

REFUNDING/NEW MONEY ISSUE - BOOK-ENTRY-ONLY

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

THE COMMONWEALTH OF MASSACHUSETTS



\$500,525,000

General Obligation Bonds Consolidated Loan of 2011, Series D

Dated: Date of Delivery

Due: As shown on the inside cover hereof

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 April 1, 2012 and semiannually thereafter on October 1 and April 1 and at maturity, calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are subject to redemption prior to maturity as more fully described herein.

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 AND EXPENDITURES – 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 Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel. Certain legal matters will be passed upon for the Commonwealth by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Disclosure Counsel. Public Resources Advisory Group is acting as financial advisor to the Commonwealth in connection with the issuance of the Bonds. Settlement of the issue is expected at DTC in New York, New York, on or about September 28, 2011.

September 21, 2011

THE COMMONWEALTH OF MASSACHUSETTS

\$500,525,000

General Obligation Bonds

Consolidated Loan of 2011, Series D

Dated: Date of Delivery

Due: October 1, as shown below

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP Number*</u>
2012	\$50,525,000	4.00%	0.21%	57582PA42
2013	25,000,000	4.00	0.40	57582PA59
2014	25,000,000	5.00	0.52	57582PA67
2015	25,000,000	5.00	0.69	57582PA75
2016	30,000,000	5.00	1.02	57582PA83
2017	30,000,000	5.00	1.30	57582PA91
2018	30,000,000	5.00	1.58	57582PB25
2022	30,000,000	5.00	2.49 ^C	57582PB33
2023	30,000,000	5.00	2.67 ^C	57582PB41
2024	40,000,000	5.00	2.86 ^C	57582PB58
2025	42,000,000	3.00	3.25	57582PB66
2026	45,000,000	5.00	3.13 ^C	57582PB74
2027	50,000,000	4.25	3.43 ^C	57582PB82
2028	48,000,000	4.00	3.53 ^C	57582PB90

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

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

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

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

LEGISLATIVE OFFICERS

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

OFFICIAL STATEMENT

THE COMMONWEALTH OF MASSACHUSETTS

**\$500,525,000
General Obligation Bonds
Consolidated Loan of 2011, Series D**

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”) of its \$500,525,000 aggregate principal amount of its General Obligation Bonds, Consolidated Loan of 2011, Series D (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 AND EXPENDITURES – Limitations on Tax Revenues” and “LONG-TERM LIABILITIES – General Authority to Borrow; *Limit on Debt Service Appropriations.*”

The Bonds are being issued to (i) current refund certain general obligation bonds, as set forth in “THE BONDS - Application of Proceeds of the Bonds” (the “Refunding Bonds”) and (ii) finance certain authorized capital projects of the Commonwealth (the “New Money Bonds,” and together with the Refunding Bonds, the “Bonds”). 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 March 15, 2011 (the “March Information Statement”), as it appears as Appendix A in the Official Statement dated March 23, 2011 of the Commonwealth with respect to its \$80,005,000 General Obligation Refunding Bonds, 2011 Series B and its \$360,000,000 General Obligation Bonds, Consolidated Loan of 2011, Series A (the “March Official Statement”). A copy of the March Official Statement has been filed with the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (“EMMA”) system. The information contained in the March Information Statement has been supplemented by the Commonwealth’s Information Statement Supplement dated September 12, 2011 (the “September Supplement”), which is attached hereto as Appendix A. The March Information Statement and the September Supplement are referred to herein collectively as the “Information Statement.” Subsequent filings by the Commonwealth to the EMMA system, prior to the sale of the Bonds, of continuing disclosure documents identified as “other financial/operating data” are hereby deemed to be included by reference in the Information Statement. The Information Statement contains certain fiscal, budgetary, financial and other general information concerning the Commonwealth. Exhibit A to the Information Statement contains certain economic information concerning the Commonwealth. Exhibit B to the Information Statement contains the financial statements of the Commonwealth for the fiscal year ended June 30, 2010, prepared on a statutory basis. Exhibit C to the Information Statement contains the financial statements of the Commonwealth for the fiscal year ended June 30, 2010, prepared on a GAAP basis. Specific reference is made to said Exhibits A, B and C, copies of which have been filed with EMMA. The financial statements are also available at the website of the Comptroller of the Commonwealth.

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 successful bidders

of the Bonds with the requirements of paragraph (b)(5) of Rule 15c2-12 of the Securities and Exchange Commission. Appendix D attached hereto contains the Official Notice of Sale with respect to the Bonds.

THE BONDS

General

The Bonds will mature on the dates 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 Bonds will be dated their date of delivery and will bear interest from such date. Interest on the Bonds will be payable semiannually on April 1 and October 1 of each year, and at maturity, commencing April 1, 2012, until the principal amount is paid. 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 of each series bearing a particular interest rate of each series 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

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

Notice of Redemption. The Commonwealth shall give notice of redemption to the owners of the applicable Bonds not less than 30 days prior to the date fixed for redemption. So long as the book-entry-only system remains in effect for such Bonds, notices of redemption will be sent by the Commonwealth only to DTC or its nominee. Any failure on the part of DTC, any DTC participant or any nominee of a beneficial owner of any such Bond (having received notice from a DTC participant or otherwise) to notify the beneficial owner so affected, shall not affect the validity of the redemption.

