service and contract assistance, \$1.355 billion in non-education local aid, and \$10.620 billion for all other programs and services. The Governor’s budget includes a phased decrease in the personal income tax from 5.3% to 5.15% on January 1, 2007, and to 5.0% on January 1, 2008. This tax cut reduces projected tax revenue for fiscal 2007 by \$132.0 million.

The Governor’s fiscal 2007 budget proposal included an increase of 17.1% in non-education local aid by directing that all net proceeds from the state lottery be distributed to the Commonwealth’s cities and towns, as had been done prior to fiscal 2003. The budget includes an increase of 3.4% in Medicaid relative to the fiscal 2006 General Appropriation Act and of 4.9% relative to the fiscal 2006 Medicaid spending projection as of the budget proposal’s filing. The Governor’s budget recommendation proposes an increase of \$275.0 million, or 7.3%, in K-12 education. These funds were proposed to support reforms to the state’s principal education funding law, called Chapter 70, by making it more responsive to enrollment changes, addressing historical aid inequities among similar communities, and recognizing increases in certain categories of school costs. The increased education funding was also to provide for certain components of the Governor’s Education Reform initiative, filed in September 2005, which were re-filed in the budget.

The Governor’s budget included a \$200.0 million reserve account at the Executive Office for Administration and Finance to fund costs that may result from healthcare reform legislation then being formulated in a joint House and Senate conference committee. In addition, the Governor proposed that \$50.0 million of the \$200.0 million be taken from the Health Care Security Trust fund to support one-time costs associated with the implementation of healthcare reform in Massachusetts. (The Health Care Security Trust holds unexpended funds received from the master settlement agreement with tobacco companies and has a balance of \$443.6 million). The budget also includes the use of \$60.5 million from the Stabilization Fund to provide the tax refunds resulting from the *Peterson* legislation signed on December 8, 2005. See the April Information Statement under the heading “COMMONWEALTH REVENUES — Fiscal 2005 and 2006 Tax Revenues.” The budget also proposed to suspend for fiscal 2007 the statutory transfer of one-half of 1 percent of current year tax revenues to the Stabilization Fund prior to the calculation of the consolidated net surplus.

Medicaid spending in fiscal 2007 is currently projected to increase by as much as \$132.0 million over the estimates used in the Governor's proposed budget. Any increase in MassHealth spending is likely to be offset by an increase in federal revenue (FFP) equal to 50% of the spending.

On April 10, 2006 the Committee on Ways and Means of the Massachusetts House of Representatives submitted its fiscal 2007 budget proposal. This proposal includes spending of \$25.271 billion. The budget also includes a \$200.0 million reserve to fund healthcare reform efforts in the Commonwealth consistent with fiscal 2007 budget proposal filed by the Governor. The House Ways and Means budget recommendation proposes the transfer of \$275.0 million from the Commonwealth's Stabilization Fund to its General Fund to support fiscal 2007 expenditures. It does not include a reduction in the personal income tax rate to 5.15% as the Governor proposed, thus providing an additional \$132.0 million (relative to the Governor's recommended budget) in projected revenue available for expenditure.

Subsequently, on April 28, 2006, the House approved a \$25.453 billion budget bill, adding \$182.0 million to the House Ways and Means Committee proposal. The final budget bill allocated the \$200.0 million healthcare reform reserve to a number of healthcare costs: \$80.6 million for several restored benefits, \$77.8 million for enrollment increases in the MassHealth Essential program, \$20.0 million for MassHealth rates for senior care plans, and \$16.5 million for a variety of other MassHealth programs. In addition, the House added: \$81.4 million in Chapter 70 education funding to cities and towns, \$11.5 million to the Group Insurance Commission (GIC) to support lower employee contribution rates, \$11.0 million for the Massachusetts Office of Travel and Tourism, and \$91.8 million in a variety of other programs and services. Additional revenue sources or draws from reserves would need to be identified to support the additional spending included in the final House budget.

In addition, the House voted to include in its budget bill versions of an economic stimulus bill and a supplemental spending bill previously filed. The economic stimulus bill and the supplemental spending bill include approximately \$450.0 million in spending, transfers, or decreases in revenues. These costs would be supported by the \$304.8 million in the Transitional Escrow Fund. The needed balance would come from the Commonwealth Stabilization Fund. These bills also would authorize \$200 million in debt-funded capital spending. The stimulus bill and supplemental spending bill were added as outside sections to the House budget bill. These amounts are in addition to the \$25.453 billion spending figure identified above.

On May 17, 2006, the Senate Committee on Ways and Means submitted its fiscal 2007 budget proposal. The proposal includes spending of \$25.446 billion. The Senate Ways and Means budget proposes the transfer of \$350.0 million from the Commonwealth's Stabilization Fund to its General Fund to support fiscal 2007 expenditures. It does not include a reduction in the personal income tax rate to 5.15% as the Governor proposed, thus providing an additional \$132.0 million (relative to the Governor's recommended budget) in projected revenue available for expenditure.

In addition, the Senate Ways and Means budget proposes to transfer an additional \$136.0 million from the Commonwealth Stabilization Fund to the Transitional Escrow Fund. The Transitional Escrow Fund was created in September of 2005 and will expire on June 30, 2006 with any remaining balance directed to the Commonwealth's Stabilization Fund. This proposal adds the additional funds to the Transitional Escrow Fund's current balance of \$304.8 million, and it extends the life of the fund until June 30, 2007.

The Senate Ways and Means budget includes increases in the lottery distribution to cities and towns as proposed by the Governor. It also includes many of the changes to the Chapter 70 education funding law proposed in the Governor's budget and increases proposed Chapter 70 spending by \$210.4 million over fiscal 2006. The proposal does not include additional education spending proposed for other education reforms proposed by the governor. The budget proposal provides for estimated additional costs associated with healthcare reform legislation consistent with those detailed in "Fiscal 2006" above.

Fiscal 2006 Tax Revenues

Tax revenue collections for the first ten months of fiscal 2006, ended April 30, 2006, totaled \$15.078 billion, an increase of \$1.148 billion or 8.2% over the first ten months of fiscal 2005. The following table shows the

tax collections for the first ten months of fiscal 2006 and the change from tax collections in the same months in the prior year, both in dollars and as a percentage. The table also notes the amount of tax collections in fiscal 2006 through April that are dedicated to the Massachusetts Bay Transportation Authority (MBTA) and to the Massachusetts School Building Authority (MSBA).

Fiscal 2006 Budgeted Tax Collections (in millions) (1)

Month	Tax Collections	Change From Prior Year	Percentage Change	MBTA Portion (2)	MSBA Portion	Collections, Net of MBTA and MSBA
July	\$1,188.8	\$61.6	5.5%	\$63.7	\$44.6	\$1,080.5
August	1,204.9	12.8	1.1	60.0	42.0	1,102.8
September	1,941.2	243.4	14.3	54.7	38.3	1,848.2
October	1,216.0	117.3	10.7	56.2	39.4	1,120.4
November	1,119.0	0.0	0.0	54.7	38.3	1,026.1
December	1,791.0	204.0	12.9	67.3	44.6	1,679.2
January	1,921.1	235.8	14.0	67.6	47.3	1,806.2
February	853.7	4.5	0.5	50.4	35.3	767.9
March (3)	1,626.7	69.8	4.5	60.1	35.3	1,531.3
April (3)	<u>2,215.3</u>	<u>198.4</u>	<u>9.8</u>	<u>\$57.3</u>	<u>40.3</u>	<u>2,117.8</u>
Total (3)	<u>\$15,077.7</u>	<u>\$1,147.6</u>	<u>8.2%</u>	<u>\$592.0</u>	<u>\$399.0</u>	<u>\$14,086.7</u>

SOURCE: Executive Office for Administration and Finance.

- (1) Sum of details may not equal total because of rounding.
- (2) Includes adjustment of \$12.5 million on account of the second quarter and \$9.7 million on account of the third quarter.
- (3) Figures are preliminary.

The year-to-date tax revenue increase of \$1.148 billion over fiscal 2005 is attributable in large part to an increase of approximately \$357.5 million or 5.5% in withholding collections, an increase of approximately \$196.6 million or 14.9% in income tax estimated payments, an increase of approximately \$207.2 million or 17.9% in income tax payments with returns and bills, an increase of approximately \$132.6 million or 4.1% in sales and use tax collections, and an increase of approximately \$450.5 million or 35.1% in corporate and business collections, which are partially offset by changes in other revenues (net of refunds). The year-to-date collections exceeded the year-to-date benchmark by approximately \$224.1 million. The year-to-date benchmark was based on a fiscal 2006 tax revenue estimate of \$18.158 billion issued by the Executive Office for Administration and Finance on January 17, 2006.

SELECTED FINANCIAL DATA

Statutory Basis

The revenues and expenditures of the budgeted operating funds presented in the following table are derived from the Commonwealth's audited statutory basis financial statements for fiscal 2001 through 2005. Projections for fiscal 2006 have been prepared by the Executive Office for Administration and Finance. Except where otherwise indicated, they are based on the office's most recent estimate of tax revenue (as officially issued) and non-tax revenue, on enacted appropriations adjusted for projected reversions, and on supplemental appropriations filed by the Governor that remain before the Legislature. The financial information presented includes all budgeted operating funds of the Commonwealth. See "COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS — Operating Fund Structure" in the April Information Statement for additional detail.

During a fiscal year there are numerous transactions among these budgeted funds, which from a fund accounting perspective create offsetting inflows and outflows. In conducting the budget process, the Executive

Office for Administration and Finance excludes those inter-fund transactions that by their nature have no impact on the combined fund balance of the budgeted funds. The following table isolates this inter-fund activity from the budgeted sources and uses to align more clearly forecasts prepared during the budget process to the detailed fund accounting of the Commonwealth's annual financial statements.

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

	Fiscal 2001	Fiscal 2002	Fiscal 2003	Fiscal 2004	Fiscal 2005	Projected Fiscal 2006
Beginning Fund Balances						
Reserved or Designated	\$278.5	\$895.3	\$195.2	\$76.8	\$664.6	\$355.6
Tax Reduction Fund	7.2	33.6	-	-	-	-
Transitional Escrow Fund						304.8
Stabilization Fund	1,608.4	1,715.0	881.8	641.3	1,137.3	1,728.4
Undesignated	<u>391.3</u>	<u>369.5</u>	<u>311.0</u>	<u>34.7</u>	<u>90.9</u>	<u>98.4</u>
Total	<u>2,285.4</u>	<u>3,013.3</u>	<u>1,388.0</u>	<u>752.8(7)</u>	<u>1,892.8</u>	<u>2,487.2</u>
Revenues and Other Sources						
Tax Revenues (2)	16,074.6	13,622.8	14,279.5(5)	15,269.0	15,987.4	16,956.7(9)
Federal Reimbursements	3,974.2	4,334.9	4,523.6	5,098.5	4,697.0	5,229.6
Departmental and Other Revenues	1,425.9	1,485.2	1,494.8	1,847.7	1,948.9	2,086.6
Inter-fund Transfers from Non-budgeted Funds and Other Sources (3)	<u>1,385.9</u>	<u>1,732.0</u>	<u>1,689.2</u>	<u>1,773.1</u>	<u>1,740.2</u>	<u>1,344.1</u>
Budgeted Revenues and Other Sources	<u>22,860.6</u>	<u>21,174.8</u>	<u>21,987.1</u>	<u>23,988.3</u>	<u>24,373.5</u>	<u>25,617.0</u>
Inter-fund Transfers	<u>931.0</u>	<u>1,874.4</u>	<u>3,310.5(6)</u>	<u>2,058.7</u>	<u>2,231.3</u>	<u>335.6</u>
Total Budgeted Revenues and Other Sources	<u>23,791.6</u>	<u>23,049.2</u>	<u>25,297.7</u>	<u>26,047.0</u>	<u>26,604.7</u>	<u>25,952.6</u>
Expenditures and Uses						
Programs and Services (4)	21,184.1	20,513.2	22,209.5	21,456.1	22,067.7	24,210.6
Inter-fund Transfers to Non-budgeted Funds and Other Uses	<u>949.6</u>	<u>287.1</u>	<u>229.6</u>	<u>1,392.2</u>	<u>1,711.3</u>	<u>1,274.7</u>
Budgeted Expenditures and Other Uses	<u>22,133.7</u>	<u>22,800.3</u>	<u>22,439.1</u>	<u>22,848.3</u>	<u>23,779.1</u>	<u>25,485.3</u>
Inter-fund Transfers	<u>931.0</u>	<u>1,874.4</u>	<u>3,310.5(6)</u>	<u>2,058.7</u>	<u>2,231.2</u>	<u>335.6</u>
Total Budgeted Expenditures and Other Uses	<u>23,064.7</u>	<u>24,674.7</u>	<u>25,749.6</u>	<u>24,907.0</u>	<u>26,010.3</u>	<u>25,820.9</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>726.8</u>	<u>(1,625.4)</u>	<u>(451.9)</u>	<u>1,140.0</u>	<u>594.4</u>	<u>131.7</u>
Ending Fund Balances						
Reserved or Designated	895.3	195.2	76.8	664.6(8)	355.6	147.4
Tax Reduction Fund	33.6	--	--	--	--	--
Transitional Escrow Fund	--	--	--	--	304.8	--
Stabilization Fund	1,715.0	881.8	641.3	1,137.3	1,728.4	2,368.6(10)
Undesignated	<u>369.5</u>	<u>311.0</u>	<u>218.0</u>	<u>90.9</u>	<u>98.4</u>	<u>102.8</u>
Total	<u>\$3,013.3</u>	<u>\$1,388.0</u>	<u>\$936.1(7)</u>	<u>\$1,892.8</u>	<u>\$2,487.2</u>	<u>\$2,618.8</u>

SOURCE: Fiscal 2001-2005, Office of the Comptroller; fiscal 2006, Executive Office for Administration and Finance.

- (1) Totals may not add due to rounding.
- (2) Net of \$654.6 million in fiscal 2001, \$664.3 million in fiscal 2002, \$684.3 million in fiscal 2003, \$684.3 million in fiscal 2004, \$704.8 million in fiscal 2005 and \$712.6 million in fiscal 2006 of dedicated sales tax transferred to the MBTA and moved off budget. Net of \$395.7 million in fiscal 2005 and \$488.7 million in fiscal 2006 of dedicated sales tax transferred to the MSBA and moved off budget.
- (3) Inter-fund Transfers from Non-budgeted Funds and Other Sources include profits from the State Lottery, transfer of tobacco settlement funds to allow their expenditure, abandoned property proceeds, and transfers to the Uncompensated Care Pool, as well as other inter-fund transfers.
- (4) The Executive Office for Administration and Finance estimates that approximately \$201.4 million in Medicaid expenditures were moved off-budget pursuant to the fiscal 2003 GAA. Total off-budget Medicaid expenditures were \$329.2 million in fiscal 2004 and \$422.2 million in fiscal 2005 and are projected to be \$332.5 million in fiscal 2006.

- (5) Includes \$174.0 million in one-time revenue from tax amnesty program and approximately \$200.0 million from closing various so-called tax loopholes.
- (6) Inter-fund transfers increased substantially in fiscal 2003, reflecting the consolidation of a number of Budgeted Operating Funds pursuant to the fiscal 2004 GAA, effective June 30, 2003.
- (7) The variance between fiscal 2003 ending fund balances and fiscal 2004 beginning fund balances reflect the transfer of the Convention Center Fund, Head Injury Trust Fund and Natural Heritage and Endangered Species Fund off budget.
- (8) Includes \$270.0 million in fiscal 2004 FMAP revenue reserved for expenditure in fiscal 2005, \$75.0 million reserved for distribution to cities and towns in fiscal 2005, \$293.5 million in fiscal 2004 appropriations authorized to be expended in fiscal 2005, and \$26.1 million reserved for debt service.
- (9) Based on Executive Office for Administration and Finance's revised fiscal 2006 tax revenue estimate of \$18.158 billion.
- (10) Fiscal 2006 projected figures assume that \$304.8 million in the Transitional Escrow Fund is not appropriated in fiscal 2006. By statute, the balance of these funds will be transferred to the Stabilization Fund on June 30, 2006. See Transitional Escrow Fund description in "Recent Developments."

The following table is presented for the purpose of clarifying the effect of the recent financial restructurings on the Budgeted Operating Funds operations of the Commonwealth by identifying off-balance sheet items.

**Budgeted Operating Funds Operations as Affected
by Recent Financial Restructurings (in millions)**

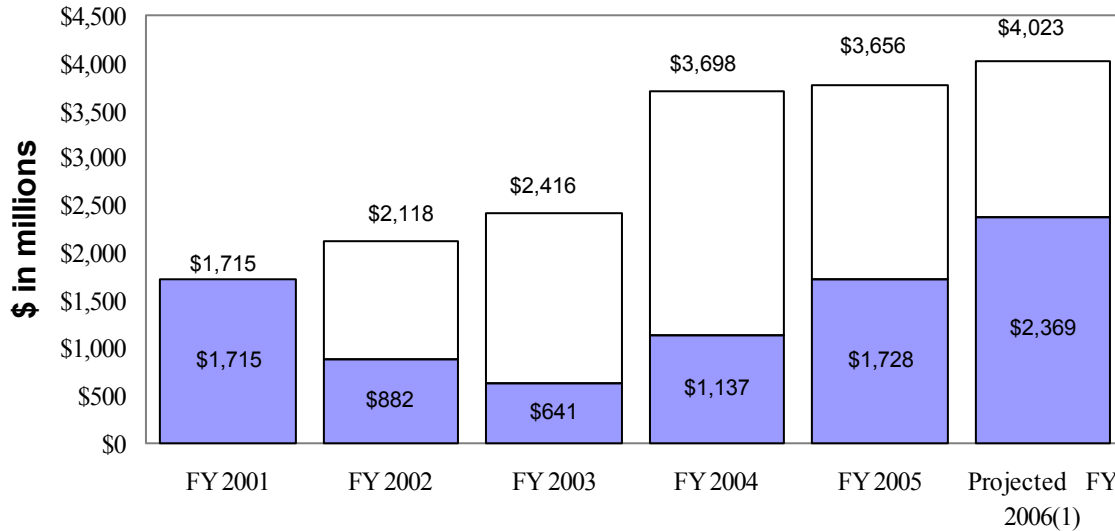
	<u>Fiscal 2001</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>	<u>Fiscal 2005</u>	<u>Projected Fiscal 2006</u>
<u>Revenues</u>						
Budgeted Revenues and Other Sources	\$22,860.6	\$21,174.8	\$21,987.1	\$23,988.3	\$24,373.4	\$25,617.0(1)
Certain Off-Budget Revenues:						
Dedicated Sales Tax Revenues	654.6	664.3	684.3	684.3	1,100.5	1,201.3
Certain Non-Tax Revenues	—	—	201.4	329.2	422.2	332.5
Subtotal	<u>654.6</u>	<u>664.3</u>	<u>885.7</u>	<u>1,013.5</u>	<u>1,522.7</u>	<u>1,533.8</u>
Total	<u>23,515.2</u>	<u>21,839.1</u>	<u>22,872.8</u>	<u>25,001.8</u>	<u>25,896.1</u>	<u>27,150.8</u>
<u>Expenditures</u>						
Budgeted Expenditures and Other Uses	22,133.7	22,800.3	22,439.1	22,848.3	23,779.1	25,485.3
Certain Off- Budget Expenditures:						
MBTA	654.6	664.3	684.3	684.3	704.8	712.6
MSBA	-	-	-	-	395.7	488.7
Medicaid	—	—	201.4	329.2	422.2	332.5
Subtotal	<u>654.6</u>	<u>664.3</u>	<u>885.7</u>	<u>1,013.5</u>	<u>1,522.7</u>	<u>1,533.8</u>
Total	<u>22,788.3</u>	<u>23,464.6</u>	<u>23,324.8</u>	<u>23,861.8</u>	<u>25,301.8</u>	<u>27,019.1</u>
Excess (Deficiency) of Total Revenues Over Total Expenditures and Other Uses	<u>\$726.8</u>	<u>(\$1,625.4)</u>	<u>(\$451.9)</u>	<u>\$1,140.0</u>	<u>\$594.4</u>	<u>\$131.7</u>

SOURCE: Executive Office for Administration and Finance.

- (1) Based on Executive Office for Administration and Finance's revised fiscal 2006 tax revenue estimate of \$18.158 billion.

Stabilization Fund

The following graph sets forth ending balances in the Stabilization Fund for fiscal 2001 through fiscal 2005 and the projection for fiscal 2006. For each year, the whole column area equals the maximum balance permitted under the statutory formula, and the shaded area shows the amount of the actual ending balance.



SOURCES: Fiscal 2001-2005 Office of the Comptroller; fiscal 2006, Executive Office for Administration and Finance.

- (1) Fiscal 2006 projected figures assume that \$304.8 million in the Transitional Escrow Fund is not appropriated in fiscal 2006. By statute, the balance of these funds will be transferred to the Stabilization Fund on June 30, 2006. See Transitional Escrow Fund description in “Recent Developments.”

COMMONWEALTH CAPITAL ASSET INVESTMENT PLAN

Central Artery/Tunnel Project

The largest single component of the Commonwealth’s capital program in recent years has been the Central Artery/Ted Williams Tunnel Project (CA/T Project). See the April Information Statement under the heading “COMMONWEALTH CAPITAL ASSET INVESTMENT PLAN—Central Artery/Tunnel Project.” As of March 31, 2006, approximately \$14.237 billion of project costs were under contract or agreement, which constitutes 97.3% of total budgeted costs for the CA/T Project.

LONG-TERM LIABILITIES

The figure given for general obligation contract assistance debt attributable to Massachusetts Development Finance Agency in the April Information Statement was incorrect; the correct figure is \$10,161,888. The table setting forth the amount of Commonwealth debt and debt related to general obligation contract assistance liabilities outstanding as of April 2, 2006 is restated below:

**Commonwealth Debt and Debt Related to General Obligation Contract
Assistance Liabilities
As of April 2, 2006
(in thousands)**

	<u>Long-Term (4)</u>	<u>Short-Term</u>
COMMONWEALTH DEBT		
General Obligation Debt	\$15,230,355(5)(8)	\$25,100(7)
Special Obligation Debt (1)	1,410,360(8)	-
Federal Grant Anticipation Notes (2)	<u>1,849,095(6)</u>	<u>-</u>
Subtotal Commonwealth Debt	<u>\$18,489,810</u>	<u>\$25,100</u>
DEBT RELATED TO GENERAL OBLIGATION CONTRACT ASSISTANCE LIABILITIES (3)		
Massachusetts Convention Center Authority	\$ 18,427	-
Massachusetts Development Finance Agency	10,162	-
Foxborough Industrial Development Financing Authority	<u>62,160</u>	<u>-</u>
Subtotal GO Contract Assistance Debt	<u>\$ 90,749</u>	<u>-</u>
TOTAL	<u>\$18,580,559</u>	<u>\$25,100</u>

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 the April Information Statement and this Supplement are only summarized, and such summaries do not purport to be complete statements of any of such provisions. Only the actual text of such provisions can be relied upon for completeness and accuracy.

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

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

The Commonwealth has prepared the prospective financial information set forth in the April Information Statement and this Supplement in connection with its budgeting and appropriations processes. This prospective financial information was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the Commonwealth, was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best knowledge and belief of the offices of the Commonwealth identified in the April Information Statement and this Supplement as the sources of such information, the expected course of action and the expected future budgeted revenues and expenditures of the Commonwealth. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of the April Information Statement and this Supplement are cautioned not to place undue reliance on the prospective financial information.