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

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

Application of Proceeds of the Bonds

The Refunding Bonds are being issued pursuant to the provisions of Section 53A of Chapter 29 of the Massachusetts General Laws for the purpose of refunding the Commonwealth bonds set forth below (the "Refunded Bonds"). The net proceeds of the Refunding Bonds will be applied as described in the following paragraph.

Refunded Bonds

General Obligation Bonds, Consolidated Loan of 2001, Series C dated August 1, 2001

<u>Maturity Date</u>	<u>Amount</u>	<u>Coupon</u>
December 1, 2012	\$10,350,000	4.30%
December 1, 2012	15,175,000	5.50

* To be redeemed on December 1, 2011 at a call price of 100%.

The proceeds of the sale of the Refunding Bonds will be applied, together with other available funds allocable to the Refunded Bonds, to the payment or redemption of the Refunded Bonds as described in the table set forth above. The Commonwealth expects to enter into a refunding trust agreement with a refunding trustee, as trustee for the Refunded Bonds (the "Refunding Trustee"), that will provide for the deposit of the proceeds of the Refunding Bonds with the Refunding Trustee for the Refunded Bonds, to be applied immediately upon receipt to purchase direct obligations of the United States of America - State and Local Government Series (SLGs) and to funding, if needed, a cash deposit in such account. Such escrow agreement will require that maturing principal of and interest on the SLGs held under such escrow agreement, plus any initial cash deposit, be held in trust in such account and paid to the Commonwealth solely for the payment of the principal of and interest on the Refunded Bonds subject to such escrow agreement. Upon such deposit, the Refunded Bonds will no longer be outstanding.

The New Money Bonds are being issued pursuant to the provisions of Section 49 of Chapter 29 of the Massachusetts General Laws and specific bond authorizations enacted by the Legislature. The net proceeds of the sale of the New Money 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 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.

The purposes for which the New Money 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 and establishes annual capital spending limits. See the Commonwealth Information Statement under the heading "COMMONWEALTH CAPITAL 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 AND EXPENDITURES –

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.

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of 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 Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

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

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

THE COMMONWEALTH WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR BY ANY DIRECT OR INDIRECT PARTICIPANT, THE PAYMENT OF OR THE PROVIDING OF NOTICE TO THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OR WITH RESPECT TO ANY OTHER ACTION TAKEN BY DTC AS 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. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Commonwealth, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the Commonwealth, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of the principal of and interest and premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Commonwealth,

disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The Commonwealth cannot give any assurances that Direct Participants or others will distribute payments of principal of and interest on the 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 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. Bond certificates are required to be printed and delivered.

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

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

RATINGS

The Bonds have been assigned long-term ratings of "AA+," "Aa1" and "AA+" by Fitch Ratings ("Fitch"), Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Ratings Services ("Standard & Poor's"), respectively.

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

COMPETITIVE SALE OF BONDS

After competitive, electronic bidding on September 21, 2011, the Bonds were awarded by the Commonwealth to Merrill Lynch, Pierce, Fenner & Smith Incorporated, as purchaser. The purchaser of the Bonds has supplied the information as to the public reoffering yields of the Bonds set forth on the inside cover hereof. If all of the Bonds were resold to the public at such yields, the purchaser of the Bonds has informed the Commonwealth that its total compensation is expected to be \$1,102,893.82. The purchaser of the Bonds may change the public offering yields from time to time.

TAX EXEMPTION

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

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

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

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds may affect the tax exempt status of interest on the Bonds or the tax consequences of ownership of the Bonds. No assurance can be given that future legislation, or amendments to the Code, if enacted into law, will not contain provisions which could directly or indirectly reduce the benefit of the exclusion of the interest on the Bonds from gross income for federal income tax purposes. Without limiting the generality of the foregoing, prospective purchasers should be aware that the American Jobs Act of 2011, announced by the President on September 12, 2011, if enacted in its present form, generally would limit the exclusion from gross income of interest on the Bonds for holders whose adjusted gross income for federal income tax purposes exceeds certain thresholds (for any taxable year beginning on or after January 1, 2013) in order to provide a tax benefit not greater than 28% of such interest. This would prevent such holders from realizing the full current benefit of the federal tax status of such interest. The President's proposal may also affect the value of the Bonds and tax-exempt bonds generally. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential consequences of the President's proposal to the treatment of interest on the Bonds.

Interest paid on tax-exempt obligations such as the Bonds is now generally required to be reported by payors to the Internal Revenue Service ("IRS") and to recipients in the same manner as interest on taxable obligations. In addition, such interest may be subject to "backup withholding" if the Bond owner fails to provide the information required on IRS Form W-9, Request for Taxpayer Identification Number and Certification, or

the IRS has specifically identified the Bond owner as being subject to backup withholding because of prior underreporting. Neither the information reporting requirement nor the backup withholding requirement affects the excludability of interest on the Bonds from gross income for federal tax purposes.