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

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

CONTINUING DISCLOSURE

The Commonwealth prepares its Statutory Basis Financial Report and its Comprehensive Annual Financial Report with respect to each fiscal year ending June 30. The Statutory Basis Financial Report becomes available by October 31 of the following fiscal year and the Comprehensive Annual Financial Report becomes available in January of the following fiscal year. Copies of such reports and other financial reports of the Comptroller referenced in this document may be obtained by requesting the same in writing from the Office of the Comptroller, One Ashburton Place, Room 909, Boston, Massachusetts 02108. The financial statements are also available at the Comptroller's web site located at <http://www.mass.gov/osc> by clicking on "Financial Reports/Audits".

On behalf of the Commonwealth, the State Treasurer will provide to each NRMSIR within the meaning of Rule 15c2-12 of the SEC, no later than 270 days after the end of each fiscal year of the Commonwealth, certain financial information and operating data relating to such fiscal year, as provided in said Rule 15c2-12, together with audited financial statements of the Commonwealth for such fiscal year. To date, the Commonwealth has complied with all of its continuing disclosure undertakings relating to the general obligation debt of the Commonwealth. However, the annual filings relating to the fiscal year ended June 30, 2001 for the Commonwealth's special obligation debt and for the Commonwealth's federal highway grant anticipation notes were filed two days late, on March 29, 2002. Proper notice of the late filings was provided on March 29, 2002 to the Nationally Recognized Municipal Securities Information Repositories and the Municipal Securities Rulemaking Board.

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

AVAILABILITY OF OTHER FINANCIAL INFORMATION

Questions regarding this Information Statement Supplement or requests for additional information concerning the Commonwealth should be directed to Patrick F. Landers, III, Assistant Treasurer, Office of the Treasurer and Receiver-General, One Ashburton Place, 12th floor, Boston, Massachusetts 02108, telephone 617/367-3900 (ext. 226), or to Carlo DeSantis, Assistant Secretary for Capital Finance, Executive Office for Administration and Finance, State House, Room 373, Boston, Massachusetts 02133, telephone 617/727-2040. Questions regarding legal matters relating to this Information Statement Supplement should be directed to Lawrence D. Bragg, III, Ropes & Gray LLP, One International Place, Boston, Massachusetts 02110, telephone 617/951-7000.

THE COMMONWEALTH OF MASSACHUSETTS

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

By /s/ Thomas H. Trimarco
Thomas H. Trimarco
Secretary of Administration and Finance

May 17, 2006

ECONOMIC INFORMATION

The information in this section was prepared by the Massachusetts State Data Center (MassSDC) at the University of Massachusetts Donahue Institute and may be relevant in evaluating the economic and financial condition and prospects of the Commonwealth of Massachusetts. The State Data Center archives much of the data about Massachusetts. The demographic information and statistical data, which have been obtained by the MassSDC from the sources indicated, do not necessarily present all factors that may have a bearing on the Commonwealth's fiscal and economic affairs.

All information is presented on a calendar-year basis unless otherwise indicated. **The section was prepared for release on April 28, 2006. Information in the text, tables, charts, and graphs was current as of March 31, 2006.** Sources of information are indicated in the text or immediately following the charts and tables, and also on the *Sources List* on the last page of the Exhibit A section. Although the Commonwealth considers the sources to be reliable, the Commonwealth has made no independent verification of the information presented herein and does not warrant its accuracy.

Statistical Overview

Population (p. A-2)

	<u>Massachusetts</u>	<u>United States</u>
Estimated Percent Change in Population, April 1, 2000–July 1, 2005	0.8%	5.3%

Personal Income, Consumer Prices, and Poverty (p. A-7)

Per Capita Personal Income, 2005	\$44,289	\$34,586
Average Annual Pay, All Industries, 2004	\$48,916	\$39,354
Percent Change in CPI-U, 2004-2005*	3.3%	3.4%
Percent Change in CPI-U, January 2005-January 2006*	4.4%	4.0%
Poverty Rate, 2003-2004 Average	9.7%	12.6%
Average Weekly Earnings, Manufacturing Production Workers: Feb. 2006(p)	\$721.37	\$680.10
Percent Change, Feb. 2005-Feb. 2006(p)	0.3%	2.4%

Employment (p. A-15)

Percent Change in Nonfarm Payroll Employment, Feb. 2005-Feb. 2006(p)	0.9%	1.6%
Unemployment Rate, 2005	4.8%	5.1%
Unemployment Rate, February, 2006	5.0%	4.8%

Economic Base and Performance (p. A-21)

Percent Change in Gross State Product, 2003-2004	6.9%	6.6%
Percent Change in International Exports, 2003-2004	17.0%	13.0%
Percent Change in Housing Permits Authorized, 2004-2005	9.7%	5.4%

Human Resources and Infrastructure (p. A-38)

Expenditure Per Pupil, 2004	\$10,693	\$8,287
Percent of Adults with a Bachelor's Degree or higher, 2004	37.4%	27.0%

* NOTE: Percent changes in the CPI-U are for the Boston area & the U.S.

Massachusetts is a densely populated state with a well-educated population, comparatively high income levels, low rates of unemployment, and a relatively diversified economy. While the total population of Massachusetts has remained fairly stable in the last twenty-five years, significant changes have occurred in the age distribution of the population: dramatic growth in residents between the ages of 20 and 44 since 1980 is expected to lead to a population distributed more heavily in the 65 and over age group in the next twenty-five years. Just as the working-age population has increased, income levels in Massachusetts since 1980 have grown significantly more than the national average, and a variety of measures of income show that Massachusetts residents have significantly higher amounts of annual income than the national average. These higher levels of income have been accompanied by a significantly lower poverty rate and, with the exception of the recession of the early 1990s, considerably lower unemployment rates in Massachusetts than in the United States since 1980. The state is now recovering from the recession of 2001, but is lagging behind the nation in many indicators, particularly employment levels.

The following five sections provide detailed information on population characteristics, personal income, employment, economic base and performance, and human resources and infrastructure.

POPULATION CHARACTERISTICS

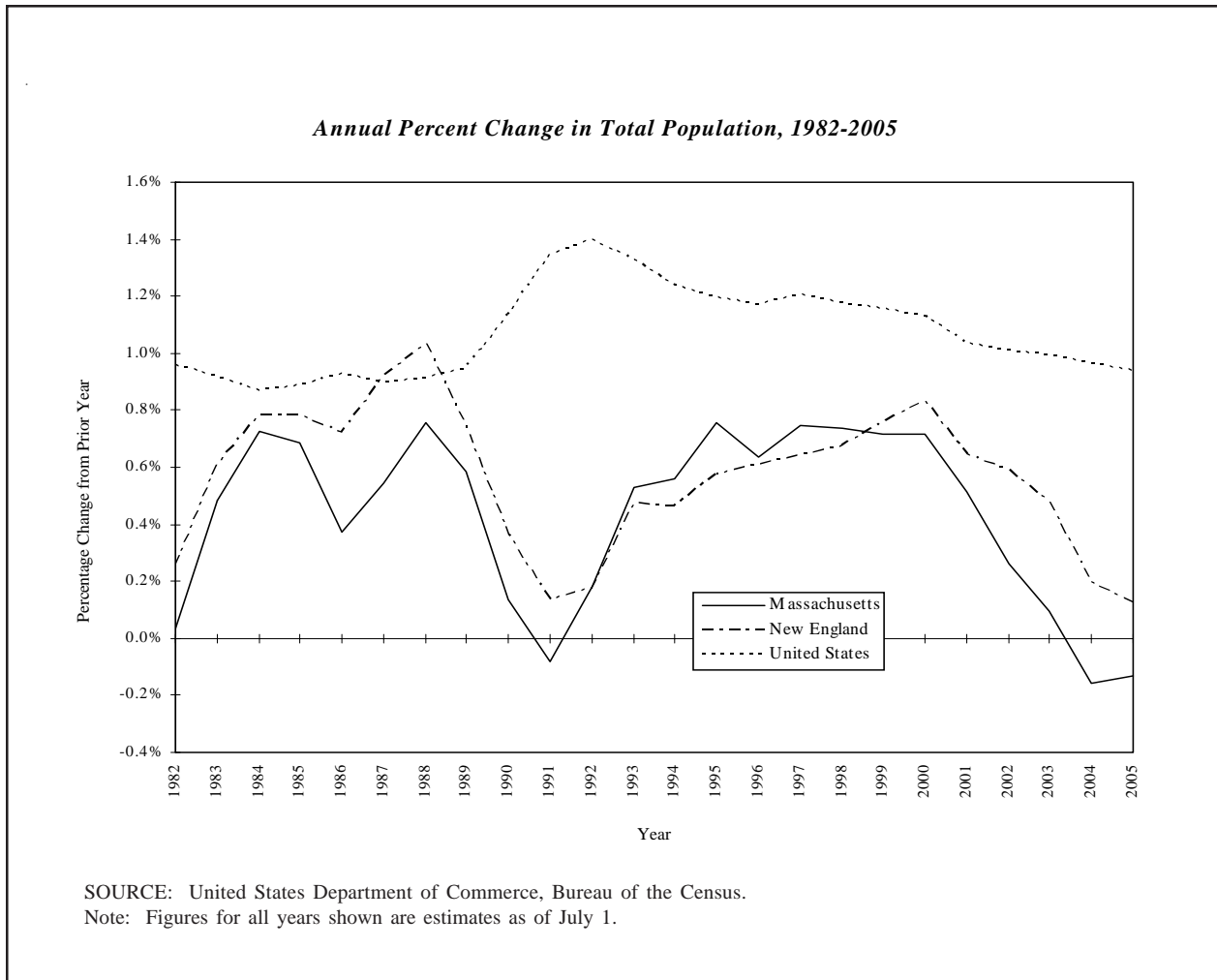
Massachusetts is a relatively slow growing but densely populated state with a comparatively large percentage of its residents living in metropolitan areas. The population density of Massachusetts was estimated as of July 1, 2005 to be 816.2 persons per square mile, as compared to 83.8 for the United States as a whole. Among the 50 states, only Rhode Island and New Jersey have a greater population density. Massachusetts also ranked just behind the same two states in percentage of residents living in metropolitan areas according to the metropolitan definitions released in 2003 which are based on whole counties. According to this new definition, the entire state is considered metropolitan except for the two island counties (99.6 percent of state residents in 2004) while Rhode Island, New Jersey and D.C. are wholly metropolitan.

The State's population is concentrated in its eastern portion. The city of Boston is the largest city in New England, with a 2004 population estimated at 569,165, or 9.0 percent of the state's population. Boston is the hub of the seven-county Boston-Cambridge-Quincy, MA-NH Metropolitan Statistical Area (MSA), which includes the two southeastern New Hampshire counties, and which had a total population in 2003 estimated at 4,439,971; over 30 percent of the total New England population. The three-county Boston-Quincy, MA Metropolitan Division is the largest component of that MSA, with a total population in 2003 estimated at 1,822,557.

The second largest MSA in the state is the Worcester, MA MSA, with a 2004 population estimated at 779,488. The city of Worcester, situated approximately 40 miles west of Boston with a 2004 population estimated at 175,966, is the third largest city in New England as well as the second largest in the state. Its service, trade, and manufacturing industries combine for more than 70 percent of Worcester's total employment. As a major medical and educational center, the Worcester area is home to 19 patient care facilities, including the University of Massachusetts Medical School, and twelve other colleges and universities.

The third largest MSA in Massachusetts is the three-county Springfield MSA, with a 2004 population estimated at 687,973. Springfield, the third largest city in the Commonwealth with a 2004 population estimated at 152,082, is located in the Connecticut River Valley in Western Massachusetts and enjoys a diverse body of corporate employers, the largest of which are Baystate Health System, Big Y Supermarkets, MassMutual Financial Group, and Hasbro Games (Milton Bradley). In addition, Springfield is home to three independent colleges.

As the following chart and table indicate, the population in Massachusetts generally grows more slowly than the population of New England and much more slowly than the nation as a whole. According to the Census Bureau's latest revised estimates, only the District of Columbia, North Dakota, and West Virginia have grown more slowly than Massachusetts since Census 2000, and the state has even had a slight population loss since apparently peaking in 2003.



The following table compares the population level and percentage change in the population level of Massachusetts with those of the New England states and the United States.

Population, 1972-2005

(in thousands)

<i>Year</i>	<i>Massachusetts</i>		<i>New England</i>		<i>United States</i>	
	<i>Total</i>	<i>Percent Change</i>	<i>Total</i>	<i>Percent Change</i>	<i>Total</i>	<i>Percent Change</i>
1972	5,760	0.4%	12,082	0.7%	209,284	1.2%
1973	5,781	0.4%	12,140	0.5%	211,357	1.0%
1974	5,774	-0.1%	12,146	0.0%	213,342	0.9%
1975	5,758	-0.3%	12,163	0.1%	215,465	1.0%
1976	5,744	-0.2%	12,192	0.2%	217,563	1.0%
1977	5,738	-0.1%	12,239	0.4%	219,760	1.0%
1978	5,736	0.0%	12,283	0.4%	222,095	1.1%
1979	5,738	0.0%	12,322	0.3%	224,567	1.1%
1980	5,737	0.0%	12,348	0.2%	226,546	0.9%
1981	5,769	0.6%	12,436	0.7%	229,466	1.3%
1982	5,771	0.0%	12,468	0.3%	231,664	1.0%
1983	5,799	0.5%	12,544	0.6%	233,792	0.9%
1984	5,841	0.7%	12,642	0.8%	235,825	0.9%
1985	5,881	0.7%	12,741	0.8%	237,924	0.9%
1986	5,903	0.4%	12,833	0.7%	240,133	0.9%
1987	5,935	0.5%	12,951	0.9%	242,289	0.9%
1988	5,980	0.8%	13,085	1.0%	244,499	0.9%
1989	6,015	0.6%	13,182	0.7%	246,819	0.9%
1990	6,023	0.1%	13,230	0.4%	249,623	1.1%
1991	6,018	-0.1%	13,248	0.1%	252,981	1.3%
1992	6,029	0.2%	13,271	0.2%	256,514	1.4%
1993	6,061	0.5%	13,334	0.5%	259,919	1.3%
1994	6,095	0.6%	13,396	0.5%	263,126	1.2%
1995	6,141	0.8%	13,473	0.6%	266,278	1.2%
1996	6,180	0.6%	13,555	0.6%	269,394	1.2%
1997	6,226	0.7%	13,642	0.6%	272,647	1.2%
1998	6,272	0.7%	13,734	0.7%	275,854	1.2%
1999	6,317	0.7%	13,838	0.8%	279,040	1.2%
2000	6,362	0.7%	13,953	0.8%	282,193	1.1%
2001	6,395	0.5%	14,043	0.6%	285,108	1.0%
2002	6,412	0.3%	14,126	0.6%	287,985	1.0%
2003	6,418	0.1%	14,194	0.5%	290,850	1.0%
2004	6,407	-0.2%	14,222	0.2%	293,657	1.0%
2005	6,399	-0.1%	14,240	0.1%	296,410	0.9%

SOURCE: United States Department of Commerce, Bureau of the Census. 1980 figures are census counts as of April 1, 1980; figures for all other years shown are estimates as of July 1.

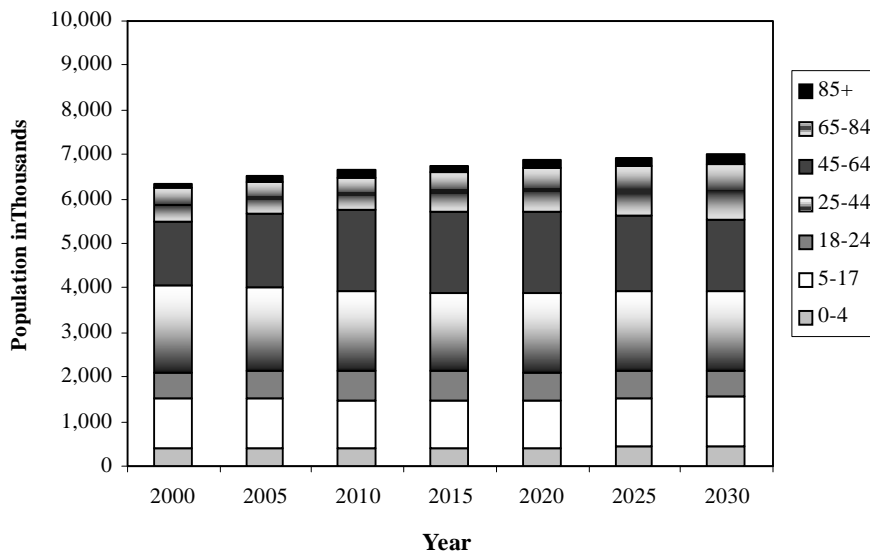
The next twenty-five years are expected to bring about a continued change in the age distribution of the Massachusetts population. As the following table and chart show, the share of the 65 and over age group and especially the 85 and over age group will continue to grow. The chart, table and population pyramids (below, and on the following page) show the projected population by age for Massachusetts for 2000 through 2030.

Projected Massachusetts Population by Age Group, 2000-2030
(in thousands)

<i>Year</i>	<i>0-4</i>	<i>5-17</i>	<i>18-24</i>	<i>25-44</i>	<i>45-64</i>	<i>65-84</i>	<i>85+</i>	<i>All Ages</i>	<i>Median Age</i>
2000	397.3	1,102.8	579.3	1,989.8	1,419.8	743.5	116.7	6,349.1	36.5
2005	406.3	1,119.2	611.8	1,874.6	1,649.0	720.7	137.4	6,518.9	37.8
2010	400.7	1,083.1	670.2	1,769.7	1,817.1	750.6	158.0	6,649.4	38.8
2015	409.7	1,064.2	656.0	1,746.1	1,857.1	856.5	168.9	6,758.6	39.2
2020	422.3	1,070.9	617.5	1,775.8	1,809.3	987.8	172.0	6,855.5	39.5
2025	431.0	1,087.7	616.2	1,782.5	1,703.3	1,137.8	180.1	6,938.6	39.7
2030	430.6	1,115.0	610.7	1,783.9	1,608.7	1,251.2	211.9	7,012.0	40.2

Actual Census 2000 counts as of April 1; all other figures are projections as of July 1 of the indicated year.
Interim Population Projections through 2030 released April 21, 2005 by the Population Division, Bureau of the Census, United States Department of Commerce.

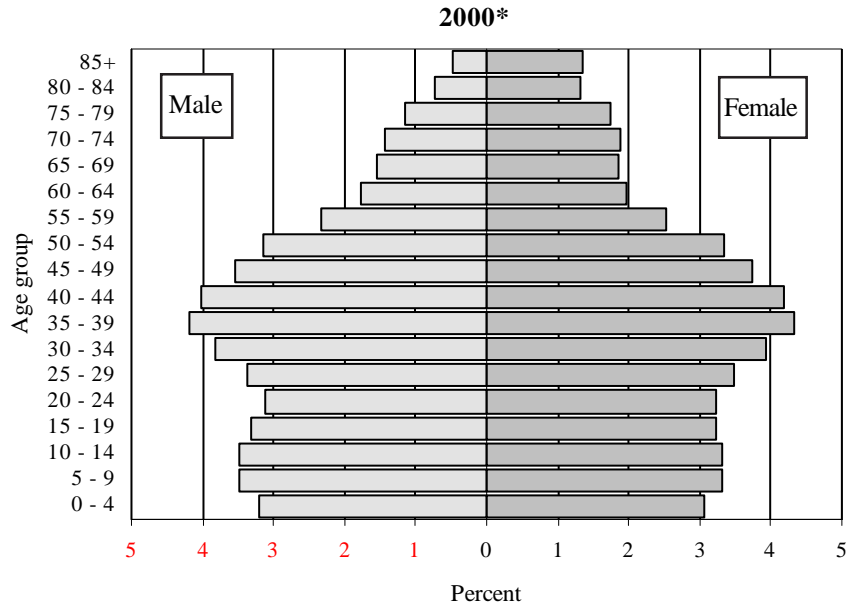
Projected Massachusetts Population by Age Group
2000-2030



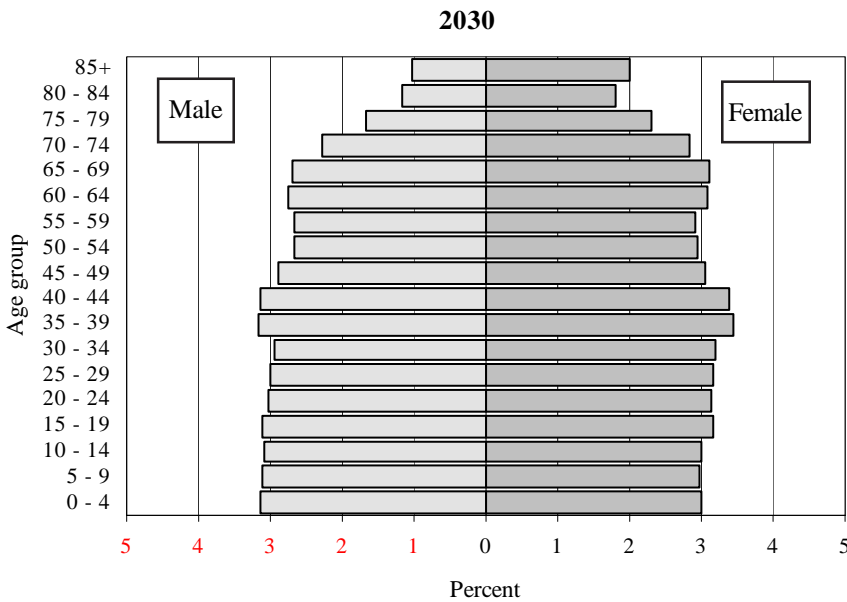
Actual Census 2000 counts as of April 1; all other figures are projections as of July 1 of the indicated year.
Interim Population Projections through 2030 released April 21, 2005 by the Population Division, Bureau of the Census, United States Department of Commerce.

Population Pyramids of Massachusetts

(percent of total population)



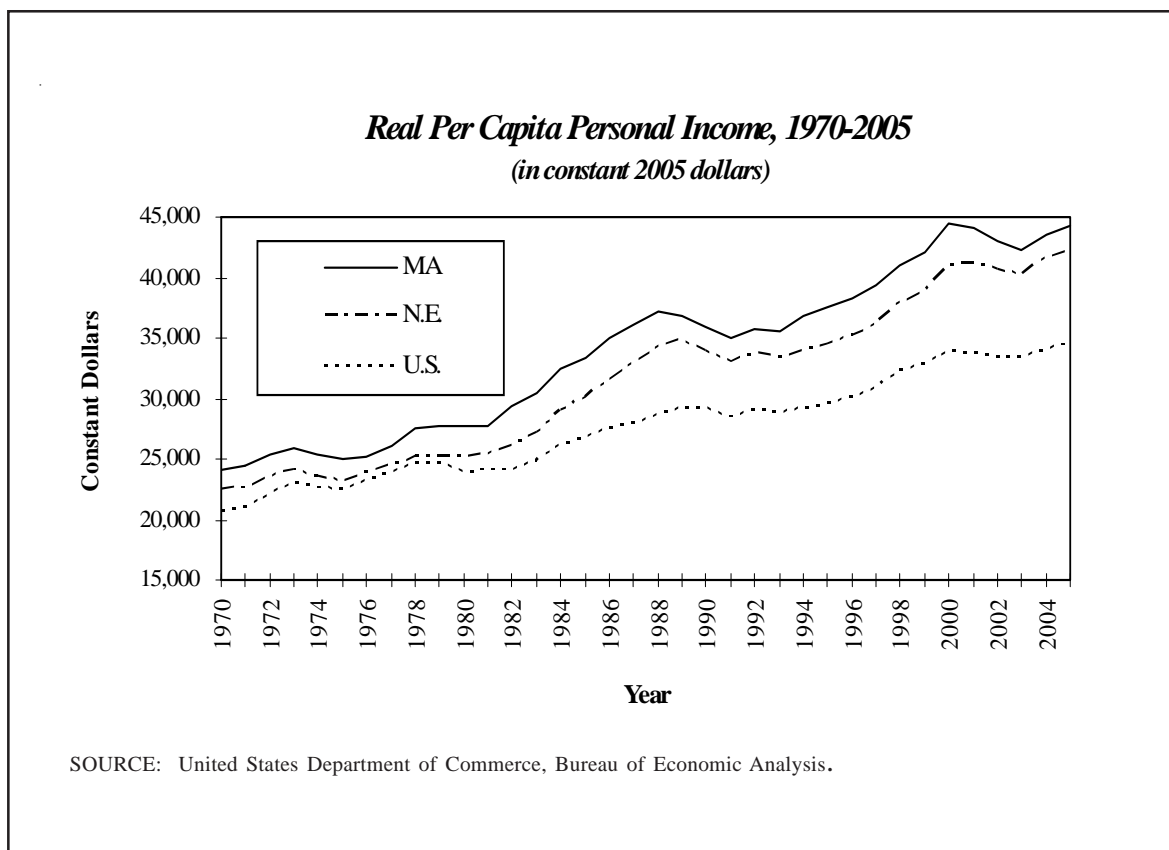
*Note: Actual Census 2000 counts as of April 1.