In the opinion of Bond Counsel, 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 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 are included in the measure of 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.

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

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

On the date of delivery of the Bonds, the successful bidders will be furnished with an opinion of Bond Counsel substantially in the form attached hereto. See 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 Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., of Boston, Massachusetts, Bond Counsel to the Commonwealth. 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 Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. of Boston, Massachusetts, as Disclosure Counsel to the Commonwealth.

CONTINUING DISCLOSURE

In order to assist the successful bidder in complying with paragraph (b)(5) of Rule 15c2-12, the Commonwealth will undertake in the 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."

FINANCIAL ADVISOR

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

MISCELLANEOUS

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

This Official Statement contains certain forward-looking statements that are subject to a variety of risks and uncertainties that could cause actual results to differ from the projected results, including without limitation general economic and business conditions, conditions in the financial markets, the financial condition of the Commonwealth and various state agencies and authorities, receipt of federal grants, litigation, arbitration, force majeure events and various other factors that are beyond the control of the Commonwealth and its various agencies and authorities. Because of the inability to predict all factors that may affect future decisions, actions, events or financial circumstances, 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 currently expected course of action and the currently 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.

AVAILABILITY OF OTHER INFORMATION

Questions regarding this Official Statement or requests for additional financial information concerning the Commonwealth should be directed to Colin A. MacNaught, Assistant Treasurer, Office of the Treasurer and Receiver-General, One Ashburton Place, 12th floor, Boston, Massachusetts 02108, telephone (617) 367-3900, x. 226, or Karol D. Ostberg, Director of 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 Official Statement and the Bonds should be directed to John R. Regier, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, Massachusetts 02111, telephone (617) 348-1720.

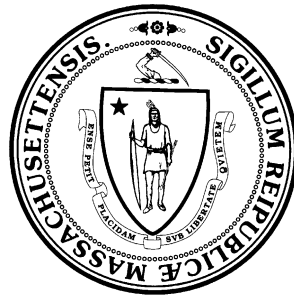
THE COMMONWEALTH OF MASSACHUSETTS

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

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

September 21, 2011

**THE
COMMONWEALTH
OF
MASSACHUSETTS**



INFORMATION STATEMENT SUPPLEMENT

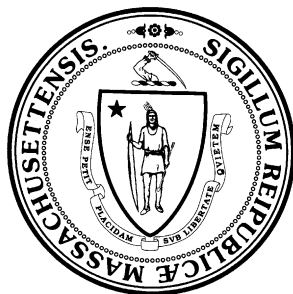
Dated September 12, 2011

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THE COMMONWEALTH OF MASSACHUSETTS



CONSTITUTIONAL OFFICERS

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

LEGISLATIVE OFFICERS

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

THE COMMONWEALTH OF MASSACHUSETTS
INFORMATION STATEMENT SUPPLEMENT

September 12, 2011

This supplement (“Supplement”) to the Information Statement of The Commonwealth of Massachusetts (the “Commonwealth”) dated March 15, 2011 (the “March Information Statement”) is dated September 12, 2011 and contains information which updates the information contained in the March Information Statement. The March Information Statement has been filed with the Municipal Securities Rulemaking Board. This Supplement and the March 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 September 12, 2011. All capitalized terms not otherwise defined in this Supplement shall have the meanings ascribed to them in the March Information Statement.

The March Information Statement, as supplemented hereby, includes three exhibits. Exhibit A is the Statement of Economic Information, which sets forth certain economic, demographic and statistical information concerning the Commonwealth. Exhibits B and C are, respectively, the Commonwealth’s Statutory Basis Financial Report for the year ended June 30, 2010 and the Commonwealth’s Comprehensive Annual Financial Report, reported in accordance with generally accepted accounting principles (GAAP), for the year ended June 30, 2010. The Commonwealth’s independent auditor has not been engaged to perform, and has not performed, since the respective dates of its reports included herein, any procedures on the financial statements addressed in such reports, nor has said independent auditor performed any procedures relating to the official statement of which this Supplement is a part. Specific reference is made to said Exhibits A, B and C, copies of which have been filed with the Municipal Securities Rulemaking Board. 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 “Publications and Reports” and then “Financial Reports.”

RECENT DEVELOPMENTS

Fiscal 2011

Fiscal 2011 ended on June 30, 2011, but, as is customary, the final fiscal 2011 appropriations bill has not yet been enacted. To date, the Governor has approved fiscal 2011 supplemental appropriations legislation totaling \$1.511 billion. After accounting for offsetting revenues (primarily federal Medicaid reimbursements), the net value of the spending is \$661.3 million. The fiscal 2011 supplemental funding amount is somewhat larger than is typical, because it includes the expenditure of a significant amount of enhanced FMAP funds that were made available by the federal government after the Governor approved the original fiscal 2011 budget. Most of the supplemental funding was necessary to support state safety net programs and services affected by increased caseloads and utilization as a result of the economic downturn, such as the MassHealth program and the emergency family shelters program at the Department of Housing and Community Development. This supplemental funding also included \$42 million for costs associated with providing legal representation to indigent persons in criminal and civil court cases and \$21.1 million for increased caseloads at the Department of Transitional Assistance. There were also other unanticipated costs, such as increased funding for snow and ice removal, that required supplemental funding.