SOURCE: U.S. Census Bureau, Population Division, Interim State Population Projections, 2005
 Internet Release Date: April 21, 2005

PERSONAL INCOME, CONSUMER PRICES, AND POVERTY

Personal Income. Since at least 1929, real and nominal per capita income levels have been consistently higher in Massachusetts than in the United States. After growing at an annual rate higher than that for the United States between 1982 and 1988, real income levels in Massachusetts declined between 1989 and 1991. Real per capita income levels in Massachusetts increased faster than the national average between 1994 and 1997. In 2000 Massachusetts had its highest per capita income growth in 16 years, exceeding the national growth rate by 2.4 percentage points. From 2000 to 2003 real income in both Massachusetts and the United States declined, with a steeper decline in Massachusetts. However, real income levels in Massachusetts remained well above the national average. In both 2004 and 2005, income in the state grew faster than in the nation. For the last three years only the District of Columbia and Connecticut have had higher levels of per capita personal income. The following graph illustrates these changes in real per capita personal income in Massachusetts, New England, and the United States since 1970.



The following table compares per capita personal income in Massachusetts, New England, and the United States for the period 1970-2005.

Per Capita Personal Income, 1970-2005

Year	Nominal Income (in current dollars)			Real Income (in 2005 dollars)			Percent Change in Real Income		
	MA	NE	U.S.	MA	NE	U.S.	MA	NE	U.S.
1970	4,483	4,445	4,085	24,132	22,374	20,562	0.3%	0.5%	0.7%
1971	4,752	4,680	4,342	24,368	22,568	20,938	1.0%	0.9%	1.8%
1972	5,109	5,029	4,717	25,299	23,497	22,039	3.8%	4.1%	5.3%
1973	5,547	5,481	5,231	25,926	24,109	23,009	2.5%	2.6%	4.4%
1974	6,016	5,958	5,707	25,427	23,602	22,608	-1.9%	-2.1%	-1.7%
1975	6,459	6,381	6,172	25,049	23,164	22,405	-1.5%	-1.9%	-0.9%
1976	6,998	6,959	6,754	25,239	23,886	23,182	0.8%	3.1%	3.5%
1977	7,620	7,593	7,405	26,133	24,471	23,865	3.5%	2.4%	2.9%
1978	8,430	8,413	8,245	27,474	25,200	24,697	5.1%	3.0%	3.5%
1979	9,385	9,392	9,146	27,745	25,265	24,603	1.0%	0.3%	-0.4%
1980	10,602	10,629	10,114	27,776	25,192	23,972	0.1%	-0.3%	-2.6%
1981	11,798	11,846	11,246	27,811	25,451	24,162	0.1%	1.0%	0.8%
1982	12,941	12,871	11,935	29,324	26,049	24,154	5.4%	2.3%	0.0%
1983	14,009	13,829	12,618	30,376	27,117	24,742	3.6%	4.1%	2.4%
1984	15,723	15,422	13,891	32,497	28,989	26,111	7.0%	6.9%	5.5%
1985	16,910	16,546	14,758	33,449	30,032	26,787	2.9%	3.6%	2.6%
1986	18,148	17,722	15,442	35,002	31,579	27,517	4.6%	5.2%	2.7%
1987	19,575	19,119	16,240	36,174	32,869	27,920	3.3%	4.1%	1.5%
1988	21,341	20,811	17,331	37,184	34,357	28,612	2.8%	4.5%	2.5%
1989	22,342	22,083	18,520	36,823	34,781	29,169	-1.0%	1.2%	1.9%
1990	23,043	22,712	19,477	35,900	33,938	29,104	-2.5%	-2.4%	-0.2%
1991	23,432	22,969	19,892	34,970	32,936	28,524	-2.6%	-3.0%	-2.0%
1992	24,538	24,172	20,854	35,734	33,648	29,029	2.2%	2.2%	1.8%
1993	25,176	24,752	21,346	35,632	33,454	28,850	-0.3%	-0.6%	-0.6%
1994	26,303	25,687	22,172	36,746	33,851	29,219	3.1%	1.2%	1.3%
1995	27,457	26,832	23,076	37,463	34,385	29,572	2.0%	1.6%	1.2%
1996	28,933	28,194	24,175	38,341	35,094	30,092	2.3%	2.1%	1.8%
1997	30,498	29,687	25,334	39,308	36,124	30,827	2.5%	2.9%	2.4%
1998	32,524	31,677	26,883	40,991	37,954	32,210	4.3%	5.1%	4.5%
1999	34,227	33,126	27,939	42,084	38,833	32,752	2.7%	2.3%	1.7%
2000	37,756	36,118	29,845	44,501	40,963	33,849	5.7%	5.5%	3.3%
2001	38,953	37,342	30,574	44,018	41,180	33,716	-1.1%	0.5%	-0.4%
2002	38,985	37,379	30,810	42,933	40,579	33,447	-2.5%	-1.5%	-0.8%
2003	39,798	38,009	31,484	42,238	40,343	33,418	-1.6%	-0.6%	-0.1%
2004	42,176	40,260	33,050	43,565	41,624	34,170	3.1%	3.2%	2.3%
2005	44,289	42,314	34,586	44,289	42,314	34,586	1.7%	1.7%	1.2%

SOURCE: United States Department of Commerce, Bureau of Economic Analysis.

Notes: Estimated population as of July 1. Massachusetts real income is calculated using Boston CPI-U data.

Annual pay in nominal dollars has grown steadily in Massachusetts over the past decade. Average annual pay is computed by dividing the total annual payroll of employees covered by Unemployment Insurance programs by the average monthly number of employees. Data are reported by employers covered under the Unemployment Insurance programs. While levels of annual pay were nearly equal in Massachusetts and the United States in 1984, average annual pay levels in Massachusetts have grown more rapidly than the national average since that time. The level of annual pay in Massachusetts in 2004 was 24 percent higher than the national average: \$48,916 compared to \$39,354.

Wage and Salary Disbursements. Wage and Salary Disbursements by Place of Work is a component of personal income and measures monetary disbursements to employees. This includes compensation of corporate officers, commissions, tips, bonuses, and receipts in-kind. Although the data is recorded on a place-of-work basis, it is then adjusted to a place-of-residence basis so that the personal income of the recipients whose place of residence differs from their place of work will be correctly assigned to their state of residence. The table below details Wage and Salary Disbursements since 1990. Between 1991 and 2000, Massachusetts shares of the New England and overall US totals steadily increased, but in the subsequent years, its shares have dropped back somewhat from their 2000 peaks.

Annual Wage and Salary Disbursements, 1990-2004

(in millions of dollars)

Year	U.S.	N.E.	MA	MA as a pct. of N.E.
1990	\$ 2,743,016	\$171,448	\$83,129	48.5%
1991	\$ 2,811,076	\$170,333	\$82,311	48.3%
1992	\$ 2,972,287	\$177,810	\$86,014	48.4%
1993	\$ 3,076,276	\$183,236	\$89,047	48.6%
1994	\$ 3,227,483	\$190,661	\$93,164	48.9%
1995	\$ 3,415,368	\$201,946	\$99,194	49.1%
1996	\$ 3,615,699	\$213,667	\$105,573	49.4%
1997	\$ 3,874,011	\$230,032	\$113,579	49.4%
1998	\$ 4,179,922	\$247,851	\$123,054	49.6%
1999	\$ 4,463,650	\$266,554	\$134,045	50.3%
2000	\$ 4,825,906	\$293,889	\$150,842	51.3%
2001	\$ 4,939,944	\$300,698	\$153,131	50.9%
2002	\$ 4,976,522	\$298,534	\$150,107	50.3%
2003	\$ 5,105,408	\$304,739	\$151,997	49.9%
2004	\$ 5,383,900	\$321,398	\$160,217	49.8%

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis.

Consumer Prices. Higher income levels in Massachusetts relative to the rest of the United States are offset to some extent by the higher cost of living in Massachusetts. The following table presents consumer price trends for the Boston metropolitan area and the United States for the period between 1970 and 2005. The table shows the Consumer Price Index for All Urban Consumers (CPI-U) and the percentage change in that index from the previous year. In 2005, the CPI-U for Boston increased by 3.3 percent, while the index for the United States as a whole increased 3.4 percent. The latest available data for January 2006 show however that the CPI-U for the Boston metropolitan area grew at a rate of 4.4 percent from January 2005, compared with 4.0 percent for the U.S.

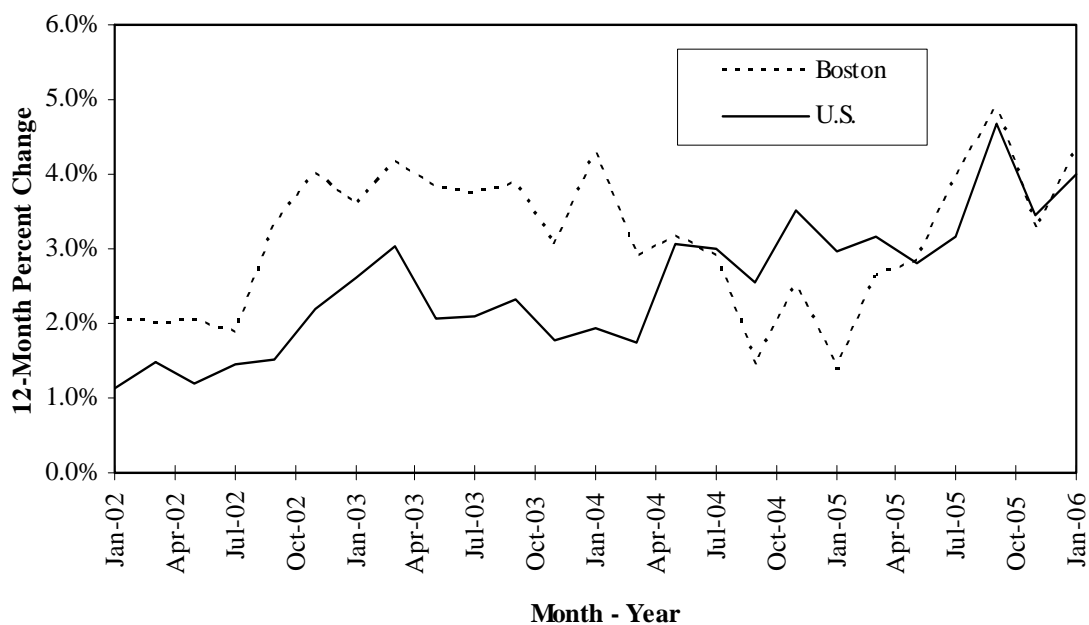
Consumer Price Index for all Urban Consumers (CPI-U), 1970-2005

(not seasonally adjusted, (1982-1984=100))

Year	Boston Metro Area		United States	
	CPI-U	Pct. Change	CPI-U	Pct. Change
1970	40.2		38.8	
1971	42.2	5.0%	40.5	4.4%
1972	43.7	3.6%	41.8	3.2%
1973	46.3	5.9%	44.4	6.2%
1974	51.2	10.6%	49.3	11.0%
1975	55.8	9.0%	53.8	9.1%
1976	60.0	7.5%	56.9	5.8%
1977	63.1	5.2%	60.6	6.5%
1978	66.4	5.2%	65.2	7.6%
1979	73.2	10.2%	72.6	11.3%
1980	82.6	12.8%	82.4	13.5%
1981	91.8	11.1%	90.9	10.3%
1982	95.5	4.0%	96.5	6.2%
1983	99.8	4.5%	99.6	3.2%
1984	104.7	4.9%	103.9	4.3%
1985	109.4	4.5%	107.6	3.6%
1986	112.2	2.6%	109.6	1.9%
1987	117.1	4.4%	113.6	3.6%
1988	124.2	6.1%	118.3	4.1%
1989	131.3	5.7%	124.0	4.8%
1990	138.9	5.8%	130.7	5.4%
1991	145.0	4.4%	136.2	4.2%
1992	148.6	2.5%	140.3	3.0%
1993	152.9	2.9%	144.5	3.0%
1994	154.9	1.3%	148.2	2.6%
1995	158.6	2.4%	152.4	2.8%
1996	163.3	3.0%	156.9	3.0%
1997	167.9	2.8%	160.5	2.3%
1998	171.7	2.3%	163.0	1.6%
1999	176.0	2.5%	166.6	2.2%
2000	183.6	4.3%	172.2	3.4%
2001	191.5	4.3%	177.1	2.8%
2002	196.5	2.6%	179.9	1.6%
2003	203.9	3.8%	184.0	2.3%
2004	209.5	2.7%	188.9	2.7%
2005	216.4	3.3%	195.3	3.4%
Jan-05	211.3		190.7	
Jan-06	220.5	4.4%	198.3	4.0%

SOURCE: United States Department of Labor, Bureau of Labor Statistics

**Consumer Price Index for all Urban Consumers
January 2002 - January 2006**



SOURCE: United States Department of Labor, Bureau of Labor Statistics.

Consumer Confidence, Present Situation, and Future Expectations. These three measures offer multiple insights into consumer attitudes. The U.S. and New England measures are compiled from a national monthly survey of 5,000 households and are published by The Conference Board, Inc. The survey for Boston is conducted in a similar manner and the results are published by the Mass Insight Corporation, based on quarterly polling of 500 adult residents of Massachusetts. The “Present Situation” index measures consumers’ appraisal of business and employment conditions at the time of the survey. The “Future Expectations” index focuses on consumers’ expectations six months hence regarding business and employment conditions, as well as expected family income. The overall “Consumer Confidence” index is a weighted average of the two sub-indices. Although the U.S. and the New England measures are compiled by a different source than the Boston measures, according to the Federal Reserve Bank of Boston the numbers are generally comparable. The following table and chart detail the recent record of these three measures.

**Quarterly Measures of Consumer Confidence, Present Situation, and Future Expectations for Massachusetts, New England, and the U.S.,
January 2001 - January 2006**

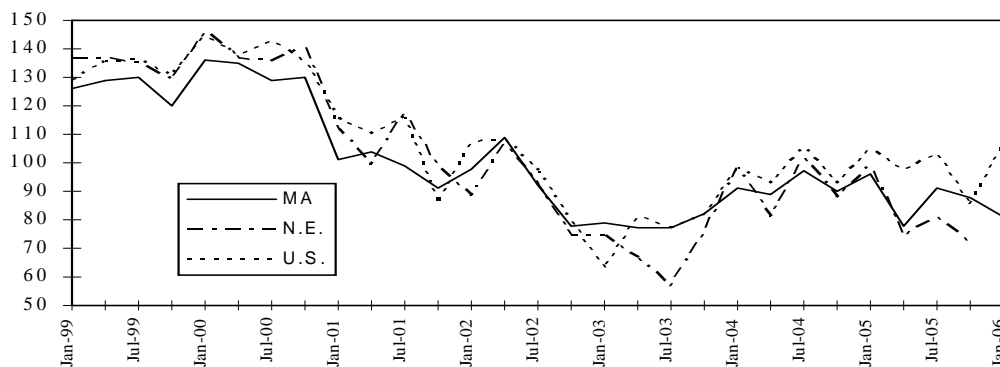
(not seasonally adjusted, except United States (1985=100))

	Consumer Confidence			Present Situation			Future Expectations		
	MA	N.E.	U.S.	MA	N.E.	U.S.	MA	N.E.	U.S.
Jan-01	101.0	111.9	115.7	139.0	173.9	170.4	76.0	70.5	79.3
Apr-01	104.0	99.5	109.9	124.0	161.7	156.0	91.0	58.0	79.1
Jul-01	99.0	117.5	116.3	108.0	170.8	151.3	93.0	82.0	92.9
Oct-01	91.0	98.6	85.3	94.0	105.6	107.2	90.0	64.0	70.7
Jan-02	97.8	88.5	107.0	98.1	85.5	72.0	97.6	90.5	130.0
Apr-02	109.0	106.7	108.5	84.0	115.5	106.8	125.0	100.8	109.6
Jul-02	92.0	92.4	97.4	68.0	96.3	99.4	108.0	89.9	96.1
Oct-02	78.0	74.2	79.6	48.0	70.8	77.2	97.0	76.5	81.1
Jan-03	78.8	74.4	63.0	75.3	63.9	28.0	81.1	81.5	86.0
Apr-03	77.0	66.4	81.0	31.0	52	75.2	108.0	76.0	84.8
Jul-03	77.0	56.8	77.0	41.0	42.8	63.0	101.0	66.2	86.3
Oct-03	82.0	75.5	81.7	36.0	57.4	67.0	112.0	87.6	91.5
Jan-04	91.0	98.2	97.7	48.0	86.5	86.1	119.0	106.1	105.3
Apr-04	89.0	81.2	93.0	53.0	74.8	90.4	113.0	85.5	94.8
Jul-04	97.0	101.4	105.7	66.0	102.9	106.4	119.0	100.3	105.3
Oct-04	90.0	87.7	92.9	64.0	91.4	94.0	108.0	85.3	92.2
Jan-05	96.0	98.9	105.1	70.0	101.9	112.1	114.0	96.9	100.4
Apr-05	78.0	74.4	97.5	63.0	90.2	113.8	88.0	63.9	86.7
Jul-05	91.0	81.3	103.6	80.0	120.2	119.3	99.0	55.4	93.2
Oct-05	88.0	71.6	85.2	80.0	105.7	107.8	95.0	48.9	70.1
Jan-06	81.0		106.8	71.0		128.8	87.0		92.1

SOURCES: The Conference Board, Inc. (for U.S. and N.E.measures), Mass Insight Corporation (for MA measure).

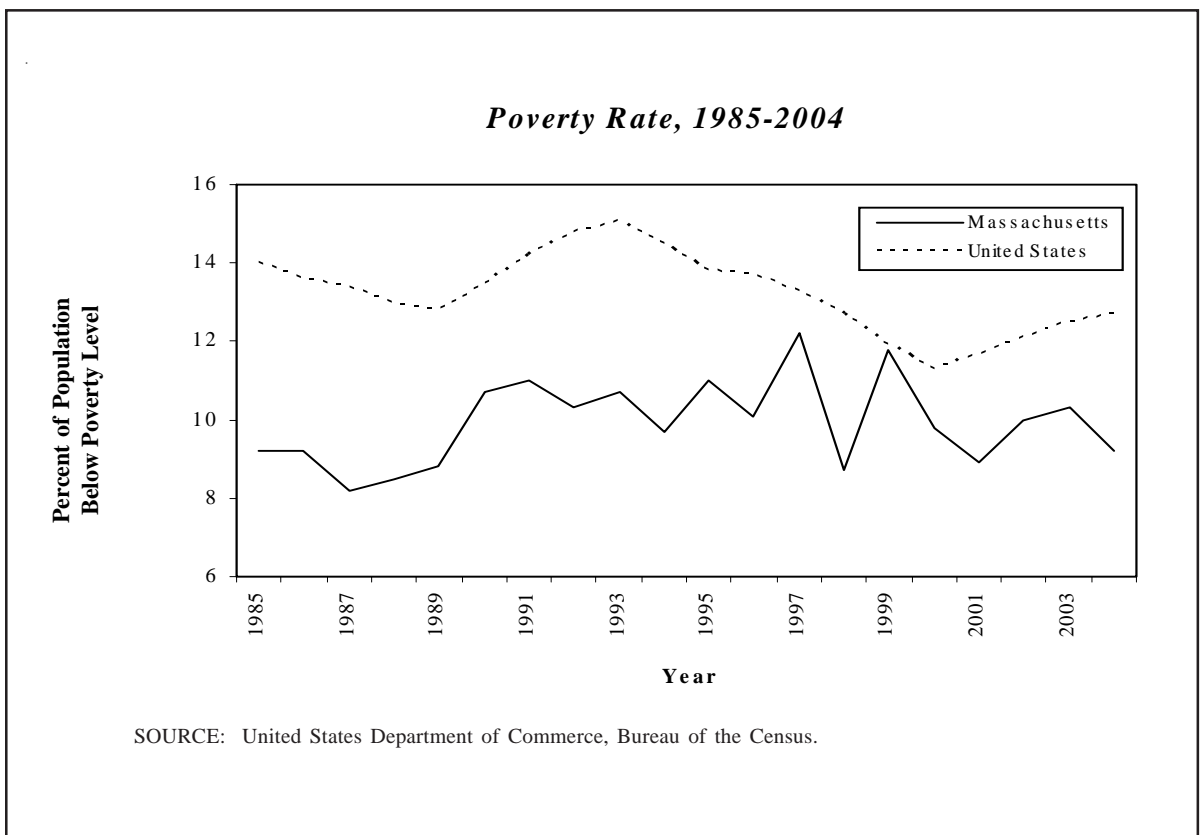
**Consumer Confidence for Massachusetts, New England,
and the U.S. January 1999 - January 2006**

(not seasonally adjusted, except United States (1985 = 100))



SOURCES: The Conference Board, Inc. (for U.S. and N.E. measures), Mass Insight Corporation (for MA measure).

Poverty. The Massachusetts poverty rate remains below the national average. Since 1980, the percentage of the Massachusetts population below the poverty line has varied between 7.7 percent and 12.2 percent. During the same time, the national poverty rate varied between 11.3 percent and 15.1 percent. In 2004, the poverty rate in Massachusetts decreased to 9.2 percent while the poverty rate in the United States rose slightly to 12.7 percent. Since 1980, the ratio of the Massachusetts rate of poverty to the United States rate of poverty has varied from a low of 0.51 in 1983 to 0.99 in 1999. These official poverty statistics are not adjusted for regional differences in the cost of living. The following chart illustrates the lower poverty rates in Massachusetts (1985 - 2004) compared with the national average during similar periods. Poverty estimates for states are not as reliable as national estimates. One should use caution when comparing poverty rate estimates across states, or poverty rates for the same state across years, because their variability is high.

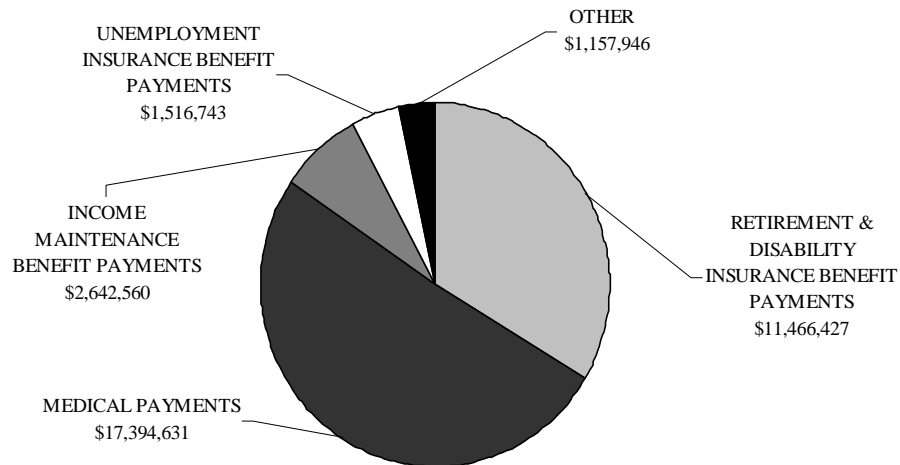


Transfer Payments. Transfer payment income is payment to individuals from all levels of government and from businesses, for which no current services are performed, including payments to nonprofit institutions serving individuals. These payments accounted for more than 13 percent of total personal income in Massachusetts in 2004. The chart below does not include transfer payments from business or payments to non-profit organizations. Total transfer payments to individuals in Massachusetts totaled 35.4 billion dollars for 2004. Approximately 51 percent of total transfer payments were medical payments.