On August 25, 2011, the Governor filed supplemental budget legislation that proposes that \$300 million, or approximately two-thirds of a \$460 million estimated surplus, be deposited in the Stabilization Fund. When combined with the already authorized deposit to the Stabilization Fund (equal to 0.5% of fiscal 2011 tax collections), the total fiscal 2011 transfers to the Stabilization Fund will equal \$400 million, bringing the fiscal 2011 year-end balance to \$1.070 billion. The legislation also provides for the use of approximately \$95 million of fiscal 2011 surplus funds to make a number of one-time job-related investments, including \$45 million for infrastructure development, \$35 million for workforce training initiatives and \$15 million for a new Innovation Investment and Access Fund. The legislation also includes \$10 million for cities and towns impacted by the June 1, 2011 tornado for costs not reimbursed through the Federal Emergency Management Agency. The legislation further provides

\$6.2 million to reimburse cities and towns for a portion of the costs incurred in responding to the December, 2008 ice storm. The legislation is currently being considered by the House Committee on Ways and Means. Enactment of the final supplemental appropriations bill normally occurs in September or October.

Preliminary tax revenues for fiscal 2011 totaled approximately \$20.506 billion, approximately \$722.7 million above the January 18, 2011 estimate of \$19.784 billion. See “COMMONWEALTH REVENUES AND EXPENDITURES – Fiscal 2010, Fiscal 2011 and Fiscal 2012 Tax Revenues; *Fiscal 2011*.”

See the March Information Statement under the heading “FISCAL 2011 AND FISCAL 2012 – Fiscal 2011.”

Fiscal 2012

The House of Representatives approved its version of the fiscal 2012 budget on April 28, 2011, the Senate approved its version on May 26, 2011, and a legislative conference committee released its report on June 30, 2011. The budget was enacted by the Legislature on July 1, 2011 and approved by the Governor on July 11, 2011. A \$1.250 billion interim budget for the first ten days of fiscal 2012 had been enacted by the Legislature and approved by the Governor on June 27, 2011. Total spending in the final fiscal 2012 budget approved by the Governor amounts to approximately \$30.598 billion. The budget assumes tax revenues of \$20.615 billion, reflecting the fiscal 2012 consensus tax estimate of \$20.525 billion, which was adjusted for the impact of revenue initiatives enacted as part of the budget (most notably a one-year delay of the FAS 109 deductions (additional \$45.9 million), enhanced tax enforcement initiatives (additional \$61.5 million) and the impact of a two-day sales tax holiday held on August 13-14, 2011 (reduction of \$20.6 million). The fiscal 2012 budget authorizes a \$200 million withdrawal from the Stabilization Fund, the use of fiscal 2012 interest earnings on the Stabilization Fund and an additional \$103.7 million in savings achieved by suspending the statutorily required deposit into the Stabilization Fund of 0.5% of total tax revenue. The fiscal 2012 budget projections contained in this Supplement assume a transfer of \$185 million from the Stabilization Fund rather than the authorized \$200 million. On that assumption the Stabilization Fund is projected to have a \$884.9 million balance at the end of fiscal 2012.

The Executive Office for Administration and Finance has launched its annual spending plan process with state agencies for fiscal 2012. State agencies are required to submit detailed spending and revenue projections for the fiscal year and identify any projected surpluses or deficiencies they may anticipate. Upon completion of its review of agency spending plans in September, 2011, the Executive Office for Administration and Finance will identify any potential funding or revenue exposures in fiscal 2012.

See the March Information Statement under the heading “FISCAL 2011 AND FISCAL 2012 –Fiscal 2012 Budget Proposals.”

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COMMONWEALTH REVENUES AND EXPENDITURES

Statutory Basis Distribution of Budgetary Revenues and Expenditures

The following table sets forth the Commonwealth's revenues and expenditures for fiscal 2007 through fiscal 2011 and projected revenues and expenditures for fiscal 2012.

	<u>Fiscal 2007</u>	<u>Fiscal 2008</u>	<u>Fiscal 2009</u>	<u>Fiscal 2010</u>	<u>Estimated Fiscal 2011</u>	<u>Projected Fiscal 2012⁽⁸⁾</u>
Budgeted Operating Funds – Statutory Basis (in millions)⁽¹⁾						
<u>Beginning Fund Balances</u>						
Reserved or Designated	\$947.2	\$351.3	\$171.5	\$68.9	122.0	329.0
Bay State Competitiveness Investment Fund	-	100.0	-	-	-	-
Stabilization Fund	2,154.7	2,335.0	2,119.2	841.3	669.8	1069.9
Undesignated	<u>106.2</u>	<u>114.7</u>	<u>115.1</u>	<u>106.4</u>	<u>111.3</u>	<u>126.0</u>
Total	<u>\$3,208.1</u>	<u>\$2,901.0</u>	<u>\$2,405.8</u>	<u>\$1,016.6</u>	<u>\$903.1</u>	<u>\$1,524.9</u>
<u>Revenues and Other Sources</u>						
Alcoholic Beverages	71.0	71.2	71.9	71.0	72.7	73.6
Banks	340.9	547.8	242.6	234.9	(11.0)	6.7
Cigarettes	438.1	436.9	456.8	456.2	453.6	442.6
Corporations	1,587.6	1,512.2	1,548.6	1,600.3	1,951.4	1,807.3
Deeds	194.1	153.9	105.5	137.9	129.9	130.6
Income	11,399.6	12,483.8	10,583.7	10,110.3	11,576.0	11,767.6
Inheritance and Estate	249.6	254.0	259.7	221.4	309.6	236.6
Insurance	418.6	417.7	356.7	330.0	340.3	351.7
Motor Fuel	676.1	672.2	654.0	654.6	660.8	659.9
Public Utilities	178.3	120.2	(1.7)	(0.3)	(8.8)	6.2
Room Occupancy	111.1	119.2	109.5	101.6	110.4	110.1
Sales:						
Regular	2,927.7	2,952.2	2,799.7	3,282.8	3,477.0	3,523.5
Meals	608.7	632.9	629.6	759.6	813.3	842.0
Motor Vehicles	<u>531.1</u>	<u>501.6</u>	<u>439.3</u>	<u>569.3</u>	<u>614.5</u>	<u>640.45</u>
Sub-Total-Sales	4,067.5	4,086.7	3,868.6	4,611.7	4,904.8	5,006.7
Miscellaneous	<u>3.8</u>	<u>3.1</u>	<u>3.3</u>	<u>14.1</u>	<u>16.6</u>	<u>16.4</u>
Total Tax Revenues	<u>\$19,736.3</u>	<u>\$20,879.2</u>	<u>\$18,259.5</u>	<u>\$18,543.7</u>	<u>\$20,506.3</u>	<u>\$20,615.2</u>
MBTA Transfer	(734.0)	(756.0)	(767.1)	(767.1)	(767.1)	(779.1)
MSBA Transfer	<u>(557.4)</u>	<u>(634.7)</u>	<u>(702.3)</u>	<u>(605.2)</u>	<u>(654.7)</u>	<u>(678.9)</u>
WTF Transfer ⁽²⁾	-	-	-	-	-	<u>(19.9)</u>
Total Budgeted Operating Tax Revenues	<u>\$18,444.9</u>	<u>\$19,488.5</u>	<u>\$16,790.0</u>	<u>\$17,171.4</u>	<u>\$19,085.0</u>	<u>\$19,150.5</u>
Federal Reimbursements	6,167.6	6,429.5	8,250.9	8,548.8	9,054.70	7,805.50
Departmental and Other Revenues	2,218.4	2,355.9	2,326.2	2,800.9	3,051.11	2,976.50
Inter-fund Transfers from Non-budgeted Funds and other sources ⁽³⁾	<u>1,785.0</u>	<u>2,039.3</u>	<u>1,850.3</u>	<u>1,788.8</u>	<u>1,758.93</u>	<u>1,971.10</u>
Budgeted Revenues and Other Sources	<u>\$28,615.9</u>	<u>\$30,313.2</u>	<u>\$29,217.4</u>	<u>\$30,310.0</u>	<u>\$32,949.74</u>	<u>\$31,903.6</u>
Inter-fund Transfers	<u>552.9</u>	<u>2,226.3</u>	<u>1,963.8</u>	<u>770.8</u>	<u>701.95</u>	<u>640.94</u>
Total Budgeted Revenues and Other Sources	<u>\$29,168.8</u>	<u>\$32,539.5</u>	<u>\$31,181.2</u>	<u>\$31,080.8</u>	<u>\$33,651.69</u>	<u>\$32,544.54</u>
<u>Expenditures and Uses</u>						
Direct Local Aid	4,805.2	5,040.5	4,723.6	4,837.4	4,784.69	4,929.92
Medicaid ⁽⁴⁾	7,550.4	8,246.3	8,679.2	9,287.6	10,240.08	10,397.28
Other Health and Human Services	4,625.3	4,796.5	4,828.3	4,616.6	4,669.09	4,456.16
Group Insurance	1,022.3	852.5	973.1	1,063.8	1,162.10	1,208.73
Department of Elementary and	459.0	485.8	495.9	358.1	416.99	509.06