***Transfer Payments from Governments to Individuals in
Massachusetts in 2004***

(From Annual State Personal Income Estimates)

(in thousands of current dollars)



SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis.

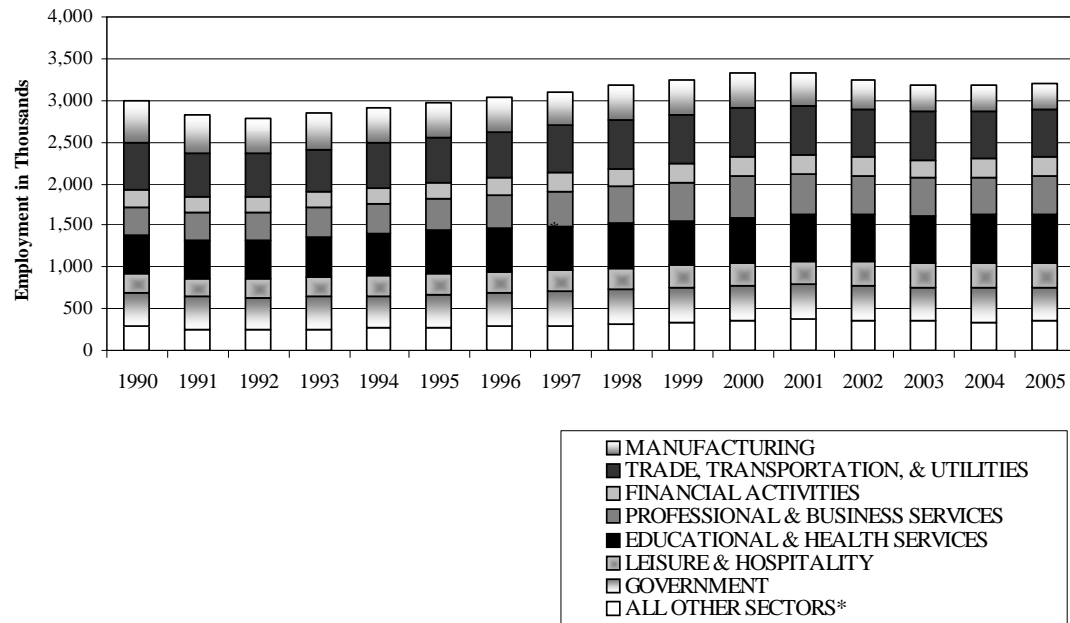
NOTE: The category "other" includes veterans' benefit payments, federal education and training assistance payments, and a small residual of miscellaneous other payments to individuals.

EMPLOYMENT

Employment by Industry. The chart on this page shows the annual level of non-agricultural payroll employment in Massachusetts on the North American Industry Classification System (NAICS) basis for the seven largest NAICS super-sectors starting with 1990, the earliest year for which NAICS data are available. The chart on the following page compares the super-sector shares for the 2004-2005 period with the corresponding shares for the 1990-1991 period. Like many industrial states, Massachusetts has seen a steady decline of its manufacturing jobs base over the last two decades, not only as a share of total employment, but in absolute numbers of jobs as well. Several NAICS service sectors and the Financial Activities sector have grown to take the place of manufacturing in driving the Massachusetts economy and now account for more than half of total payroll employment, while Government, Information, Trade, Transportation & Utilities have remained level or declined in share.

After significant declines in 2002 and 2003, total non-agricultural employment in Massachusetts declined only 0.1 percent in 2004. The 2005 increase of 0.5 percent is equal to the average growth rate over the 16 year period for which NAICS data are available, but still leaves the state with 131.7 thousand fewer jobs than in the peak year of 2001. In 2004, manufacturing employment declined 3.2 percent from the year before; a smaller decline than the steep annual declines in the previous three years and very close to the long-term average rate of decline since 1990 (3.0 percent per year). The estimate for manufacturing for 2005 is in fact only 2.3 percent below the 2004 level.

*Annual Average Employment in Massachusetts,
NAICS Super-Sectors, 1990-2005*

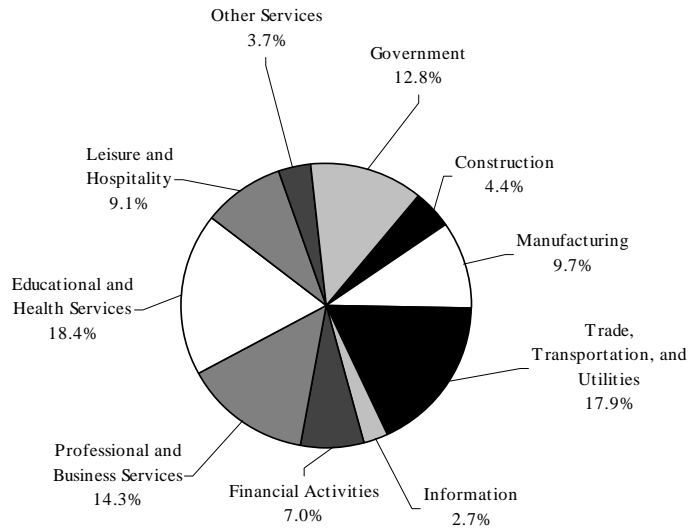


SOURCE: MA Division of Unemployment Assistance

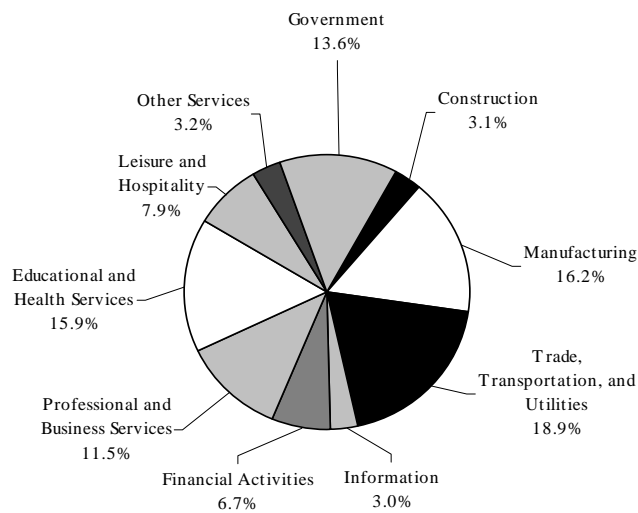
*Includes Mining & Natural Resources, Construction, Information, and Other Services

**Massachusetts Non-Farm Payroll Employment
(NAICS Industry basis)**

NAICS Super-Sectors: 2004-2005 Average Share



NAICS Super-Sectors: 1990-1991 Average Share



SOURCE: MA Division of Unemployment Assistance.

Largest Employers in Massachusetts. The following table lists the twenty-five largest private employers in Massachusetts based upon UI-covered employment data for June 2005. The list is unchanged from the previous list based on March, 2005 employment.

Twenty-five Largest Private Employers in Massachusetts in June, 2005
(listed alphabetically)

Baystate Medical Center, Inc.	Home Depot U.S.A., Inc.
Beth Israel Deaconess Medical Center	Massachusetts Institute of Technology
Big Y Foods, Inc.	The May Department Stores Company
Boston Medical Center Corporation	Raytheon Company
Boston University	S & S Credit Company, Inc.
Brigham & Women's Hospital, Inc.	Shaw's Supermarkets, Inc.
The Children's Hospital Corporation	Southcoast Hospitals Group, Inc.
Demoulas Super Markets, Inc.	State Street Bank & Trust Company
E.M.C. Corporation	UMass Memorial Medical Center, Inc.
Fleet National Bank	United Parcel Service, Inc.
Friendly Ice Cream Corporation	Verizon New England, Inc.
General Hospital Corporation	Wal-Mart Associates, Inc.
Harvard University	

SOURCE: MA Division of Unemployment Assistance.

Unemployment. The economic recession of the early 1990s caused unemployment rates in Massachusetts to rise significantly above the national average, as much as 2.1 points above in 1991. However, since 1994 the unemployment rate in Massachusetts has been consistently below the national average. The following table compares the annual civilian labor force, the number unemployed, and the unemployment rates of Massachusetts, the New England states, and the United States between 1970 and 2005.

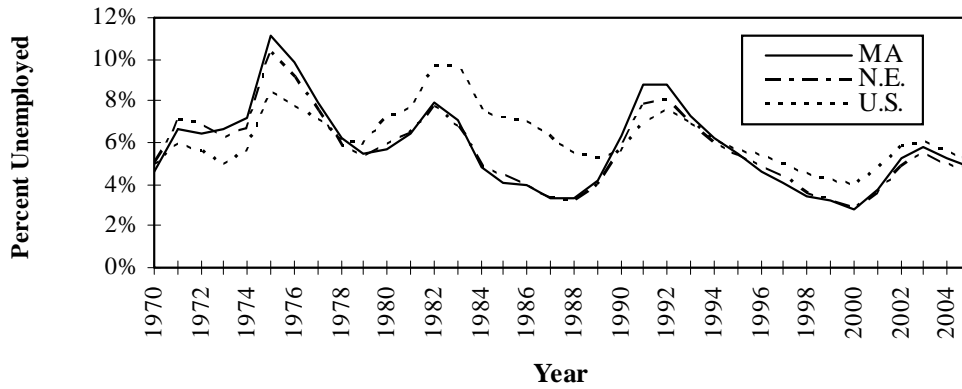
Annual Average Civilian Labor Force and Unemployment, 1970 - 2005

(in thousands)

Year	Civilian Labor Force			Unemployed			Unemployment Rate			MA Rate as
	MA	N.E.	U.S.	MA	N.E.	U.S.	MA	N.E.	U.S.	Pct. of U.S.
1970	2,465	5,128	82,771	113	253	4,093	4.6%	4.9%	4.9%	92.9%
1971	2,459	5,157	84,383	163	364	5,016	6.6%	7.1%	5.9%	111.8%
1972	2,487	5,260	87,035	161	363	4,882	6.5%	6.9%	5.6%	115.4%
1973	2,557	5,387	89,430	171	336	4,365	6.7%	6.2%	4.9%	136.7%
1974	2,637	5,514	91,951	190	368	5,156	7.2%	6.7%	5.6%	128.4%
1975	2,725	5,633	93,775	305	578	7,928	11.2%	10.3%	8.5%	132.2%
1976	2,726	5,714	96,158	268	521	7,406	9.8%	9.1%	7.7%	127.5%
1977	2,760	5,820	99,009	218	437	6,991	7.9%	7.5%	7.1%	112.1%
1978	2,809	5,936	102,251	173	343	6,202	6.2%	5.8%	6.1%	101.8%
1979	2,863	6,080	104,962	156	326	6,137	5.5%	5.4%	5.8%	93.4%
1980	2,886	6,154	106,940	164	365	7,637	5.7%	5.9%	7.1%	79.6%
1981	2,938	6,268	108,670	189	400	8,273	6.4%	6.4%	7.6%	84.6%
1982	2,966	6,345	110,204	236	489	10,678	8.0%	7.7%	9.7%	82.3%
1983	2,972	6,386	111,550	209	434	10,717	7.0%	6.8%	9.6%	73.2%
1984	3,032	6,540	113,544	146	318	8,539	4.8%	4.9%	7.5%	63.9%
1985	3,049	6,630	115,461	125	290	8,312	4.1%	4.4%	7.2%	56.8%
1986	3,080	6,724	117,834	123	264	8,237	4.0%	3.9%	7.0%	57.0%
1987	3,114	6,827	119,865	104	228	7,425	3.4%	3.3%	6.2%	54.1%
1988	3,156	6,907	121,669	104	215	6,701	3.3%	3.1%	5.5%	60.0%
1989	3,189	7,004	123,869	132	274	6,528	4.2%	3.9%	5.3%	78.9%
1990	3,226	7,128	125,840	204	409	7,047	6.3%	5.7%	5.6%	112.9%
1991	3,199	7,112	126,346	283	558	8,628	8.8%	7.8%	6.8%	129.4%
1992	3,181	7,105	128,105	281	573	9,613	8.8%	8.1%	7.5%	117.7%
1993	3,173	7,062	129,200	232	486	8,940	7.3%	6.9%	6.9%	105.8%
1994	3,188	7,041	131,056	199	415	7,996	6.2%	5.9%	6.1%	102.1%
1995	3,205	7,053	132,304	176	375	7,404	5.5%	5.3%	5.6%	97.9%
1996	3,231	7,118	133,943	148	340	7,236	4.6%	4.8%	5.4%	84.6%
1997	3,293	7,228	136,297	135	315	6,739	4.1%	4.4%	4.9%	82.6%
1998	3,322	7,257	137,673	113	253	6,210	3.4%	3.5%	4.5%	75.2%
1999	3,355	7,327	139,368	110	234	5,880	3.3%	3.2%	4.2%	77.4%
2000	3,366	7,348	142,583	92	204	5,692	2.7%	2.8%	4.0%	68.7%
2001	3,401	7,424	143,734	126	266	6,801	3.7%	3.6%	4.7%	78.3%
2002	3,424	7,510	144,863	181	364	8,378	5.3%	4.8%	5.8%	91.4%
2003	3,406	7,546	146,510	197	409	8,774	5.8%	5.4%	6.0%	96.7%
2004	3,375	7,517	147,401	176	368	8,149	5.2%	4.9%	5.5%	94.3%
2005	3,365	7,551	149,320	162	353	7,591	4.8%	4.7%	5.1%	94.4%

SOURCE: United States Department of Labor, Bureau of Labor Statistics.

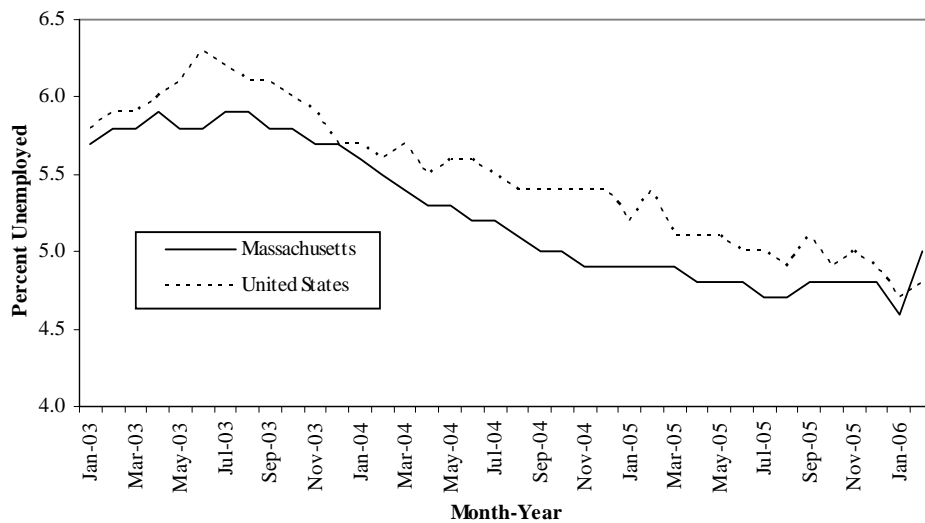
**Annual Average Unemployment Rate, 1970 -2005,
Massachusetts, New England, and United States**



SOURCE: United States Department of Labor, Bureau of Labor Statistics.

The unemployment rate in Massachusetts has been consistently below that of the United States ever since the recovery from the recession of early 1990, with the exception of December, 2003, when the two rates were equal. Unemployment levels in the United States as a whole and in Massachusetts have shown similar patterns in the last two years, peaking in mid-2003, and then falling slowly but fairly steadily through January, 2006. The unemployment rate in Massachusetts dropped from 4.9 to 4.6 percent between January, 2005 and January, 2006, while the United States unemployment rate dropped from 5.2 to 4.7 percent over those same twelve months, significantly narrowing the state's advantage. Both rates worsened in February, 2006, with the (preliminary) Massachusetts rate actually higher than the U.S. rate (5.0 versus 4.8) for the first time since March, 1995. The following graph illustrates the movement of the state and national unemployment rates over the past thirty-eight months.

**Monthly Unemployment Rate, January 2003-February 2006
Massachusetts and United States**
(seasonally adjusted)



SOURCE: MA Division of Employment Assistance.

Help Wanted Advertising Index. This index is an additional measure of the employment conditions in various regions across the country and for the nation as a whole. Compiled by The Conference Board, Inc., the index is based on the volume of help wanted advertising in 51 major newspapers across the country whose circulation covers about half of the country's nonagricultural employment. The index is compiled for each of the 51 markets, then weighted into regional averages which are then weighted into the national index. The index is intended to be a proxy measure for labor demand. According to the Conference Board, Inc., rising trends in want-ad volume have generally corresponded to improved labor market conditions and declining volume has indicated a decline in new employment.

Help Wanted Advertising Index, 1989-2005*

(seasonally adjusted 1987=100)

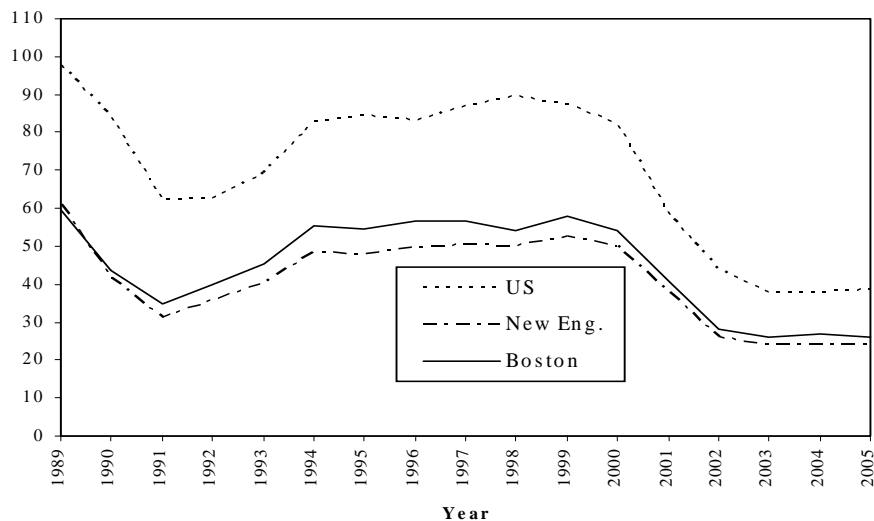
	US	% Change	New Eng.	% Change	Boston	% Change
1989	98.0		60.8		59.5	
1990	83.8	-14.5%	41.5	-31.8%	43.5	-26.9%
1991	62.0	-26.0%	31.0	-25.3%	34.7	-20.3%
1992	62.5	0.8%	35.8	15.3%	39.9	15.1%
1993	69.4	11.1%	40.3	12.6%	45.4	13.8%
1994	82.9	19.4%	48.1	19.5%	55.4	22.0%
1995	84.3	1.6%	47.8	-0.7%	54.5	-1.7%
1996	83.2	-1.3%	49.8	4.2%	56.8	4.3%
1997	87.0	4.6%	50.6	1.7%	56.7	-0.3%
1998	89.4	2.8%	50.0	-1.2%	54.0	-4.7%
1999	87.3	-2.4%	52.4	4.8%	57.8	7.1%
2000	82.4	-5.5%	50.0	-4.6%	54.1	-6.5%
2001	58.3	-29.3%	37.7	-24.7%	40.9	-24.3%
2002	43.8	-24.9%	25.9	-31.2%	28.0	-31.6%
2003	37.8	-13.5%	23.8	-8.4%	25.8	-7.7%
2004	37.8	0.0%	23.9	0.7%	26.8	3.9%
2005*	38.8	2.6%	23.8	-0.7%	25.8	-3.7%

*U.S. & N.E. thru 10/05; Boston thru 9/05

SOURCE: The Conference Board, Inc.

Help Wanted Advertising Index, 1989-2005*

(seasonally adjusted 1987=100)



*U.S. & N.E. thru 10/05; Boston thru 9/05

SOURCE: The Conference Board, Inc.

Unemployment Insurance Trust Fund. The unemployment insurance system is a federal-state cooperative program established by the Social Security Act and the Federal Unemployment Tax Act to provide for the payment of benefits to eligible individuals when they become unemployed through no fault of their own. Benefits are paid from the Commonwealth's Unemployment Insurance Trust Fund, financed through employer contributions. The assets and liabilities of the Commonwealth Unemployment Insurance Trust Fund are not assets and liabilities of the Commonwealth. As of March 31, 2006, the Massachusetts Unemployment Trust Fund had a balance of \$302 million, of which the private contributory account portion was \$200 million. The Division of Unemployment Assistance's March 2006 Unemployment Insurance Trust Fund report indicates that under the current economic outlook the refinancing measures included in Chapter 142 of the Massachusetts Acts of 2003 (effective January 1, 2004), provide for employer contributions that should result in private contributory account reserves of \$2.010 billion at the end of 2010.

ECONOMIC BASE AND PERFORMANCE

According to the Bureau of Economic Analysis, Gross State Product (GSP) is the value added in production by the labor and property located in a state. GSP for a State is derived as the sum of the gross state product originating in all industries in a State. In concept, an industry's GSP, referred to as its "value added", is equivalent to its gross output (sales or receipts and other operating income, commodity taxes, and inventory change) minus its intermediate inputs (consumption of goods and services purchased from other U.S. industries or imported). Thus, GSP is often considered the state counterpart of the nation's gross domestic product (GDP), Bureau of Economic Analysis's featured measure of U.S. output.

Real GSP is an inflation-adjusted measure of each state's gross product that is based on national prices for the goods and services produced within that state. The estimates of real GSP and of quantity indexes with a base year of 2000 are derived by applying national implicit price deflators to the current-dollar GSP estimates for the 63 SIC industries for years 1977-1997, and for the 81 NAICS industries for years 1997 forward. Then, the chain-type index formula that is used in the national accounts is used to calculate the estimates of total real GSP and of real GSP at more aggregated industry levels.

Between 1997 and 2004, gross state product in Massachusetts, New England and the sum of all states GSP grew approximately 40 percent in current dollars. Massachusetts had larger increases than those in New England and the sum of all states GSP between 1998 through 2000, but then lagged both areas respectively from 2001 to 2003. The Massachusetts economy is the largest in New England, contributing 48 percent to New England's total GSP, and thirteenth largest in the U.S., contributing 2.7 percent to the nation's total GSP.