	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Estimated Fiscal 2011	Projected Fiscal 2012(8)
Secondary Education						
Higher Education	1,115.7	1,084.4	1,035.5	845.6	936.85	924.46
Department of Early Education and Care	507.1	549.9	560.3	513.5	520.34	505.84
Public Safety	1,399.2	1,544.4	1,514.3	1,423.2	1,417.74	1,390.49
Energy and Environmental Affairs	238.5	227.1	215.9	202.2	192.46	184.0
Debt Service	2,234.4	1,990.1	2,011.7	1,979.9	2,009.73	2,265.31
Post Employment Benefits (5)	1,335.2	1,398.6	1,314.4	1,748.6	1,838.85	1,892.33
Other Program Expenditures	<u>2,364.9</u>	<u>2,414.1</u>	<u>2,350.9</u>	<u>2,509.0</u>	<u>2,143.77</u>	<u>2,244.89</u>
Total - Programs and Services before transfers to Non-budgeted funds	\$27,657.2	\$28,630.2	\$28,703.1	\$29,384.5	\$30,332.69	\$30,908.02
Inter-fund Transfers to Non-budgeted Funds						
Commonwealth Care Trust Fund	722.1	1,045.9	987.6	631.7	739.11	728.01
State Retiree Benefit Trust Fund (5)	-	\$354.7	\$352.0	-	-	-
Medical Assistance Trust Fund	364.0	376.7	374.0	313.3	886.1	394.03
Massachusetts Transportation Trust Fund	-	-	-	- (6.0)	195.13	180.13
Other	179.6	400.9	189.9	94.1	175	183.81
Total Inter-Fund Transfers to Non-Budgeted Funds	\$1,265.7	\$2,178.2	\$1,903.5	\$1,039.1	\$1,978.24	\$1,485.98
Budgeted Expenditures and Other Uses	<u>\$28,922.9</u>	<u>\$30,808.4</u>	<u>\$30,606.6</u>	<u>\$30,423.6</u>	<u>\$32,327.93</u>	<u>\$32,394.00</u>
Inter-fund Transfers	553.0	2,226.3	1,963.8	770.8	701.95	640.94
Total Budgeted Expenditures and Other Uses	\$29,475.9	\$33,034.7	\$32,570.4	\$31,194.4	\$33,029.88	\$33,034.94
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(\$307.1)</u>	<u>(\$495.2)</u>	<u>(\$1,389.2)</u>	<u>(\$113.6)</u>	<u>\$621.8</u>	<u>(\$490.4)</u>
Ending Fund Balances						
Reserved or Designated (7)	351.3	171.5	68.9	122.0	329.0	10.8
Bay State Competitiveness Investment Fund	100.0	-	-	-	-	-
Stabilization Fund	2,335.0	2,119.2	841.3	669.8	1069.9	896.9
Undesignated	<u>114.7</u>	<u>115.1</u>	<u>106.4</u>	<u>111.3</u>	<u>126.0</u>	<u>126.4</u>
Total	\$2,901.0	\$2,405.8	\$1,016.6	\$903.1	\$1,524.9	\$1,034.1

SOURCES: Fiscal 2007-2010, Office of the Comptroller; fiscal 2011 and 2012, Executive Office for Administration and Finance.

- (1) Totals may not add due to rounding.
- (2) The fiscal year 2012 budget adopted changes to the Workforce Training Fund, which annually is funded through employer contributions for workforce training initiatives for incumbent workers in the private sector. Beginning in fiscal 2012 the WTF will not be subject to annual appropriation and the employer contributions, estimated at \$19.9 million, are transferred directly to the WTF after their collection.
- (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 as well as other inter-fund transfers.
- (4) Excludes off-budget Medicaid spending in fiscal 2006 and fiscal 2007 estimated at \$292 million and \$290 million, respectively. Fiscal 2006 through fiscal 2009 included program administration.
- (5) Starting in fiscal 2010 Post Employment Benefits include budgeted pension transfers and State Retiree Benefit Trust Fund.
- (6) Transfers of approximately \$133.4 million in fiscal 2010 are included in "Other Program Expenditures" above.
- (7) Consists largely of appropriations from previous years, authorized to be expended in current years.
- (8) Based on the fiscal 2012 budget tax revenue estimate of \$20.615 billion, which reflects the fiscal 2012 consensus estimate of \$20.525 billion adjusted for the impact of fiscal 2012 revenue initiatives enacted as part of the budget. On August 1, 2011, the Governor approved legislation establishing a sales tax holiday on August 13-14, 2011. The \$20.615 billion estimate also reflects the revenue loss impact from this two-day sales tax holiday, which is expected to be \$20.5 million.

See the March Information Statement "COMMONWEALTH REVENUES AND EXPENDITURES – Statutory Basis Distribution of Budgetary Revenues and Expenditures."

State Taxes

Income Tax. State tax receipts for fiscal 2011 were significantly higher than receipts during fiscal 2010. See "Fiscal 2010, Fiscal 2011 and Fiscal 2012 Tax Revenues – *Fiscal 2011*," below. Under current state law, the

state income tax rate will be reduced from 5.3% to 5.25% (effective January 1, 2012) if the growth in fiscal 2011 inflation adjusted baseline revenues (as defined in state law) over fiscal 2010 exceeds 2.5%, and if for each consecutive three-month period starting in August and ending in November, 2011 there is positive inflation-adjusted baseline revenue growth as compared to the same consecutive three-month period in calendar 2010. On August 30, 2011, the Commissioner of Revenue certified that fiscal 2011 inflation-adjusted baseline revenues grew by 7.2% from fiscal 2010, which exceeds the initial trigger for the income tax rate reduction. It will not be known if the rate reduction will be triggered until the Commissioner issues a final certification on December 15, 2011 as to whether or not the statutory triggers were met. The Department of Revenue estimates that the revenue impact of this rate reduction for fiscal 2012 would be between \$52 million and \$56 million (with a mid-point of \$54 million). The revenue impact for fiscal 2013 (assuming no further rate reduction in calendar year 2013) would be between \$111 million and \$117 million (mid-point of \$114 million).

See the March Information Statement under the heading “COMMONWEALTH REVENUES AND EXPENDITURES – State Taxes; *Income Tax*.”

Fiscal 2010, Fiscal 2011 and Fiscal 2012 Tax Revenues

Fiscal 2011. Preliminary tax revenues for fiscal 2011, ended June 30, 2011, totaled approximately \$20.507 billion, an increase of approximately \$1.963 billion, or 10.6%, over the same period in fiscal 2010. The following table shows the tax collections for fiscal 2011 and the change from tax collections in the same period in the prior year, both in dollars and as a percentage. The table also notes the amount of tax collections in the same month that are dedicated to the MBTA and the MSBA.

Fiscal 2011 Tax Collections (in millions)(1)

<u>Month</u>	<u>Tax Collections</u>	<u>Change from Prior Year</u>	<u>Percentage Change</u>	<u>MBTA Portion(3)</u>	<u>MSBA Portion</u>	<u>Tax Collections: Net of MBTA and MSBA</u>
July	\$1,352.7	\$102.1	8.2%	\$60.3	\$60.3	\$1,232.1
August	1,385.6	89.1	6.9	55.3	55.3	1,275.0
September	2,015.1	249.2	14.1	76.2	51.9	1,887.1
October	1,342.9	118.0	9.6	55.3	55.3	1,232.3
November	1,426.6	137.9	10.7	52.9	52.9	1,320.8
December	2,072.3	186.4	9.9	83.5	54.5	1,934.2
January	2,052.7	207.6	11.2	66.1	66.1	1,920.5
February	932.5	(70.1)	(7.0)	45.9	45.9	840.8
March	1,773.8	149.1	9.2	79.8	48.8	1,645.6
April	2,505.4	757.9	43.4	54.6	54.6	2,396.1
May	1,504.6	(69.7)	(4.4)	53.0	53.0	1,398.6
June (1)	<u>2,142.0</u>	<u>105.6</u>	<u>5.2</u>	<u>84.1</u>	<u>55.9</u>	<u>2,002.0</u>
Total (2)	<u>\$20,506.3</u>	<u>\$1,962.6</u>	<u>10.6%</u>	<u>\$767.1</u>	<u>\$654.7</u>	<u>\$19,084.6</u>

SOURCE: Executive Office for Administration and Finance.

(1) Figures are preliminary.

(2) Totals may not add due to rounding.

(3) Includes adjustments of \$24.3 million on account of the first quarter, \$29 million on account of the second quarter, \$31 million on account of the third quarter, and 28.1 million on account of the fourth quarter.

The preliminary tax revenue increase of approximately \$1.963 billion for fiscal 2011 compared to fiscal 2010 is attributable, in large part, to an increase of approximately \$432 million, or 34.2%, in income tax payments with returns and extensions (mostly in April), an increase of approximately \$573.5 million, or 6.5%, in withholding collections, an increase of approximately \$373.2 million, or 25.1%, in income tax estimated payments, a decrease of approximately \$101.3 million, or 6.7%, in income tax refunds, an increase of approximately \$293.1 million, or 6.4%, in sales and use tax collections, and an increase of approximately \$107.6 million, or 5.1%, in corporate and business tax collections. Fiscal 2011 tax collections were approximately \$722.3 million above the January 18, 2011 fiscal 2011 tax revenue estimate of \$19.784 billion, which was an upward revision from the consensus estimate used for the original fiscal 2011 budget (adjusted for the impacts of the economic development bill and the sales tax holidays in August, 2010).

See the March Information Statement under the heading “COMMONWEALTH REVENUES AND EXPENDITURES – Fiscal 2010, Fiscal 2011, and Fiscal 2012 Tax Revenues; *Fiscal 2011*.”

Fiscal 2012. The fiscal 2012 budget approved by the Governor on July 11, 2011 assumes tax revenues of \$20.636 billion, reflecting the fiscal 2012 consensus tax estimate of \$20.525 billion which was adjusted for the impact of revenue initiatives enacted as part of the budget, most notably including a one-year delay of the FAS 109 deductions (\$45.9 million) and enhanced tax enforcement initiatives (\$61.5 million). On August 1, 2011, the Governor approved legislation establishing a sales tax holiday on August 13-14, 2011. The \$20.615 billion estimate also reflects the revenue loss impact from this two-day sales tax holiday, which is expected to be \$20.5 million.