Gross State Product - Cumulative Change, 1997-2004

(millions of chained 2000 dollars)

Year	Massachusetts		New England		United States	
	GSP	Change from 1997	GSP	Change from 1997	GSP	Change from 1997
1997	\$227,074		\$487,671		\$8,620,955	
1998	\$241,535	6.4%	\$512,367	5.1%	\$9,004,669	4.5%
1999	\$256,659	12.6%	\$534,094	9.3%	\$9,404,249	8.9%
2000	\$276,786	20.5%	\$568,212	15.7%	\$9,749,104	12.6%
2001	\$279,434	21.4%	\$573,703	16.7%	\$9,836,571	13.5%
2002	\$278,213	21.0%	\$573,700	16.7%	\$10,009,433	15.2%
2003	\$284,286	23.2%	\$588,536	19.2%	\$10,289,220	18.0%
2004	\$298,066	28.0%	\$617,107	24.1%	\$10,734,763	22.3%

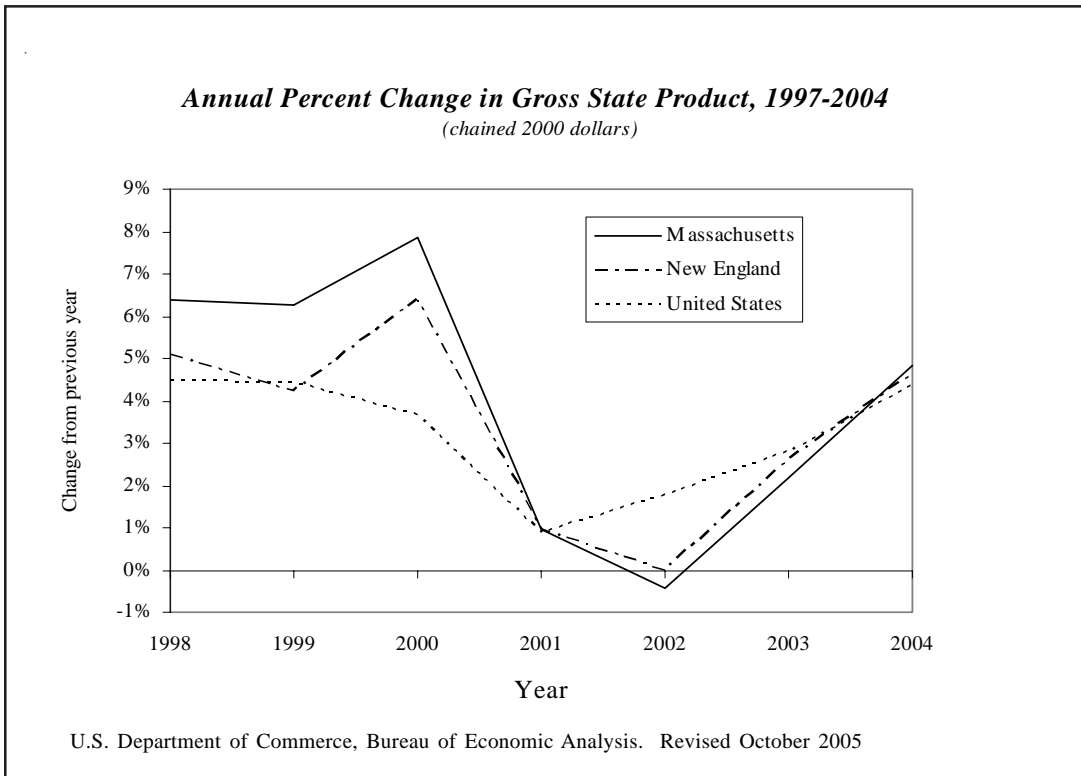
U.S. Department of Commerce, Bureau of Economic Analysis. Revised October 2005

The table below indicates the Gross State Product for Massachusetts, the New England states, and the United States. The United States figure is the sum of the fifty states.

Gross State Product - Annual Change, 1997-2004
(millions of chained 2000 dollars)

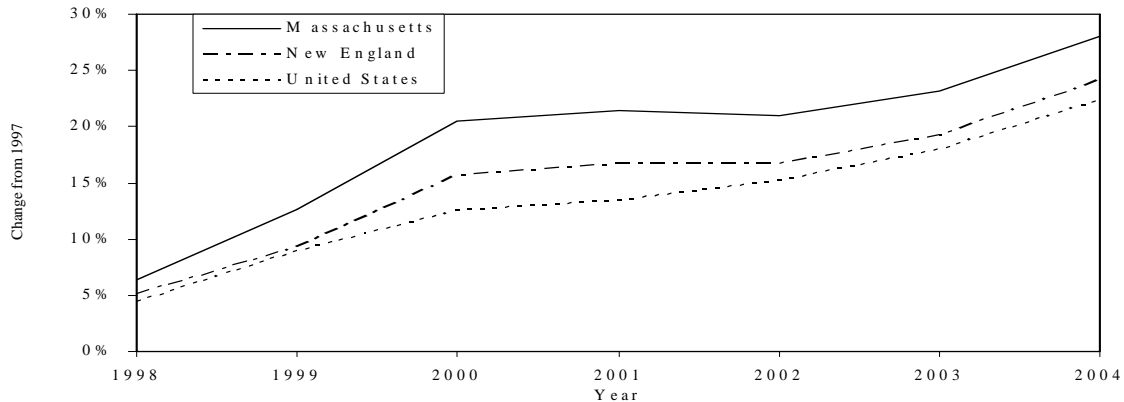
Year	Massachusetts		New England		United States	
	GSP	Annual change	GSP	Annual change	GSP	Annual change
1997	\$227,074		\$487,671		\$8,620,955	
1998	\$241,535	6.4%	\$512,367	5.1%	\$9,004,669	4.5%
1999	\$256,659	6.3%	\$534,094	4.2%	\$9,404,249	4.4%
2000	\$276,786	7.8%	\$568,212	6.4%	\$9,749,104	3.7%
2001	\$279,434	1.0%	\$573,703	1.0%	\$9,836,571	0.9%
2002	\$278,213	-0.4%	\$573,700	0.0%	\$10,009,433	1.8%
2003	\$284,286	2.2%	\$588,536	2.6%	\$10,289,220	2.8%
2004	\$298,066	4.8%	\$615,736	4.6%	\$10,734,763	4.3%

U.S. Department of Commerce, Bureau of Economic Analysis. Revised October 2005



**Cumulative Percent Change in Gross State Product,
1997-2004**

(chained 2000 dollars)



SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis. Revised October 2005

The commercial base of Massachusetts is anchored by the twenty-four 2005 Fortune 1000 companies (eleven of which are Fortune 500) headquartered in Massachusetts. Exiting the Massachusetts 2004 Fortune 500 list after being purchased by companies headquartered outside Massachusetts were FleetBoston (140th) and John Hancock Financial Services (192nd). The 2006 Fortune 500 list for Massachusetts will not include Gillette as it was purchased by Ohio based Procter and Gamble (26th) in January 2005. Allmerica Financial lost its Fortune 500 ranking, joining the Fortune 1000 (550th). When comparing the 2005 Fortune 500 to 2004's, five Massachusetts companies gained and seven lost rank. Perini, the Framingham based construction services firm and Fortune 1000 member, climbed 111 places on the list (from 910th to 799th); the largest leap for a Massachusetts company.

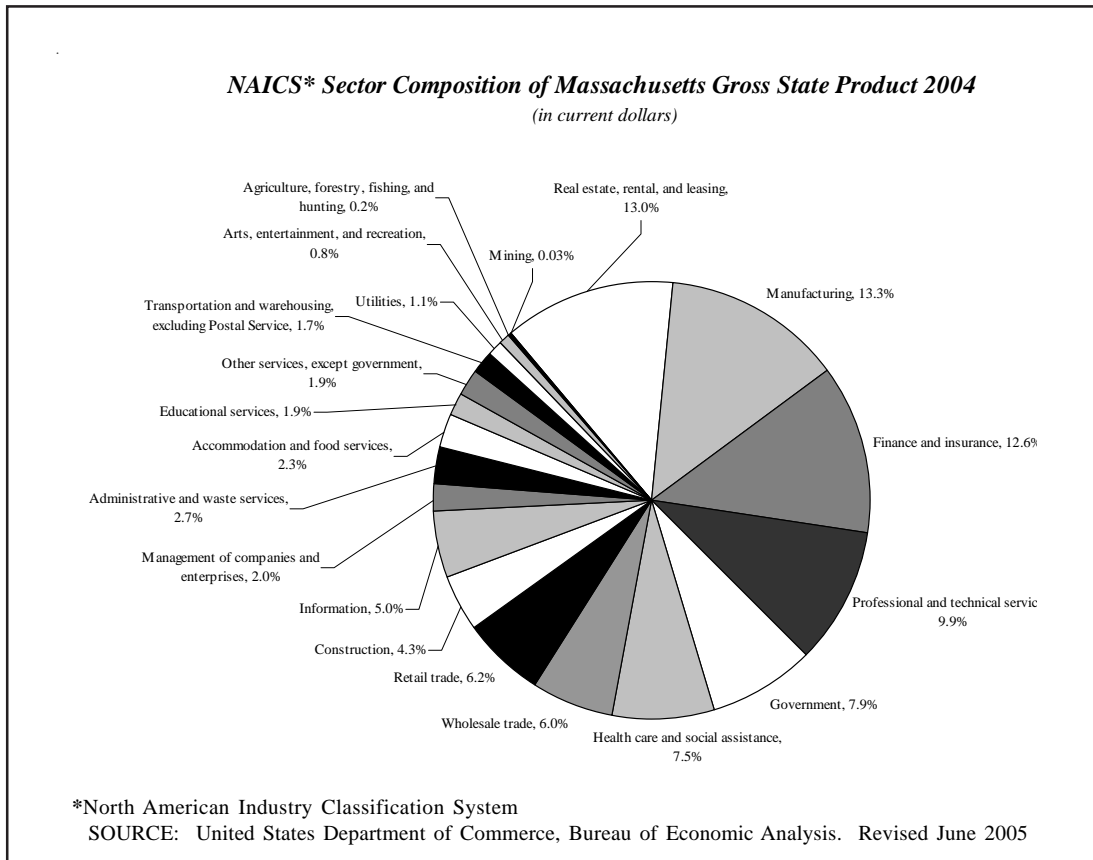
Massachusetts Companies in the 2005 Fortune 500 and 1000 Lists

Rank		Company	Industry	2004 revenues (millions)
2005	2004			
83	90	Mass. Mutual Life Ins (Springfield)	Insurance: Life, Health (mutual)	\$23,159
103	107	Raytheon (Waltham)	Aerospace and Defense	\$20,245
111	116	Liberty Mutual Ins. Group (Boston)	Insurance: P & C (stock)	\$19,754
141	148	TJX (Framingham)	Specialty Retailers	\$14,914
146	152	Staples (Framingham)	Specialty Retailers	\$14,448
215	192	Gillette (Boston)	Household and Personal Products	\$10,477
266	215	EMC (Hopkinton)	Computer Peripherals	\$8,230
284	277	BJ's Wholesale Club (Natick)	Specialty Retailers	\$7,375
341	299	State St. Corp. (Boston)	Commercial Banks	\$5,861
352	330	Boston Scientific (Natick)	Medical Products & Equipment	\$5,624
483	477	Reebok International (Canton)	Apparel	\$3,785
550	494	Allmerica Financial (Worcester)	Insurance: P & C (stock)	\$3,111
575	538	NSTAR (Boston)	Utilities: Gas & Electric	\$2,954
623	699	Analog Devices (Norwood)	Semiconductors and Other Electronic Components	\$2,634
680	685	Thermo Electron (Waltham)	Scientific, Photo, Control Equipment	\$2,325
708	N/A	Biogen Idec (Cambridge)	Pharmaceuticals	\$2,210
713	782	Genzyme (Cambridge)	Pharmaceuticals	\$2,201
775	758	Cabot (Boston)	Chemicals	\$1,934
799	910	Perini (Framingham)	Engineering, Construction	\$1,842
811	857	Iron Mountain (Boston)	Diversified Outsourcing	\$1,818
817	809	Commerce Group (Webster)	Insurance: P & C (stock)	\$1,807
824	921	Teradyne (Boston)	Scientific, Photo, Control Equipment	\$1,792
855	840	PerkinElmer (Wellesley)	Scientific, Photo, Control Equipment	\$1,691
962	936	Boston Properties (Boston)	Real Estate	\$1,404

SOURCE: *Fortune*, April 2005

ECONOMIC BASE AND PERFORMANCE - SECTOR DETAIL (NAICS BASIS)

The Massachusetts economy remains diversified among several industrial and non-industrial sectors. The four largest sectors of the economy (manufacturing, real estate and rental and leasing, finance and insurance, and professional and technical services, on the 2002 NAICS basis) contributed 48.8 percent of the GSP in 2004. The data below show the contributions to the Massachusetts Real Gross State Product of all industrial and non-industrial sectors.



When measured in chained 2000 dollars, the cumulative change in Massachusetts total GSP was 28.0 percent between 1997 and 2004. Between 1997 and 2003 (the latest data available for subsector data), several industries grew much faster than the state average; computer and electronic product manufacturing, securities/commodity contracts/investments, and forestry/fishing/related activities. Substantial cumulative losses were in the paper manufacturing, machinery manufacturing, and funds/trusts/other financial vehicles sectors. Industry subsectors that experienced substantial cumulative growth or reduction and accounted for one percent or more of Massachusetts GSP are listed in the following chart:

Industry Subsectors with a Substantial Growth or Reduction
(chained 2000 dollars)

NAICS* Industry Subsector	Cumulative percent change 1997-2004
Computer and electronic product manufacturing	344.5%
Securities, commodity contracts, investments	259.2%
Forestry, fishing, and related activities	150.4%
Computer systems design and related services	66.3%
Broadcasting and telecommunications	60.8%
Paper manufacturing	-33.4%
Machinery manufacturing	-37.4%
Funds, trusts, and other financial vehicles	-48.8%

*North American Industry Classification System.
SOURCE: United States Department of Commerce, Bureau of Economic Analysis. Revised June 2005

Gross State Product by Industry in Massachusetts, 1997-2004

(millions of chained 2000 dollars)

NAICS* Industry Sector	1997	1999	2000	2001	2002	2003	2004
Total Gross State Product	\$227,074	\$256,659	\$276,786	\$279,434	\$278,213	\$284,286	\$298,066
Private industries	204,714	233,424	253,492	255,947	254,795	261,066	274,528
Agriculture, forestry, fishing, and hunting	442	469	540	587	679	713	734
Mining	67	93	97	103	94	105	102
Utilities	3,319	3,223	3,455	3,161	3,104	3,371	3,384
Construction	10,193	11,645	12,168	13,299	13,217	12,704	12,703
Manufacturing	24,737	30,063	37,132	34,972	35,255	37,957	39,611
Wholesale trade	14,359	17,878	16,335	18,065	17,593	17,492	17,777
Retail trade	12,130	13,677	14,557	15,768	16,550	17,493	18,511
Transportation and warehousing, excluding Postal Service	4,352	4,769	5,180	5,071	4,941	5,012	5,009
Information	9,764	12,049	12,986	13,629	13,422	13,630	14,951
Finance and insurance	21,589	26,971	30,333	30,227	30,546	33,237	37,584
Real estate, rental, and leasing	32,268	34,607	35,978	38,599	37,830	36,949	38,612
Professional and technical services	20,551	24,640	28,469	28,505	27,408	27,652	29,523
Management of companies and enterprises	6,985	6,870	7,506	6,151	5,767	5,767	6,006
Administrative and waste services	7,646	8,252	8,382	7,392	7,305	7,631	8,025
Educational services	5,575	5,602	5,934	5,866	5,913	5,740	5,665
Health care and social assistance	19,716	19,505	20,374	20,480	21,075	21,918	22,360
Arts, entertainment, and recreation	1,796	1,908	1,913	2,026	2,139	2,187	2,239
Accommodation and food services	5,555	6,258	6,605	6,522	6,552	6,634	6,953
Other services, except government	4,943	5,304	5,545	5,466	5,390	5,386	5,705
Government	22,491	23,264	23,293	23,487	23,417	23,261	23,631

* North American Industry Classification System

SOURCE: United States Department of Commerce, Bureau of Economic Analysis. Revised October 2005

Cumulative Percent Change in GSP by Industry in Massachusetts, 1997-2004

(millions of chained 2000 dollars)

NAICS* Industry Sector	1997-98	1999-00	2000-01	2001-02	2002-03	2003-04
Total Gross State Product	6.4%	20.5%	21.4%	21.0%	23.2%	28.0%
Private industries	6.9%	22.2%	23.1%	22.7%	25.1%	30.3%
Agriculture, forestry, fishing, and hunting	-12.9%	24.1%	32.8%	48.4%	53.4%	56.4%
Mining	20.9%	40.0%	46.2%	37.5%	49.2%	46.3%
Utilities	0.9%	4.3%	-4.2%	-6.0%	2.6%	3.0%
Construction	7.5%	18.3%	27.6%	26.9%	23.1%	23.1%
Manufacturing	12.7%	44.1%	38.2%	39.0%	46.7%	51.1%
Wholesale trade	13.1%	14.6%	25.1%	22.5%	22.0%	23.6%
Retail trade	5.4%	18.8%	27.1%	32.1%	37.8%	43.6%
Transportation and warehousing, excluding Postal Service	4.8%	18.0%	15.9%	13.3%	14.7%	14.7%
Information	6.1%	30.2%	35.1%	33.6%	35.2%	44.9%
Finance and insurance	12.7%	36.0%	35.7%	36.7%	45.5%	58.6%
Real estate, rental, and leasing	2.2%	11.1%	18.4%	16.4%	14.1%	18.6%
Professional and technical services	9.6%	34.5%	34.7%	30.8%	31.7%	38.5%
Management of companies and enterprises	-2.8%	7.6%	-10.4%	-16.6%	-16.6%	-12.5%
Administrative and waste services	5.5%	9.4%	-2.4%	-3.6%	0.8%	6.0%
Educational services	0.3%	6.4%	5.3%	6.1%	3.1%	1.8%
Health care and social assistance	-0.6%	3.4%	3.9%	6.8%	10.8%	12.8%
Arts, entertainment, and recreation	2.5%	6.4%	12.3%	17.9%	20.1%	22.5%
Accommodation and food services	8.5%	17.9%	16.6%	17.1%	18.3%	23.1%
Other services, except government	4.9%	11.7%	10.3%	8.9%	8.8%	14.8%
Government	0.8%	3.5%	4.4%	4.1%	3.4%	5.0%

* North American Industry Classification System

SOURCE: United States Department of Commerce, Bureau of Economic Analysis.

Gross State Product by Industry in Massachusetts, 1997-2004
(as a percent of total GSP chained 2000 dollars)

NAICS* Industry Sector	1997	1999	2001	2002	2003	2004
Total Gross State Product	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Private industries	90.2%	90.9%	91.6%	91.6%	91.8%	92.1%
Agriculture, forestry, fishing, and hunting	0.2%	0.2%	0.2%	0.2%	0.3%	0.2%
Mining	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Utilities	1.5%	1.3%	1.1%	1.1%	1.2%	1.1%
Construction	4.5%	4.5%	4.8%	4.8%	4.5%	4.3%
Manufacturing	10.9%	11.7%	12.5%	12.7%	13.4%	13.3%
Wholesale trade	6.3%	7.0%	6.5%	6.3%	6.2%	6.0%
Retail trade	5.3%	5.3%	5.6%	5.9%	6.2%	6.2%
Transportation and warehousing, excluding Postal Service	1.9%	1.9%	1.8%	1.8%	1.8%	1.7%
Information	4.3%	4.7%	4.9%	4.8%	4.8%	5.0%
Finance and insurance	9.5%	10.5%	10.8%	11.0%	11.7%	12.6%
Real estate, rental, and leasing	14.2%	13.5%	13.8%	13.6%	13.0%	13.0%
Professional and technical services	9.1%	9.6%	10.2%	9.9%	9.7%	9.9%
Management of companies and enterprises	3.1%	2.7%	2.2%	2.1%	2.0%	2.0%
Administrative and waste services	3.4%	3.2%	2.6%	2.6%	2.7%	2.7%
Educational services	2.5%	2.2%	2.1%	2.1%	2.0%	1.9%
Health care and social assistance	8.7%	7.6%	7.3%	7.6%	7.7%	7.5%
Arts, entertainment, and recreation	0.8%	0.7%	0.7%	0.8%	0.8%	0.8%
Accommodation and food services	2.4%	2.4%	2.3%	2.4%	2.3%	2.3%
Other services, except government	2.2%	2.1%	2.0%	1.9%	1.9%	1.9%
Government	9.9%	9.1%	8.4%	8.4%	8.2%	7.9%

* North American Industry Classification System

SOURCE: United States Department of Commerce, Bureau of Economic Analysis. Revised October 2005
1998 data omitted due to space constraints

Rank of Industry Contribution to GSP in Massachusetts, 1997-2004
(millions of chained 2000 dollars)

NAICS* Industry Sector	1997	1999	2001	2002	2003	2004
Total Gross State Product						
Private industries						
Agriculture, forestry, fishing, and hunting	19	19	19	19	19	19
Mining	20	20	20	20	20	20
Utilities	17	17	17	17	17	17
Construction	9	10	10	10	10	10
Manufacturing	2	2	2	2	1	1
Wholesale trade	7	7	7	7	8	8
Retail trade	8	8	8	8	7	7
Transportation and warehousing, excluding Postal Service	16	16	16	16	16	16
Information	10	9	9	9	9	9
Finance and insurance	4	3	3	3	3	3
Real estate, rental, and leasing	1	1	1	1	2	2
Professional and technical services	5	4	4	4	4	4
Management of companies and enterprises	12	12	13	14	13	13
Administrative and waste services	11	11	11	11	11	11
Educational services	13	14	14	13	14	15
Health care and social assistance	6	6	6	6	6	6
Arts, entertainment, and recreation	18	18	18	18	18	18
Accommodation and food services	14	13	12	12	12	12
Other services, except government	15	15	15	15	15	14
Government	3	5	5	5	5	5

* North American Industry Classification System

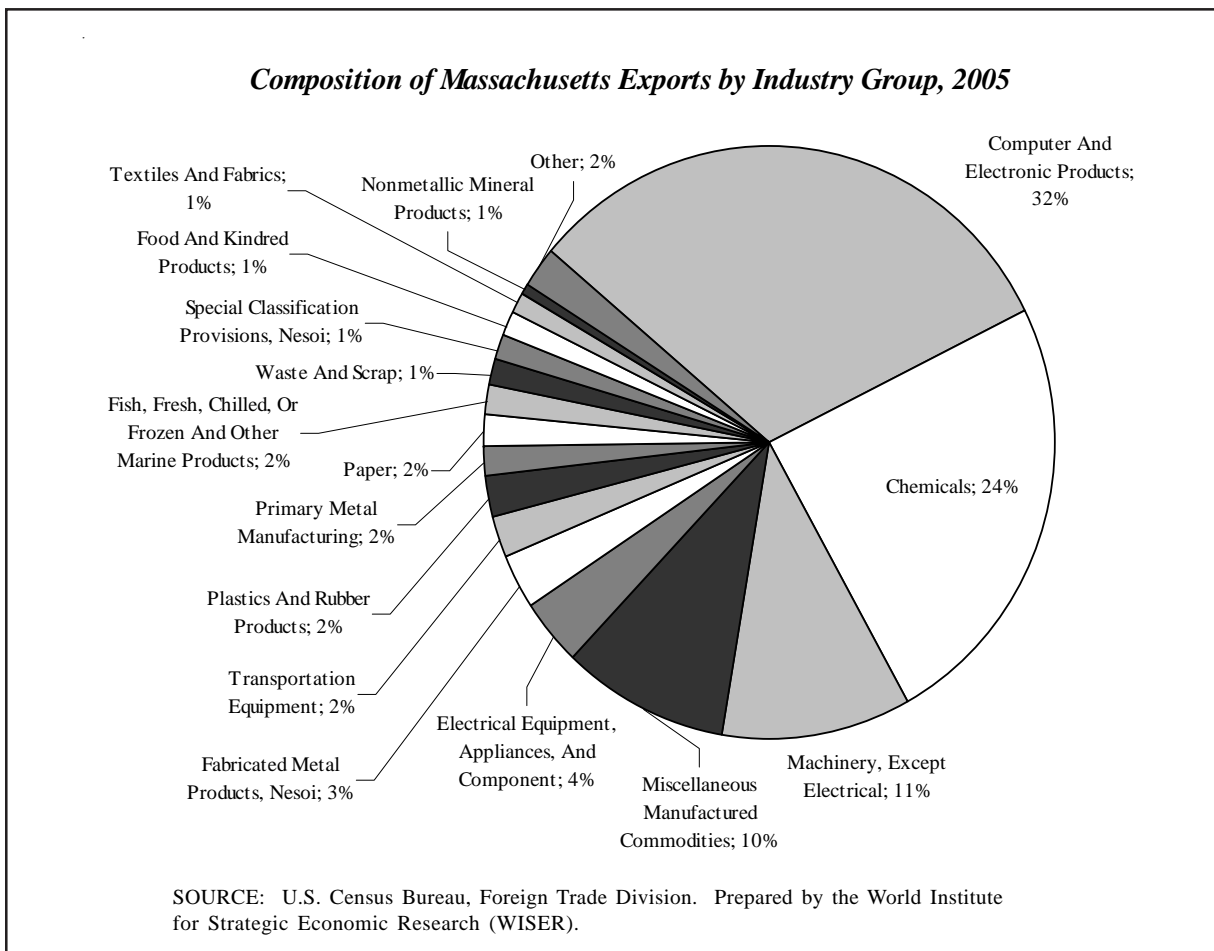
SOURCE: United States Department of Commerce, Bureau of Economic Analysis. Revised October 2005
1998 data omitted due to space constraints

Between 1997 and 2004, the portion of the total GSP in chained 2000 dollars, from the private industry sector increased 2.0 percent while it decreased 2.0 percent in the government sector. Contributions by each industry to total GSP have remained steady for most sectors. The exceptions were finance and insurance (+3.1 percent, and manufacturing +2.4 percent). When the 1997 to 2004 industry contributions to total annual GSP are ranked according to their dollar value, the top five have remained constant; real estate, rental and leasing, manufacturing, finance and insurance, professional and technical services, and government.

Trade and International Trade. Massachusetts ranked 10th in the United States, and first in New England, with \$22.04 billion in international exports in 2005. This represents a 0.9 percent increase from the previous year's exports from the Commonwealth, while national exports increased by 10.6 percent in the same period. Through February 2006, Massachusetts's exports totaled \$3.53 billion, an increase of 8.2 percent compared with exports in the first two months of 2005. National exports were up 13.6 percent and New England, 12.8 percent during the same period. It is not possible to provide balance of trade comparisons for Massachusetts because import data are not compiled on a state-by-state basis.

Massachusetts' five most important trading partners for 2005 were: the Netherlands, with \$3.00 billion in purchases of Massachusetts exports; Canada, with \$2.93; Germany, with \$2.15 billion; Japan, with \$1.90 billion; and the United Kingdom, with \$1.63 billion in purchases. Between 2004 and 2005, the most significant growth in Massachusetts's exports among its top ten trading partners was in exports to South Korea (23.0 percent) and the Netherlands (19.3 percent).

Massachusetts' most important exports, as shown in the following chart, are computer and electronic products, chemical products, and non-electrical machinery. These categories reflect the adoption of the NAICS classification system, which groups computers with electronic products, rather than with machinery.



Value of International Shipments from Massachusetts, 1998-2005

(top ten industry groups ranked by value of 2005 exports, in millions)

<i>Major Industry Group</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
Computer And Electronic Products	\$7,458	\$8,056	\$10,215	\$8,122	\$7,024	\$7,688	\$7,475	\$7,004
Chemicals	\$1,223	\$1,357	\$1,600	\$1,534	\$2,267	\$3,216	\$4,907	\$5,284
Machinery, Except Electrical	\$1,694	\$1,705	\$2,545	\$2,044	\$1,786	\$1,668	\$2,456	\$2,315
Miscellaneous Manufactured Commodities	\$835	\$925	\$1,053	\$1,213	\$1,210	\$1,571	\$1,927	\$2,111
Electrical Equipment, Appliances, And Component	\$596	\$720	\$834	\$691	\$649	\$592	\$752	\$815
Fabricated Metal Products, Nesoi	\$597	\$601	\$649	\$569	\$692	\$539	\$621	\$664
Transportation Equipment	\$637	\$698	\$659	\$449	\$346	\$383	\$453	\$481
Plastics And Rubber Products	\$357	\$389	\$374	\$400	\$406	\$375	\$404	\$469
Primary Metal Manufacturing	\$335	\$283	\$358	\$272	\$248	\$425	\$423	\$405
Paper	\$334	\$364	\$435	\$386	\$373	\$355	\$366	\$362
Total Exports, Top Massachusetts Industries	\$14,065	\$15,098	\$18,722	\$15,679	\$15,002	\$16,812	\$19,784	\$19,911
Total Massachusetts Exports	\$15,878	\$16,805	\$20,514	\$17,490	\$16,708	\$18,663	\$21,837	\$22,043
Percent Change from Prior Year	-3.9%	5.8%	22.1%	-14.7%	-4.5%	11.7%	17.0%	0.9%

SOURCE: World Institute for Strategic Economic Research (WISER). These figures reflect the changeover in export statistics reporting to the NAICS system from the SIC system. Categories and state totals are not comparable between systems. Pre-1997 data is not available.

Transportation and Warehousing, and Utilities. Between 1997 and 2004, the combined real gross state product of the transportation and warehousing and utilities sector increased 9.4 percent when measured with year 2000 chained dollars. These combined sectors contributed 2.8 percent to the total Massachusetts Real Gross State Product in 2004, a 0.6 percent less than it did in 1997.

Massachusetts's major air and seaports are managed by the Massachusetts Port Authority (Massport), an independent public authority. Massport reported fiscal 2005 operating income of \$39.9 million (up 18.5 percent from fiscal 2004), with operating revenues up 11.0 percent (\$460.6 million in 2005 versus \$415.0 million in 2004) and operating costs up 10 percent (\$420.6 million in 2005 versus \$381.3 million in 2004).

According to Massport, as of June 30, 2005, airline service at Logan, both scheduled and unscheduled, was provided by 78 airlines, including 6 U.S. major air carrier airlines, 33 other domestic carriers, 19 non-U.S. flag carriers, and 20 regional and commuter airlines. As of December, year-to-date 2005, Logan flights and passenger counts were up 0.9 and 3.6 percent respectively while cargo and mail volume was down 2.3 percent from December year-to-date 2004. Based on total passenger volume in calendar year 2004 data, Logan Airport was the most active airport in New England, 18th most active in the U.S. and 34th most active in the world, according to Airports Council International (ACI).

According to ACI, in calendar year 2004, Logan Airport ranked 18th in the nation in total air cargo volume. In fiscal year 2005, the airport handled 793.3 million pounds of cargo, a 1.6 percent increase from 2004. As of June 30, 2004, Logan was served by 8 all-cargo and small package/express carriers.

At Massport's Port of Boston properties, 2004 cargo throughput was 13.9 million metric tons (a 5 percent increase from 2003), automobile processing decreased 13 percent to 10,910 units, and cruise passenger trips decreased less than one percent to 199,453. For the first four months of 2006, total containerized cargo increased 7.2 percent, there were 16.9 percent more cruise passengers and 0.6 percent more automobiles processed, when compared to the first four months of 2005. Massachusetts total waterborne cargo shipped or received in 2003 (from the Army Corps of Engineers data), increased 17.4 percent (30,655,000 short tons), as did New England and the U.S. (11.6 and 2.3 percent, respectively).

Construction and Housing. In 2004, construction activity contributed 4.3 percent to the total Massachusetts Gross State Product when measured in 2000 chained dollars. The construction sector contributed 4.5 percent to state GSP in 1997. Overall growth between 1997 and 2004 was 24.6 percent.

The following table shows the number of housing permits authorized on an annual basis in Massachusetts, New England, and the United States.

Housing Permits Authorized, 1969-2005

<i>Year</i>	<i>Massachusetts</i>		<i>New England</i>		<i>United States</i>	
	<i>Total Permits</i>	<i>Percent Change</i>	<i>Total Permits</i>	<i>Percent Change</i>	<i>Total Permits</i>	<i>Percent Change</i>
1969	33,572		70,539		1,330,161	
1970	38,330	14.2%	74,068	5.0%	1,354,746	1.8%
1975	17,697	-27.5%	41,645	-21.0%	934,511	-12.4%
1980	16,055	-20.4%	40,195	-25.1%	1,171,763	-23.6%
1981	15,599	-2.8%	38,067	-5.3%	985,600	-15.9%
1982	15,958	2.3%	39,470	3.7%	1,000,500	1.5%
1983	22,950	43.8%	57,567	45.9%	1,605,221	60.4%
1984	28,471	24.1%	72,356	25.7%	1,689,667	5.3%
1985	39,360	38.2%	96,832	33.8%	1,732,335	2.5%
1986	43,877	11.5%	108,272	11.8%	1,771,832	2.3%
1987	40,018	-8.8%	101,222	-6.5%	1,542,499	-12.9%
1988	31,766	-20.6%	82,123	-18.9%	1,450,583	-6.0%
1989	21,634	-31.9%	53,543	-34.8%	1,345,084	-7.3%
1990	15,276	-29.4%	36,811	-31.2%	1,125,583	-16.3%
1991	12,624	-17.4%	31,111	-15.5%	953,834	-15.3%
1992	16,346	29.5%	36,876	18.5%	1,105,083	15.9%
1993	17,715	8.4%	39,225	6.4%	1,210,000	9.5%
1994	18,302	3.3%	40,459	3.1%	1,366,916	13.0%
1995	15,946	-12.9%	37,357	-7.7%	1,335,835	-2.3%
1996	17,360	8.9%	40,425	8.2%	1,419,083	6.2%
1997	17,554	1.1%	42,047	4.0%	1,442,251	1.6%
1998	18,958	8.0%	47,342	12.6%	1,619,500	12.3%
1999	18,977	0.1%	47,379	0.1%	1,663,916	2.7%
2000	17,342	-8.6%	43,735	-7.7%	1,598,332	-3.9%
2001	16,654	-4.0%	42,786	-2.2%	1,636,700	2.4%
2002	17,122	2.8%	47,173	10.3%	1,747,600	6.8%
2003	18,574	8.5%	48,845	3.5%	1,889,400	8.1%
2004	21,206	14.2%	56,268	15.2%	2,006,600	6.2%
2005	23,254	9.7%	57,076	1.4%	2,114,600	5.4%

SOURCES: Federal Reserve Bank of Boston; United States Department of Commerce.

Both the economic recession of 1990-1991 and the subsequent economic recovery were strongly reflected in the Massachusetts housing sector, but the recession that began in 2001 has had a less pronounced impact on home sales. Significant declines in existing home sales in Massachusetts in 1989 and 1990 (of 10.9 percent and 28.8 percent, respectively) were followed by rapid sales growth between 1991 and 1993, when home sales in Massachusetts increased at a yearly rate substantially higher than the national average. Following this period of rapid growth, the growth in existing home sales slowed to a rate of 0.7 percent in 1994 and declined 2.6 percent in 1995. In 1996, 1997, and 1998, however, growth in existing home sales in Massachusetts was significant, outpacing the New England and national average in 1996 and 1997 with rates of 16.6 percent and 11.0 percent, respectively. This strong growth ended in 1999 when existing home sales in the Commonwealth declined 1.3 percent while growth in existing home sales nationally was 6.0 percent. In 2000, existing home sales in Massachusetts declined by 10 percent and did not start growing again until 2002 when they surged 32.5 percent. On a seasonally adjusted annual basis, existing home sales for the Commonwealth, New England, and the United States appear in the following table.

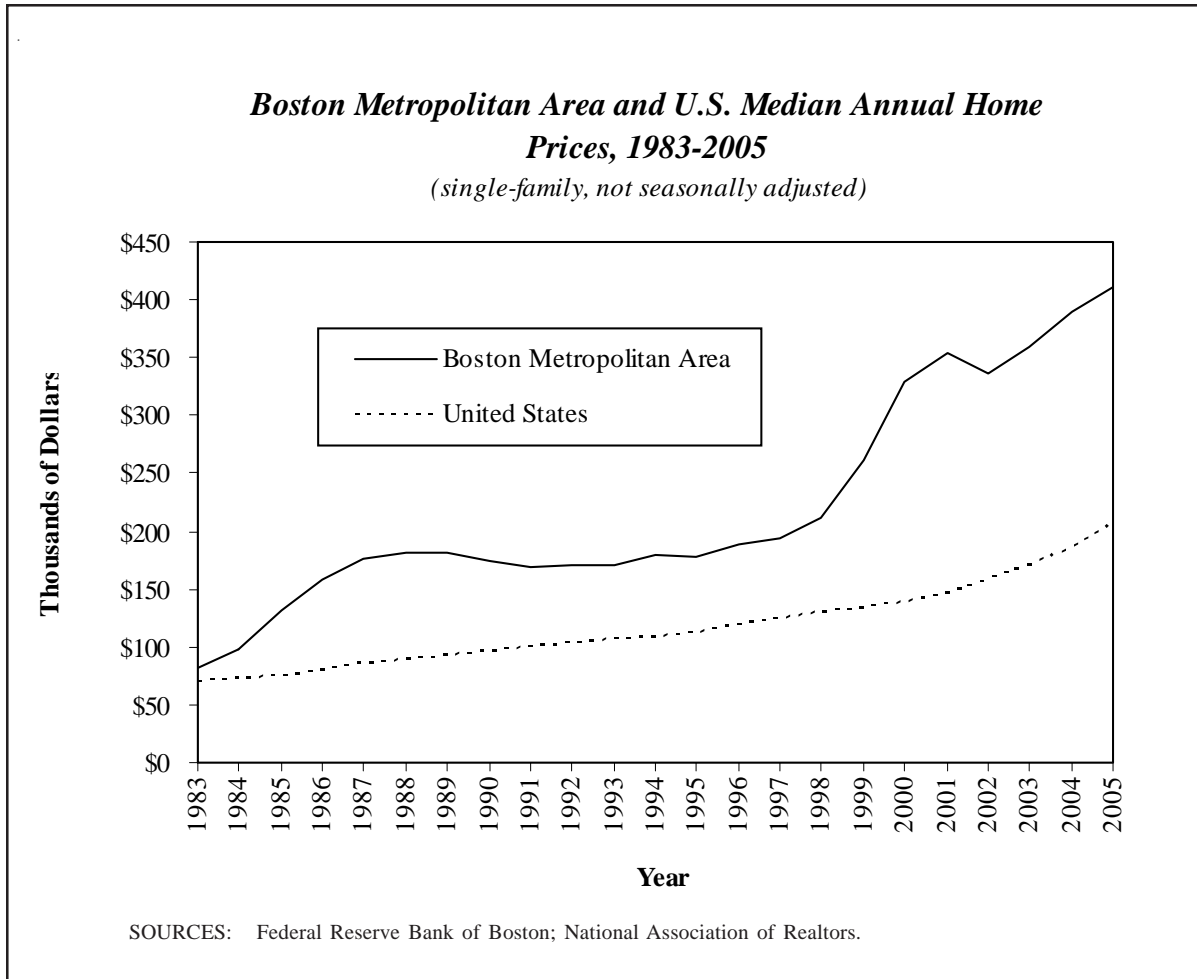
Existing Home Sales, 1981-2005

(seasonally adjusted annual rates, in thousands)

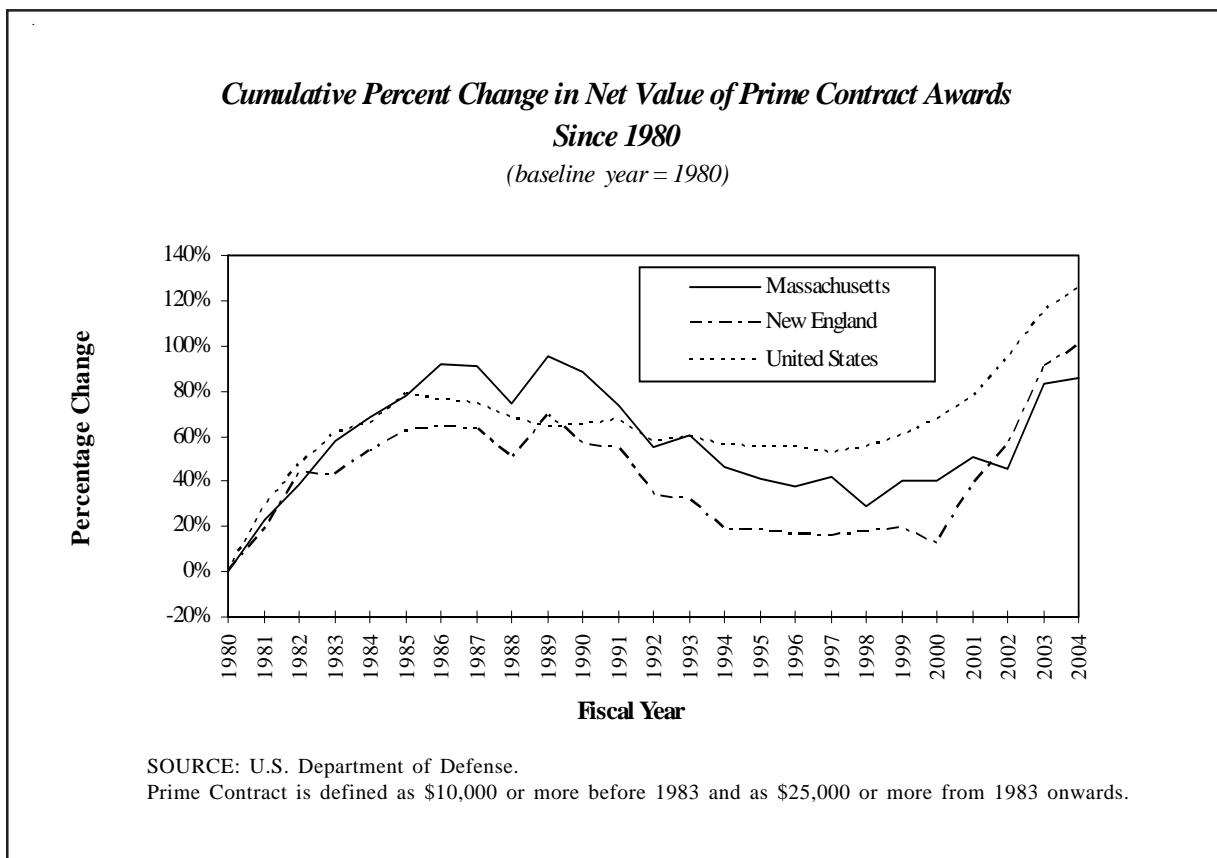
<i>Year</i>	<i>Massachusetts</i>		<i>New England</i>		<i>United States</i>	
	<i>Sales</i>	<i>% Change</i>	<i>Sales</i>	<i>% Change</i>	<i>Sales</i>	<i>% Change</i>
1981	43.0		105.8		2,575.0	
1982	42.6	-0.8%	98.6	-6.9%	2,117.5	-17.8%
1983	59.2	39.0%	141.3	43.3%	2,875.0	35.8%
1984	54.9	-7.3%	140.7	-0.4%	3,027.5	5.3%
1985	60.2	9.7%	157.0	11.6%	3,382.5	11.7%
1986	67.0	11.3%	169.2	7.8%	3,772.5	11.5%
1987	76.4	14.1%	174.5	3.1%	3,767.5	-0.1%
1988	76.6	0.2%	178.5	2.3%	3,882.5	3.1%
1989	68.2	-10.9%	163.0	-8.7%	3,672.0	-5.4%
1990	48.6	-28.8%	134.0	-17.8%	3,603.5	-1.9%
1991	53.4	10.0%	140.5	4.9%	3,533.3	-1.9%
1992	62.5	17.0%	170.6	21.4%	3,889.5	10.1%
1993	70.9	13.4%	193.8	13.6%	4,220.3	8.5%
1994	71.4	0.7%	200.3	3.4%	4,409.8	4.5%
1995	69.6	-2.6%	185.7	-7.3%	4,342.3	-1.5%
1996	81.2	16.6%	200.7	8.1%	4,705.3	8.4%
1997	90.1	11.0%	219.4	9.3%	4,908.8	4.3%
1998	99.9	10.8%	248.3	13.2%	5,585.3	13.8%
1999	98.5	-1.3%	253.3	2.0%	5,922.8	6.0%
2000	88.7	-10.0%	242.0	-4.4%	5,831.8	-1.5%
2001	87.5	-1.4%	239.6	-1.0%	6,026.3	3.3%
2002	115.9	32.5%	262.8	9.7%	5,631.0	-6.6%
2003	118.3	2.1%	269.3	2.5%	6,183.0	9.8%
2004	141.7	19.8%	308.4	14.5%	6,784.0	9.7%
2005p	148.6	4.9%	N/A		7,072.0	4.2%

SOURCES: National Association of Realtors; Federal Reserve Bank of Boston. p = Preliminary.

Median single-family home prices for the Boston Metropolitan area and the U.S. from 1983 to 2004 are compared in the following graph. While Boston housing prices were 118.1 percent of the U.S. median in 1983, by 1987 Boston housing prices as a percent of the national median had reached 205.7 percent. After dipping to 160.9 percent of the median in 1993 and remaining as low as 162.9 percent in 1998, Boston home prices soared to 211.7 percent of the national median in 2004. The Boston metropolitan area median home price rose to \$389,700 in 2004, compared to the national home price of \$184,100. The third quarter 2005 preliminary median prices were \$215,900 for the U.S. and \$430,900 for the Boston metro. This was a 14.7 percent increase for the U.S. and a 5.5 percent increase for the Boston metro, when compared to their third quarter 2004 prices. The September 2005 revisions reflect new metropolitan statistical area definitions from the U.S. Census Bureau.



Defense. Following a peak at \$8.7 billion in the value of military prime contracts awarded to Massachusetts firms in fiscal 1986, defense-related contracts declined 17.2 percent by fiscal 1988 to \$7.2 billion. By fiscal 1995, the value of defense-related prime contracts had declined to \$4.8 billion. The net value of prime contract awards in Massachusetts oscillated between \$4.2 and \$5.2 billion from 1995 to 2002, but jumped 29.2 percent from 2002 to 2004 to \$7.0 billion. The chart below illustrates the yearly changes in the value of Massachusetts military prime contracts from 1980 to 2004.



The importance of the defense industry to the Massachusetts economy is reflected in table on the following page, which shows the value of Department of Defense prime contract awards between 1980 and 2004. From the early 1980s to 2001, the Commonwealth's share of New England's prime contract awards had remained around 50 percent. While Massachusetts' contract total has increased significantly in the past two years, its share in the New England region has slipped to 36.5 percent in 2004. In 2002, the Commonwealth's share of the national total reached its lowest point in over two decades, 3.1 percent, and has increased only slightly to 3.3 percent in 2004. Despite this trend, Massachusetts remains the eighth largest recipient in defense spending.

Net Value of Department of Defense Prime Contract Awards, 1980-2004

(in millions)

Fiscal Year	MA	N.E.	U.S.	Massachusetts' Share (as a Percent)	
				of New England	of U.S.
1980*	\$3,743	\$8,775	\$68,070	42.7%	5.5%
1981*	4,605	10,372	87,761	44.4%	5.2%
1982*	5,317	13,037	103,858	40.8%	5.1%
1983	6,328	12,967	118,744	48.8%	5.3%
1984	7,029	14,249	123,995	49.3%	5.7%
1985	7,714	15,487	140,096	49.8%	5.5%
1986	8,735	15,748	136,026	55.5%	6.4%
1987	8,685	15,606	133,262	55.7%	6.5%
1988	7,212	13,673	125,767	52.7%	5.7%
1989	8,757	16,268	119,917	53.8%	7.3%
1990	8,166	14,271	121,254	57.2%	6.7%
1991	6,933	13,889	124,119	49.9%	5.6%
1992	5,686	11,033	112,285	51.5%	5.1%
1993	5,936	10,779	114,145	55.1%	5.2%
1994	5,106	9,329	110,316	54.7%	4.6%
1995	4,846	9,375	109,005	51.7%	4.4%
1996	4,675	9,237	109,408	50.6%	4.3%
1997	4,910	9,152	106,561	53.6%	4.6%
1998	4,245	9,284	109,386	45.7%	3.9%
1999	4,715	9,456	114,875	49.9%	4.1%
2000	4,737	8,745	123,295	54.2%	3.8%
2001	5,248	11,094	135,225	47.3%	3.9%
2002	4,929	13,029	158,737	37.8%	3.1%
2003	6,800	17,544	191,221	38.8%	3.6%
2004	6,961	19,062	212,740	36.5%	3.3%

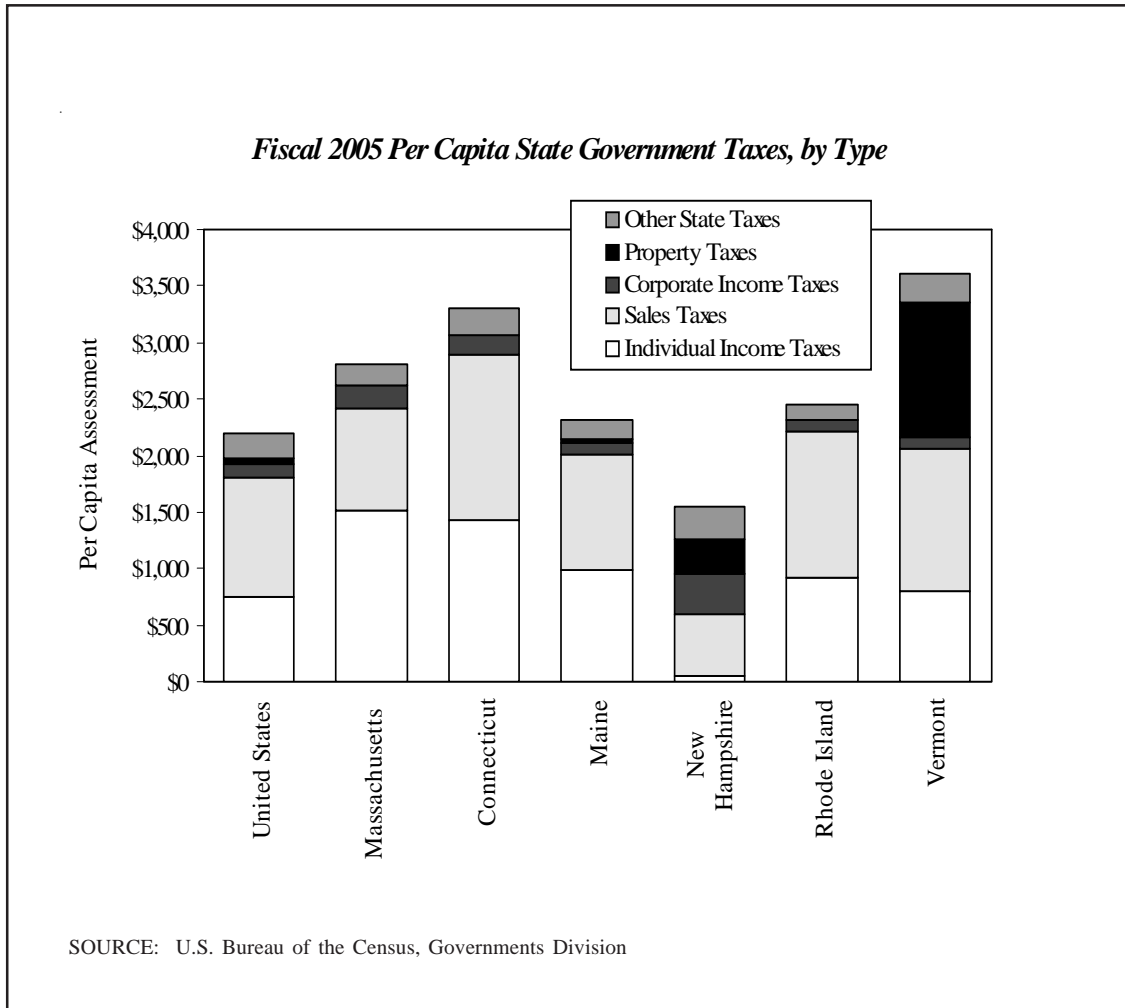
SOURCE: United States Department of Defense. *Prime Contract is defined as \$10,000 and above for these years; beginning in 1983 it is defined as \$25,000 and above.

Travel and Tourism. The travel and tourism industry represents a substantial component of the overall Massachusetts economy. Massachusetts is one of the nation's most popular tourist and travel destinations for both domestic and international visitors. The greater Boston area is New England's most popular destination, as the site of many popular and historic attractions including the New England Aquarium, Boston's Museum of Fine Arts, Boston's Museum of Science, the U.S.S. Constitution, the Kennedy Library and Museum, and Faneuil Hall Marketplace. The Massachusetts Office of Travel and Tourism reported a slight drop, 0.4 percent, in museum and attraction attendance in 2005; 11.40 millions visits in 2005 versus 11.43 million in calendar year 2004.

The Massachusetts Office of Travel and Tourism estimates that 22.7 million domestic travelers traveled to or within the Commonwealth in 2005, an increase of 4.1 percent from 2004. Additionally, 4.23 million international travelers visited Massachusetts in 2005, an increase of 0.8 percent from 2004. According to MassPort, there were 7 percent more cruise vessel calls in 2005 than in 2004, 102 versus 95 and 17 percent more cruise passengers, 233,702 versus 199,453.

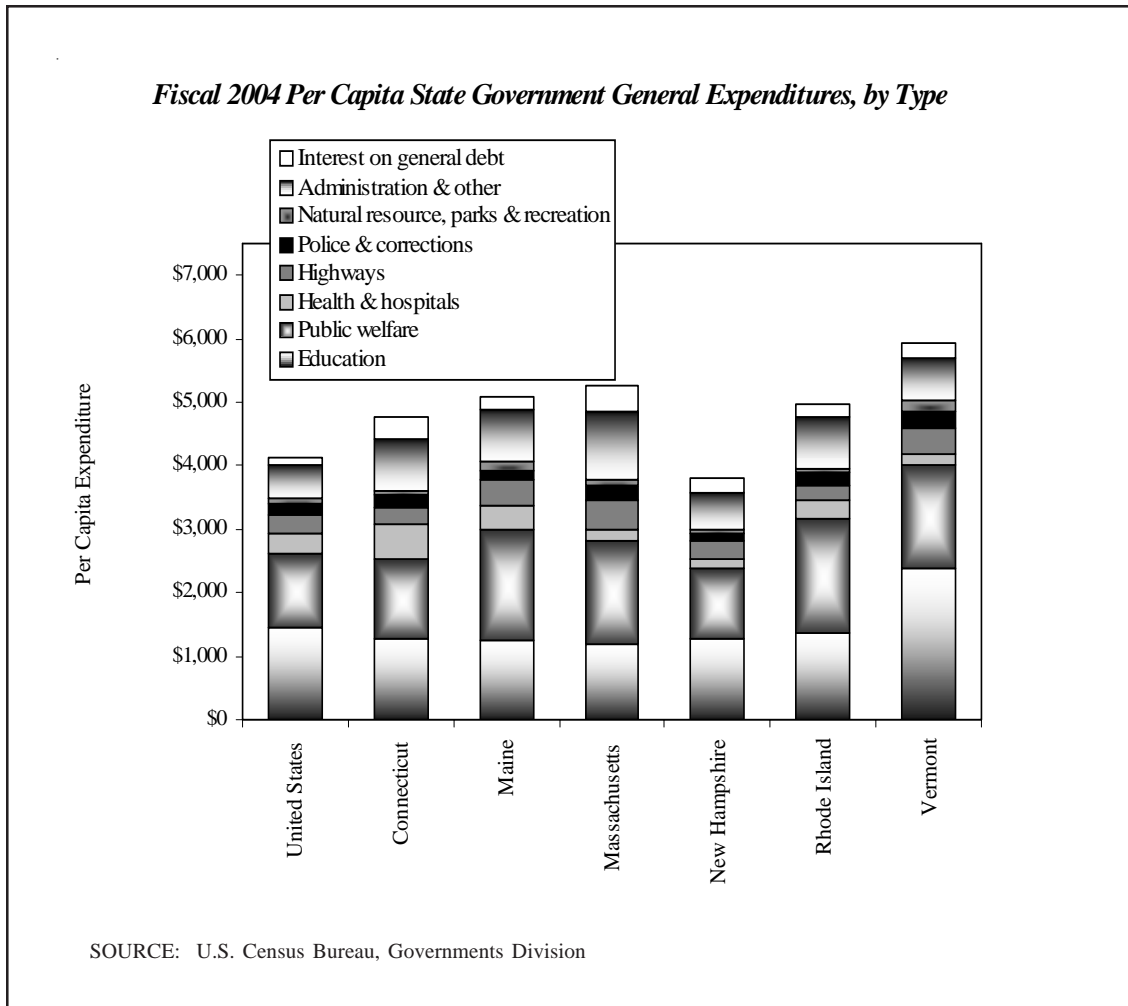
State Taxes. Per capita state taxes in Massachusetts are significantly higher, 28.5 percent, than the national average. In 2004, the total per capita state tax bill in the United States was \$2,025. Citizens of the Commonwealth however, paid \$2,602 on average, the seventh highest in the nation and an increase of 7.2 percent from the previous year's \$2,427. In New England, citizens in Connecticut and Vermont paid more per capita, and all New England states except New Hampshire (47th), ranked in the top 16 for per capita state tax collections.

In 2004, over half (52.9 percent) of the state taxes in Massachusetts came from the state income tax. Per capita individual income taxes in Massachusetts were \$1,376, up 10.3 percent from \$1,248 in 2003. Also increasing in 2004 were sales receipts, 1.2 percent, corporate net income, 10.1 percent, and other taxes (licenses, death and gift, and documentary and stock transfer) 12.3 percent. Across the New England states, there is wide variation in both total per capita state taxes and in the breakdown of those taxes, as illustrated in the following chart.

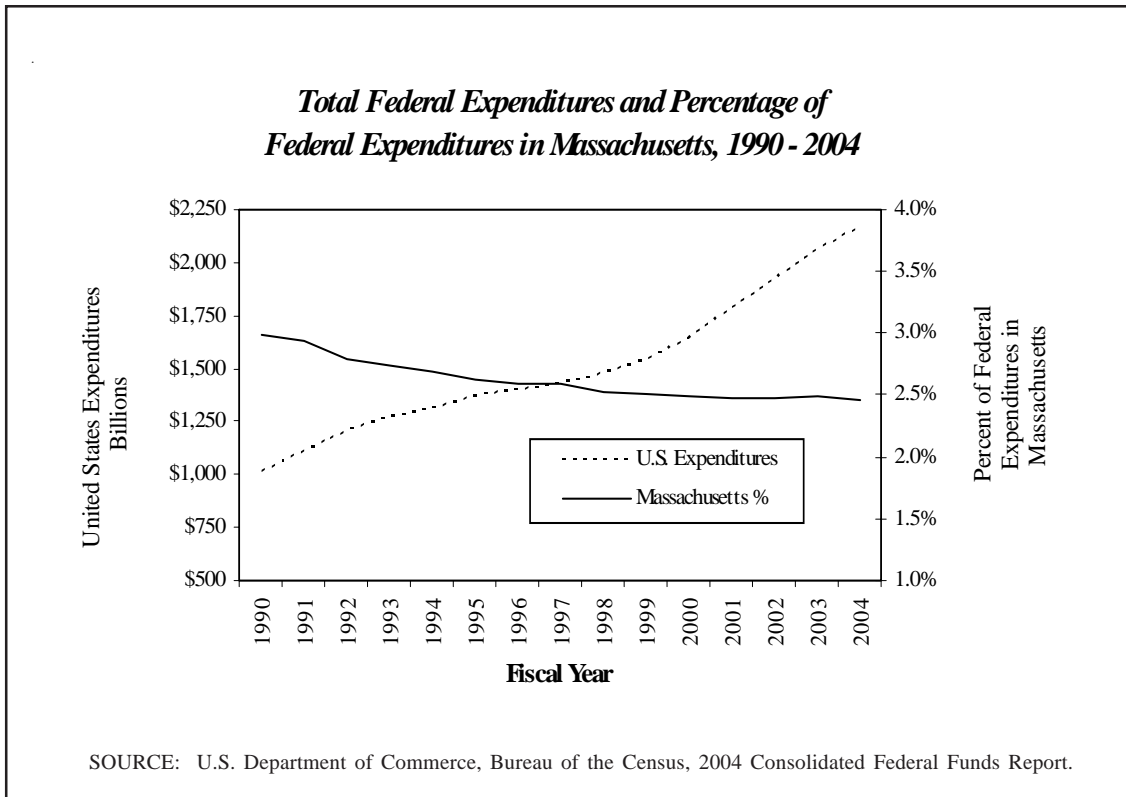


State Government Spending in Massachusetts. The following chart depicts fiscal 2003 per capita state general expenditures by category for the six New England states and the U.S. average state expenditure. Massachusetts ranked 16th in the nation in per capita expenditures (\$5,095) in 2003 while it ranked 13th and spent more (\$5,122) in 2002. This represents a 0.5 percent decrease in per capita expenditures from 2002 to 2003.

Massachusetts spent more state funds per capita on debt service (\$386) and less on education (\$1,055) in 2003 than any of its New England neighbors. Massachusetts spent 7.7 percent less on debt service and 3.4% more on education in 2003 than 2002. While all New England states used less than the national average of 28.1 percent for intergovernmental expenditures, the variation within the region is significant, with intergovernmental expenditures representing 13.9 percent of Rhode Island expenditures, 19.7 percent of Massachusetts expenditures, and 24.3 percent of Vermont expenditures in 2003.

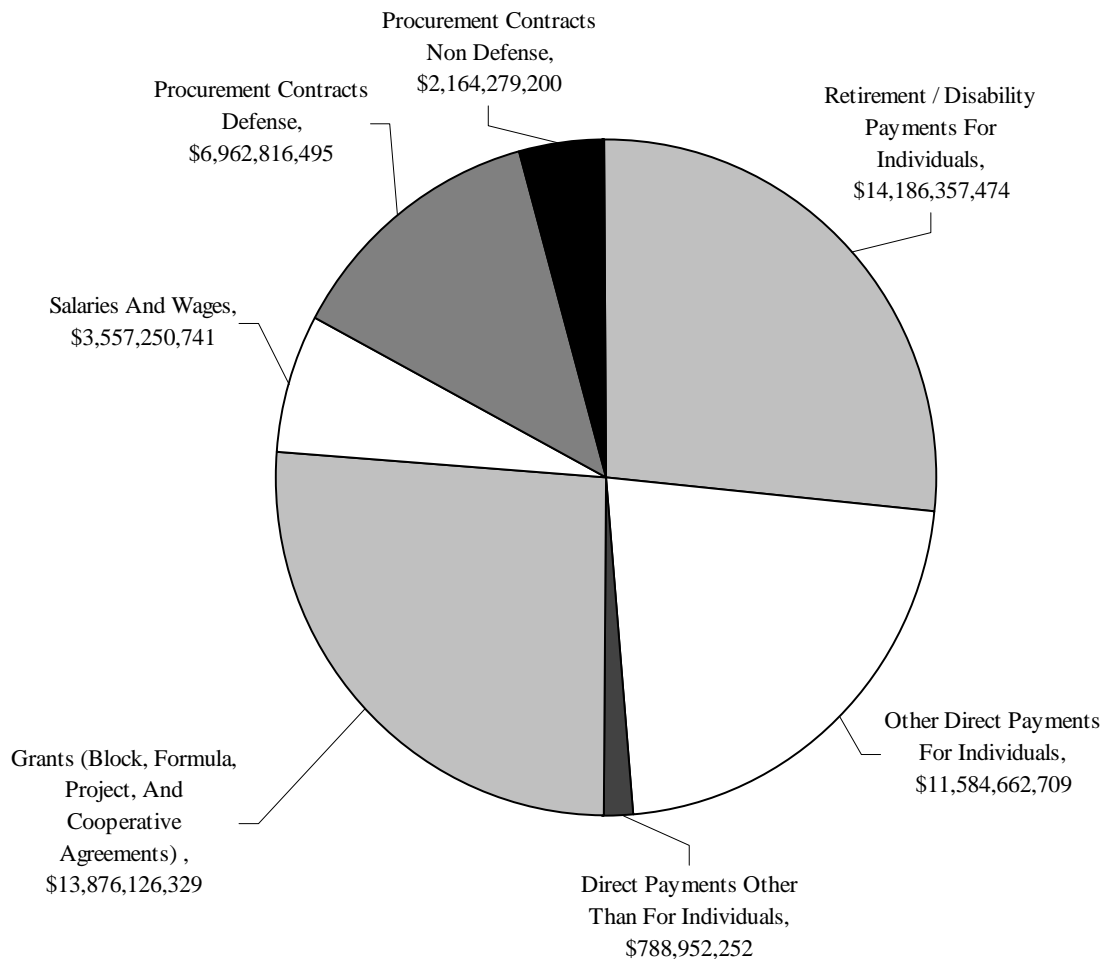


Federal Government Spending in Massachusetts. Federal government spending contributes significantly to the Massachusetts economy. In fiscal 2004, Massachusetts ranked twelfth among states in per capita distribution of federal funds, with total spending of \$8,279 per person, excluding loans and insurance. Massachusetts' share of total federal spending declined steadily between 1990 and 1999, and has stabilized in the range of 2.46 percent to 2.52 percent between 1998 and 2004. The following chart shows total federal expenditures and the percentage of federal expenditures in Massachusetts. Federal spending includes grants to state and local governments, direct payments to individuals, wage and salary employment, and procurement contracts, and includes only those expenditures that can be associated with individual states and territories.



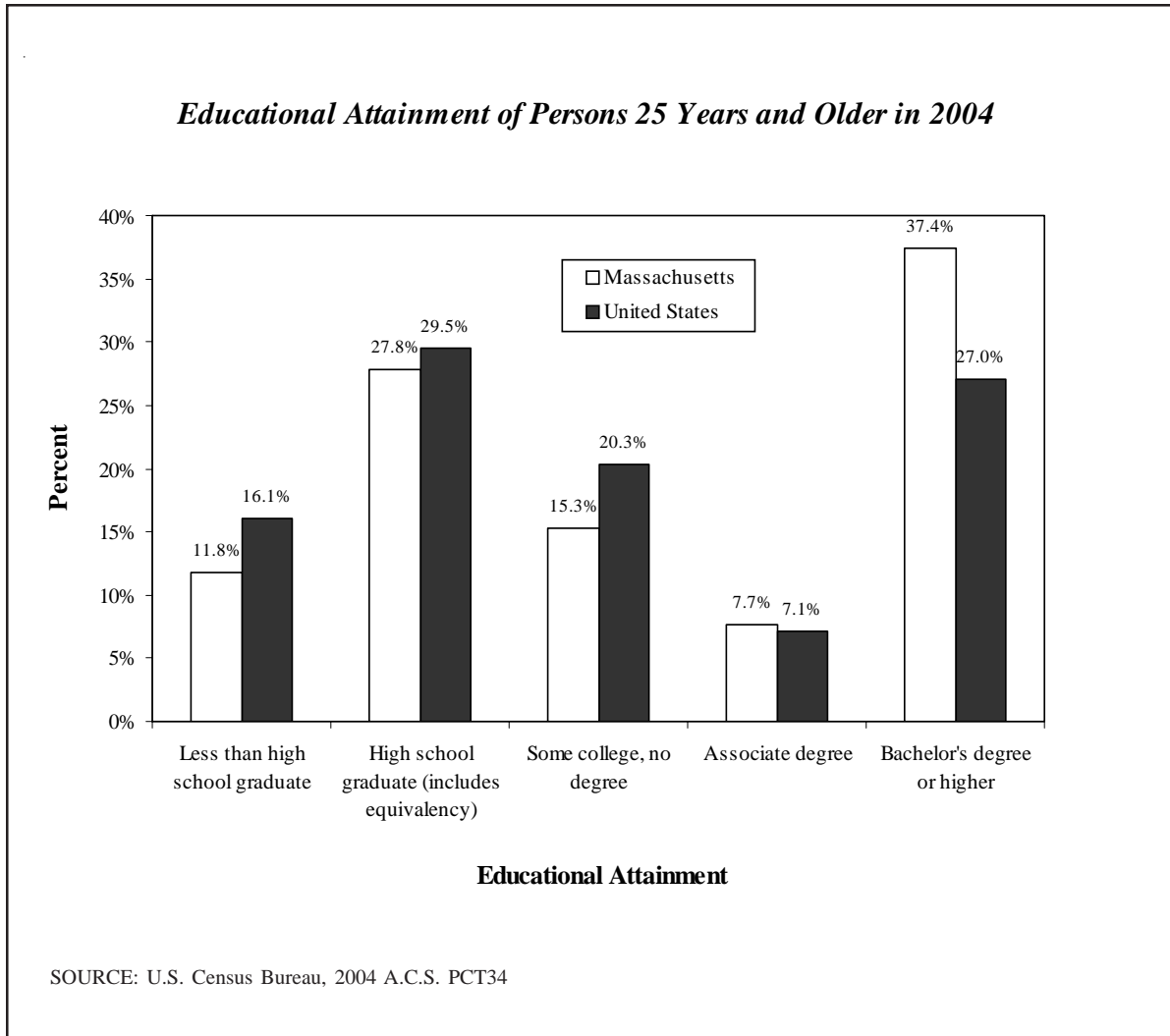
Over half of FY 2004 federal spending in Massachusetts was composed of health care and social programs like Medicare, Medicaid, Social Security, unemployment benefits and Section 8 Housing Vouchers. Massachusetts was above the national average in per capita federal grants to state and local governments, receiving \$2,163 per capita compared to a national average of \$1,545. Per capita federal spending on salaries and wages in 2004 was lower in Massachusetts than in the rest of the nation, \$554 compared to a national average of \$750, but Massachusetts was above the national average in per capita direct federal payments to individuals (\$4,139 compared to a national average of \$3,839). Massachusetts ranked 9th among states in per capita procurement contract awards, \$1,422 compared to a national average of \$1,089 in 2004. The following chart shows the composition of direct federal spending within Massachusetts in fiscal 2004, excluding loans and insurance.

**Composition of Direct Federal Spending in Massachusetts by Program
Fiscal 2004**

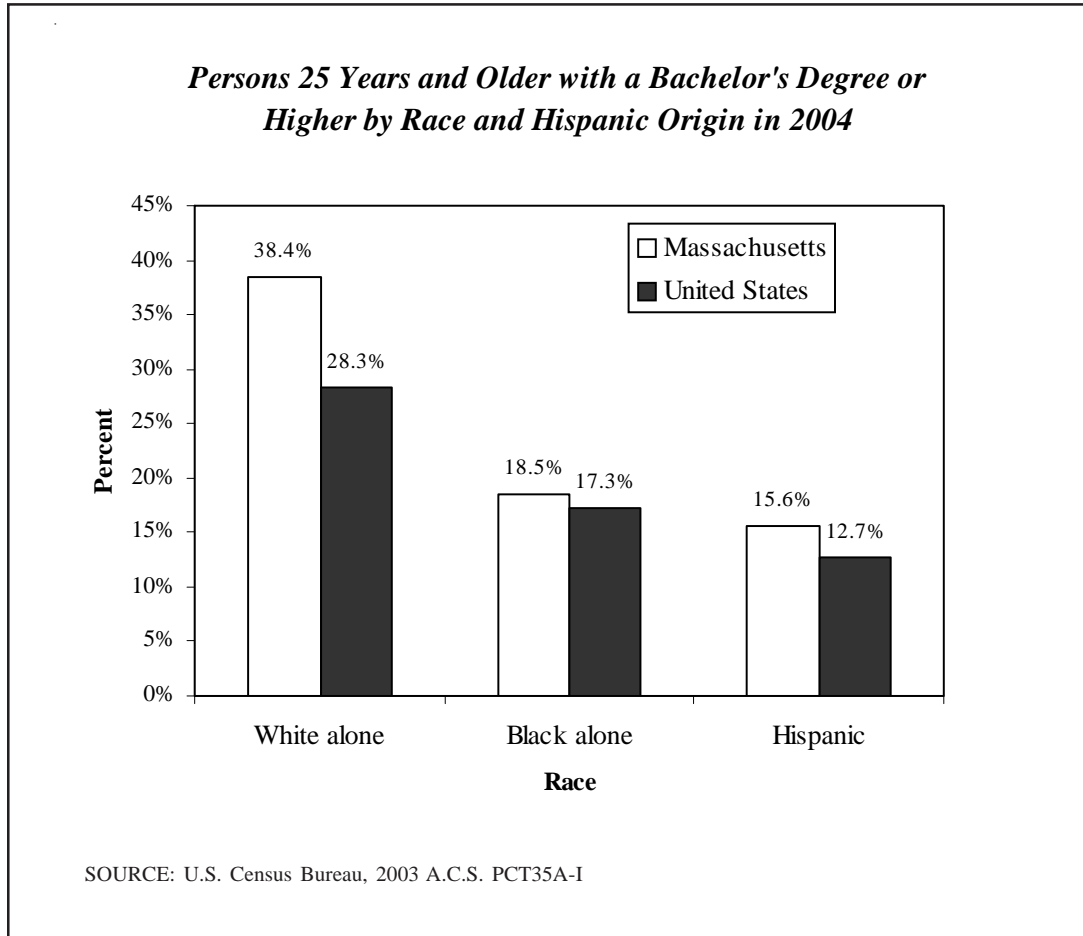


SOURCE: U.S. Department of Commerce, Bureau of the Census, 2004 Consolidated Federal Funds Report.

Human Resources. The availability of a skilled and well-educated population is an important resource for the Commonwealth. The level of education reached by the population of Massachusetts compares favorably with the level in the United States as a whole. In 2004, the Census's American Community Survey (ACS) reported that Massachusetts had a smaller proportion of persons who had not completed high school (11.8 percent) than the national average (16.1 percent) and a much higher proportion of persons with a bachelor's degree or more (37.4 percent) than the nation (27.0 percent).



While Massachusetts' black and Hispanic population achieved college degrees at roughly half the rate of the white population, they fared much better than the national average.



Massachusetts has a higher minority enrollment in institutions of higher education than New England. However, the percentage of enrollment of blacks, Hispanics, and Asians in higher education in Massachusetts is below the national average. These percentages, which do not include military academy enrollment, are seen in the chart below.

Higher Education Enrollment by Race and Hispanic Origin in 2004

	Black	Asian	Native American	White	Hispanic	Race Unknown
Massachusetts	6.5	6.1	0.4	61.4	5.1	14.5
New England	6.0	4.6	0.5	67.2	4.8	12.4
United States (2002)	11.6	5.8	1.0	62.4	9.5	NA

Note: Black, Asian, Native American and White totals reflect non-Hispanic population. Does not include the category non-resident alien. Table does not include enrollment at military academies. U.S. data from the U.S. Dept of Education.
SOURCE: New England Board of Higher Education analysis of U.S. Department of Ed. Data.

Massachusetts is an internationally recognized center for higher education, with 437,595 students in undergraduate, professional and graduate programs in 2003, according to data supplied by the New England Board of Higher Education. According to the Institute of International Education, 28,634 foreign students were enrolled in Massachusetts colleges and universities in the 2003/2004 school year. This was a 4.7 percent decrease from the previous year but Massachusetts was ranked 4th among states for foreign student enrollment. The Massachusetts public higher education system is composed of universities, state colleges, and community colleges with a combined enrollment of 189,463 students in 2003, 44 percent of whom attended part-time. In addition, Massachusetts has a system of private higher education that accounted for 56.7 percent of total enrollment in Massachusetts in 2003. Almost a quarter of the students attending private institutions did so on a part-time basis. The strength of both public and private colleges and universities as centers for research and education contributes to the high quality of the Massachusetts work force and plays a key role in attracting and retaining business and industry within the state.

The higher education system in Massachusetts is particularly strong in post-graduate, scientific, and technical education, with 1,461 science and engineering doctorates awarded in 2002, 4th in the nation. Massachusetts conferred a total of 2,320 doctorates in 2003. Massachusetts was also ranked 2nd in the U.S. in science and engineering postdoctorates in doctorate-granting institutions in 2002, with 5,873.

The pre-eminence of higher education in Massachusetts contributes not only to the quality of its work force, but also to its stature in the nation and the world as a center for basic scientific research and for academic and entrepreneurial research and development. Doctorate-granting institutions in Massachusetts received 4.7 percent (\$1.71 billion) of total national academic expenditures on R&D in fiscal 2002, with almost half spent in the life sciences. Massachusetts ranked sixth in the nation behind California, New York, Texas, Pennsylvania and Maryland.

The diversity of federal funding sources reflects the variety of research and development work performed at Massachusetts educational institutions. Of the \$1.17 billion in total fiscal 2002 federal outlays for science and engineering research to universities and colleges in Massachusetts (and their affiliated federally funded research and development centers), 57.5 percent was from the Department of Health and Human Services, 16.9 percent was from the National Science Foundation, 13.6 percent from the Department of Defense, 6.6 percent was from the Department of Energy, and 3.9 percent was from the National Aeronautics and Space Administration. Massachusetts ranked 4th in the nation in 2002 in total federal outlays for research and development, with total federal spending of \$4.66 billion in the state.

Given the quality of the Commonwealth's research and development sector, it is not surprising that Massachusetts fares better than the national average in homes with computer and internet access. According to Census's October 2003 Current Population Survey, 64.2 percent of Massachusetts households had access to a computer, compared to 61.8 percent nationally and 58.1 percent of its households were connected to the internet while the national average was 54.7 percent.

Primary and Secondary Education Data. Although spending on education is not necessarily an indicator of results, Massachusetts has spent from 12 to 36 percent more per pupil on primary and secondary education than the national average since at least 1981. During the 2001-2002 school year, Massachusetts increased per student expenditures to \$10,232; 32 percent higher than the national average. The table on the following page shows expenditures per pupil for Massachusetts and the United States since fiscal 1981.

***Expenditure Per Pupil in Public Elementary and Secondary Schools,
1981-2004***

(in current, unadjusted dollars)

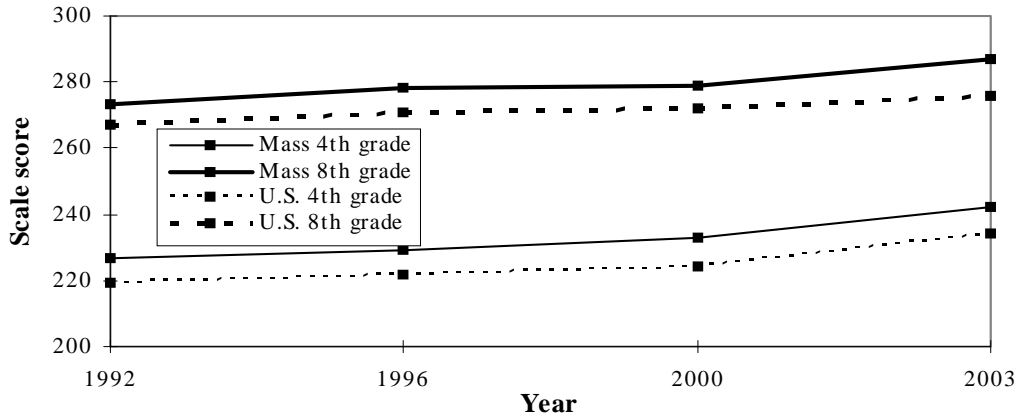
<i>Fiscal Year</i>	<i>Massachusetts</i>	<i>United States</i>	<i>Ratio (MA/U.S.)</i>
1981	\$2,735	\$2,307	1.19
1982	2,823	2,525	1.12
1983	3,072	2,736	1.12
1984	3,298	2,940	1.12
1985	3,653	3,222	1.13
1986	4,031	3,479	1.16
1987	4,491	3,682	1.22
1988	4,965	3,927	1.26
1989	5,485	4,307	1.27
1990	5,766	4,643	1.24
1991	5,881	4,902	1.20
1992	5,952	5,023	1.18
1993	6,141	5,160	1.19
1994	6,423	5,327	1.21
1995	6,783	5,529	1.23
1996	7,033	5,689	1.24
1997	7,331	5,923	1.24
1998	7,778	6,189	1.26
1999	8,260	6,508	1.27
2000	8,816	6,912	1.28
2001	9,509	7,380	1.29
2002	9,856	7,701	1.28
2003	10,223	8,019	1.27
2004	10,693	8,287	1.29

SOURCE: U.S. Census Bureau, <http://www.census.gov/govs/www/school.html>

The National Assessment of Educational Progress (NAEP), also known as "the Nation's Report Card," is the only nationally representative and continuing assessment of what America's students know and can do in various subject areas. Since 1969, assessments have been conducted periodically in reading, mathematics, science, writing, U.S. history, civics, geography, and the arts. Under the current structure, the Commissioner of Education Statistics, who heads the National Center for Education Statistics in the U.S. Department of Education, is responsible by law for carrying out the NAEP project.

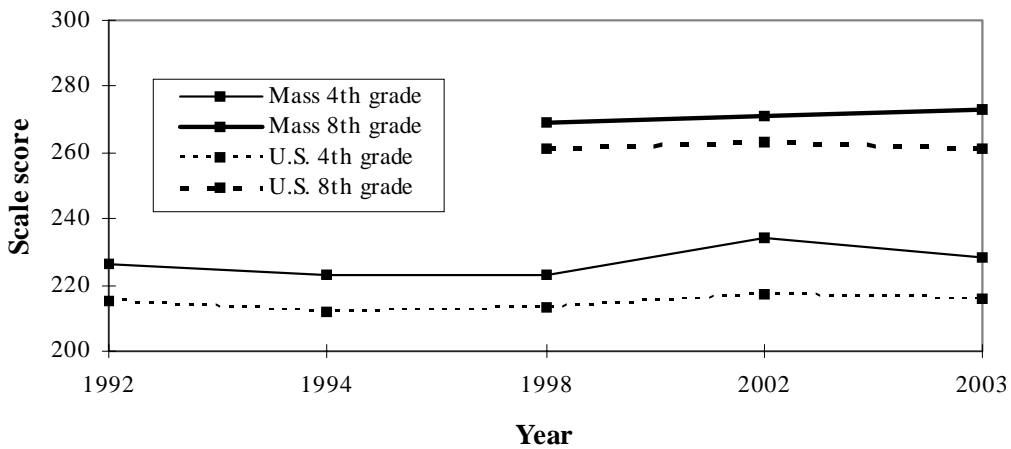
Since 1990, NAEP assessments have also been conducted to give results for participating states. Those that choose to participate receive assessment results that report on the performance of students in that state. In its content, the state assessment is identical to the assessment conducted nationally. However, because the national NAEP samples were not, and are not currently designed to support the reporting of accurate and representative state-level results, separate representative samples of students are selected for each participating jurisdiction/state. The graphs on the following page compare the data available for Massachusetts to the nation.

NAEP Mathematics Scores



SOURCE: National Center for Education Statistics

NAEP Reading Scores



SOURCE: National Center for Education Statistics

Sources List

Listed below are the the web sites of the original data sources used to compile this section (Exhibit A) of the Economic Due Diligence report. The sites are listed in section title order.

Population Characteristics

United States Department of Commerce, Bureau of the Census

<http://www.census.gov>

Personal Income, Consumer Prices, and Poverty

U.S. Department of Commerce, Bureau of Economic Analysis

<http://www.bea.doc.gov/bea/regional>

United States Department of Labor, Bureau of Labor Statistics

<http://www.bls.gov>

Federal Reserve Bank of Boston

<http://www.bos.frb.org/economic/nee/neeidata.htm>

The Conference Board, Inc. (for U.S. and N.E. measures), Mass Insight Corporation (for MA measure)

<http://www.conference-board.org>

<http://www.massinsight.com/index.asp>

U.S. Department of Commerce, Bureau of the Census

<http://www.census.gov>

Employment

MA Division of Unemployment Assistance

<http://www.detma.org>

United States Department of Labor, Bureau of Labor Statistics

<http://www.bls.gov>

The Conference Board, Inc.

<http://www.conference-board.org>

Economic Base and Performance

U.S. Department of Commerce, Bureau of Economic Analysis

<http://www.bea.doc.gov/bea/regional/gsp/>

Fortune Magazine

<http://www.fortune.com/fortune/>

Economic Base and Performance - Sector Detail (NAICS Basis)

U.S. Department of Commerce, Bureau of Economic Analysis

<http://www.bea.doc.gov/bea/regional/gsp/>

U.S. Census Bureau, Foreign Trade Division. Prepared by the World Institute for Strategic Economic Research (WISER)

<http://www.wisertrade.org>

Massport

<http://www.massport.com>

Airports Council International

<http://www.aci.aero>

Army Corps of Engineers

<http://www.iwr.usace.army.mil/ndc/wcsc/statenm03.htm>

Federal Reserve Bank of Boston; United States Department of Commerce

<http://www.bos.frb.org>

<http://www.census.gov>

National Association of Realtors; Federal Reserve Bank of Boston

<http://www.bos.frb.org/economic/nee/neeidata.htm>

U.S. Department of Defense

<http://web1.whs.osd.mil/peidhome/geostats/geostat.htm>

Massachusetts Office of Travel and Tourism

<http://www.massvacation.com>

U.S. Census Bureau, Governments Division

<http://www.census.gov/govs/www/statetax.html>

<http://www.census.gov/govs/www/state.html>

U.S. Department of Commerce, Bureau of the Census, 2003 Consolidated Federal Funds Report

<http://www.census.gov/govs/www/cffr.html>

Human Resources and Infrastructure

U.S. Census Bureau, 2003 A.C.S. PCT35A-I

<http://www.census.gov/acs/www/>

New England Board of Higher Education

<http://www.nebhe.org.connection.html>

National Science Foundation

<http://www.nsf.gov/statistics>

United States Department of Education, National Center for Education Statistics

<http://nces.ed.gov/pubsearch/Subindx.asp>

<http://nces.ed.gov/nationsreportcard/states>

National Center for Education Statistics

<http://nces.ed.gov>

PROPOSED FORM OF OPINION OF BOND COUNSEL

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

EDWARDS ANGELL PALMER & DODGE LLP

111 Huntington Avenue Boston, MA 02199 617.239.0100 fax 617.227.4420 eapdlaw.com

[Date of Delivery]

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

\$250,000,000
The Commonwealth of Massachusetts
General Obligation Bonds
Consolidated Loan of 2006, Series C
Dated Date of Delivery

We have acted as bond counsel to The Commonwealth of Massachusetts (the “Commonwealth”) in connection with the issuance by the Commonwealth of the above-referenced bonds (the “Bonds”). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

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

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds are valid general obligations of the Commonwealth and the full faith and credit of the Commonwealth are pledged for the payment of the principal of and interest on the Bonds. It should be noted, however, that Chapter 62F of the General Laws of the Commonwealth establishes a state tax revenue growth limit and does not exclude principal and interest payments on Commonwealth debt obligations from the scope of the limit.

2. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the Commonwealth with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The Commonwealth has covenanted to comply with all such requirements. Failure by the Commonwealth to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.

3. Interest on the Bonds is exempt from Massachusetts personal income taxes and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion regarding any other Massachusetts tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than Massachusetts.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

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

EDWARDS ANGELL PALMER & DODGE LLP

The Commonwealth of Massachusetts

\$250,000,000
 General Obligation Bonds
 Consolidated Loan of 2006, Series C

Continuing Disclosure Undertaking
 [to be included in bond form]

On behalf of the Commonwealth, the Treasurer and Receiver-General of the Commonwealth hereby undertakes for the benefit of the owners of the Bonds to provide to each nationally recognized municipal securities information repository (each, a “NRMSIR”) within the meaning of Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”) and to the state information depository for the Commonwealth, if any (the “SID”), within the meaning of the Rule, no later than 270 days after the end of each fiscal year of the Commonwealth, (i) the annual financial information described below relating to such fiscal year, together with audited financial statements of the Commonwealth for such fiscal year if audited financial statements are then available, provided, however, that if audited financial statements of the Commonwealth are not then available, such audited financial statements shall be delivered to each NRMSIR and the SID when they become available (but in no event later than 350 days after the end of such fiscal year) or (ii) notice of the Commonwealth’s failure, if any, to provide any such information. The annual financial information to be provided as aforesaid shall include financial information and operating data, in each case updated through the last day of such fiscal year unless otherwise noted, relating to the following information contained in the Commonwealth’s Information Statement dated April 18, 2006 (the “Information Statement”), as it appears as Appendix A in the Official Statement dated April 18, 2006 of the Commonwealth with respect to its \$180,875,000 General Obligation Refunding Bonds, 2006 Series A, (Delayed Delivery), which Official Statement has been filed with each NRMSIR and with the Municipal Securities Rulemaking Board (the “MSRB”), and substantially in the same level of detail as is found in the referenced section of the Information Statement:

Financial Information and Operating Data Category	Reference to Information Statement for Level of Detail
1. Summary presentation on statutory accounting and five-year comparative basis of selected budgeted operating funds operations, concluding with prior fiscal year, plus estimates for current fiscal year	“SELECTED FINANCIAL DATA - Statutory Basis”
2. Summary presentation on GAAP and five-year comparative basis of governmental funds operations, concluding with prior fiscal year	“SELECTED FINANCIAL DATA - GAAP Basis”
3. Summary presentation of actual revenues in budgeted operating funds on five-year comparative basis, concluding with prior fiscal year, plus estimates for current fiscal year	“COMMONWEALTH REVENUES - Statutory Basis Distribution of Budgetary Revenues”
4. So long as Commonwealth statutes impose limits on tax revenues, information as to compliance therewith in the prior fiscal year	“COMMONWEALTH REVENUES - Limitations on Tax Revenues”

Financial Information and Operating Data Category	Reference to Information Statement for Level of Detail
5. Summary presentation of budgeted expenditures by selected, then-current major categories on five-year comparative basis and estimated expenditures for current fiscal year	“COMMONWEALTH PROGRAMS AND SERVICES”
6. Summary presentation of the then-current, statutorily imposed funding schedule for future Commonwealth pension liabilities, if any	“COMMONWEALTH PROGRAMS AND SERVICES - Pension and other Post-Retirement Benefit Obligations”
7. If and to the extent otherwise updated in the prior fiscal year, summary presentation of the size of the state workforce	“STATE WORKFORCE”
8. Five-year summary presentation of actual capital project expenditures	“COMMONWEALTH CAPITAL ASSET INVESTMENT PLAN - Capital Investment Plan”
9. Statement of Commonwealth debt and debt related to general obligation contract liabilities as of the end of the prior fiscal year	“LONG-TERM LIABILITIES - General Authority to Borrow - Commonwealth Debt and Debt Related to General Obligation Contract Assistance Liabilities”
10. Annual fiscal year debt service requirements for Commonwealth general obligation and special obligation bonds, beginning with the current fiscal year	“LONG-TERM LIABILITIES - Debt Service Requirements”
11. Annual fiscal year contract assistance requirements for Commonwealth general obligation contract assistance, beginning with the current fiscal year	“LONG-TERM LIABILITIES - General Obligation Contract Assistance Liabilities”
12. Annual fiscal year budgetary contractual assistance liabilities for Commonwealth, beginning with the current fiscal year	“LONG-TERM LIABILITIES - Budgetary Contract Assistance Liabilities”
13. Five-year summary presentation of authorized but unissued general obligation debt	“LONG-TERM LIABILITIES - Authorized But Unissued Debt”
14. So long as Commonwealth statutes impose a limit on the amount of outstanding “direct” bonds, information as to compliance therewith as of the end of the prior fiscal year	“LONG-TERM LIABILITIES - General Authority to Borrow-Statutory Limit on Direct Debt”

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 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 or each NRMSIR 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:

- principal and interest payment delinquencies;
- non-payment related defaults;
- unscheduled draws on debt service reserves reflecting financial difficulties 1/;
- unscheduled draws on credit enhancements reflecting financial difficulties;
- substitution of credit or liquidity providers, or their failure to perform;
- adverse tax opinions or events affecting the tax-exempt status of the security;
- modifications to the rights of security holders;
- bond calls;
- defeasances;
- release, substitution or sale of property securing repayment of the securities 2/ and
- 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, provided, however, that the sole remedy in connection with such undertakings shall be limited to an action to compel specific performance of the obligations of 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

1/Not applicable to the Bonds, since there is no debt service reserve fund securing the Bonds.

2/Not applicable to the Bonds, since there is no property securing repayment of the Bonds that could be released, substituted or sold.

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.



CIFG Assurance North America, Inc.
825 Third Avenue, Sixth Floor
New York, NY 10022
For information, contact (212) 909-3939
Toll-free (866) 243-4212

FINANCIAL GUARANTY INSURANCE POLICY

ISSUER: _____

Policy No.: CIFG NA-##

CUSIP: _____

Effective Date: _____, 200_

OBLIGATIONS: _____

CIFG ASSURANCE NORTH AMERICA, INC. ("CIFG NA"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY GUARANTEES to each Policyholder, subject only to the terms and conditions of this Policy (which includes each endorsement hereto), the full and complete payment by or on behalf of the Issuer of Regular Payments of principal of and interest on the Obligations.

For the further protection of each Policyholder, CIFG NA irrevocably and unconditionally guarantees:

- (1) payment of any amount required to be paid under this Policy by CIFG NA following CIFG NA's receipt of notice and instruments of assignment as described in Endorsement No. 1 hereto and
(2) payment of the amount of any distribution of principal of and interest on the Obligations made during the Term of this Policy to such Policyholder that is subsequently avoided in whole or in part as a preference payment under applicable law, all as described in Endorsement No. 1 hereto.

CIFG NA shall be subrogated to the rights of each Policyholder to receive payments under the Obligations to the extent of any payment by CIFG NA hereunder.

The following terms shall have the meanings specified below, subject to and including any modifications set forth in any endorsement hereto, for all purposes of this Policy. "Effective Date," "Issuer" and "Obligations" mean, respectively, the Effective Date, Issuer and Obligations referenced above. "Policyholder" means, if the Obligations are in book-entry form, the registered owner of any Obligation as indicated on the registration books maintained by or on behalf of the Issuer for such purpose or, if the Obligations are in bearer form, the holder of any Obligation; provided, however, that any trustee acting on behalf of and for the benefit of such registered owner or holder shall be deemed to be the Policyholder to the extent of such trustee's authority. "Regular Payments" means payments of interest and principal which are agreed to be made during the Term of this Policy in accordance with the original terms of the Obligations when issued and without regard to any amendment or modification of such Obligations thereafter; payments which become due on an accelerated basis as a result of (a) a default by the Issuer or any other person, (b) an election by the Issuer to pay principal or other amounts on an accelerated basis or (c) any other cause, shall not constitute "Regular Payments" unless CIFG NA shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration. "Term of this Policy" has the meaning set forth in Endorsement No. 1 hereto.

This Policy sets forth in full the undertaking of CIFG NA, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto or to the Obligations (except a contemporaneous or subsequent agreement or instrument given by CIFG NA or to which CIFG NA has given its written consent) or by the merger, consolidation or dissolution of the Issuer. The premiums paid in respect of this Policy are nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Obligations prior to maturity. This Policy may not be cancelled or revoked during the Term of this Policy, including for nonpayment of premium due to CIFG NA. Payments under this Policy may not be accelerated except at the sole option of CIFG NA.

In witness whereof, CIFG ASSURANCE NORTH AMERICA, INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

CIFG ASSURANCE NORTH AMERICA, INC.

By _____
Authorized Officer