Preliminary tax revenues for the first two months of fiscal 2012, ended August 31, 2011, totaled approximately \$2.870 billion, an increase of approximately \$132 million, or 4.8%, over the same period in fiscal 2011. The following table shows the tax collections for the first two months of fiscal 2012 and the change from tax collections in the same period in the prior year, both in dollars and as a percentage. The table also notes the amount of tax collections during the same two-month period that are dedicated to the MBTA and the MSBA.

Fiscal 2012 Tax Collections (in millions)(1)

<u>Month</u>	<u>Tax Collections</u>	<u>Change from Prior Year</u>	<u>Percentage Change</u>	<u>MBTA Portion</u>	<u>MSBA Portion</u>	<u>Tax Collections: Net of MBTA and MSBA</u>
July	\$1,444.6	\$91.9	6.8%	\$59.6	\$59.6	\$1,325.3
August(2)	1,425.6	40.1	2.9%	54.1	54.1	1.317/4
Total (2)	\$2,870.6	\$131.9	4.8%	\$113.8	\$113.8	\$2,642.7

SOURCE: Executive Office for Administration and Finance.

(1) Figures are preliminary.

(2) Totals may not add due to rounding.

The year-to-date tax revenue increase of approximately \$132 million through August 31, 2012 from the same period in fiscal 2011 is attributable, in large part, to an increase of approximately \$54.5 million, or 3.7%, in withholding collections, an increase of approximately \$29.0 million, 96.5%, in income payments with returns and bills, an increase of approximately \$39.3 million, or 66.5%, in corporate and business collections, an increase of approximately \$9 million, or 56.9%, in estate collections, which was partly offset by a decline of approximately \$21.6 million, or 35.7%, income cash estimated payments and a decline of approximately \$4.2 million, or 0.5% in sales and use tax collections. Year-to-date fiscal 2012 tax collections (through August) were approximately \$49 million above the fiscal 2012 tax revenue estimate of \$20.615 billion.

See the March Information Statement under the heading “FISCAL 2011 AND FISCAL 2012 –Fiscal 2012 Budget Proposals.”

Federal and Other Non-Tax Revenues

On August 2, 2011, the President approved the Budget Control Act of 2011, which provides for between \$2.1 trillion and \$2.4 trillion of budgetary savings to the federal government over ten years. The first phase of federal spending reductions is to be implemented through \$917 billion in discretionary reductions. However, specific details concerning these reductions, particularly how they may affect state budgets, have not yet been provided by the federal government. The Commonwealth will continue to assess how it may be affected by these reductions and will take appropriate measures to prepare for and manage their impacts.

Lottery Revenues. In July, 2011, the Lottery revised its fiscal 2011 estimate of operating revenues to \$976.4. The current estimated deficiency for budgetary distributions to be funded by Lottery proceeds is \$11.7 million.

The fiscal 2012 budget assumes total transfers from the Lottery of \$986.5 million to fund various commitments appropriated by the Legislature from the State Lottery Fund and the Arts Lottery Fund, including Lottery administrative expenses, and \$809.8 million in appropriations for local aid to cities and towns, with the balance, if any, to be transferred to the General Fund for the general activities of the Commonwealth. For fiscal

2012, the State Lottery Commission is currently projecting net operating revenues of \$986.5 million to fund the assumed transfers.

See the March Information Statement under the heading “COMMONWEALTH REVENUES AND EXPENDITURES – Federal and Other Non-Tax Revenues; *Lottery Revenues*.”

Tobacco Settlement.

Payments Received Pursuant to the Tobacco Master Settlement Agreement (in millions)(1)

<u>Fiscal Year</u>	<u>Initial Payments</u>	<u>Annual Payments</u>	<u>Total Payments</u>
2000	\$186.6(2)	\$139.6	\$326.2(2)
2001	78.2	164.2	242.5
2002	82.8	221.7	304.5
2003	86.4	213.6	300.0
2004	-	253.6	253.6
2005	-	257.4	257.4
2006	-	236.3	236.3
2007	-	245.4	245.4
2008	-	288.5	288.5
2009	-	315.2	315.2
2010	-	263.7	263.7
<u>2011</u>	-	<u>248.7</u>	<u>248.7</u>
Total	<u>\$434.00</u>	<u>\$2,894.10</u>	<u>\$3,328.20</u>

SOURCE: Office of the Comptroller.

(1) Amounts are approximate. Totals may not add due to rounding.

(2) Payments received for both 1999 and 2000.

Gaming. A bill that would authorize the licensing of up to three regional resort casinos (one per region) and one slot facility (up to 1,250 slots) in the Commonwealth has been approved by the Legislature’s Joint Committee on Economic Development and Emerging Technologies and the House Committee on Ways and Means, and is expected to be considered by the full House of Representatives during the week of September 12, 2011. The bill would establish an appointed state gaming commission to oversee the implementation of the law and the resultant gaming facilities. Licensing fees collected by the commission would be applied to a variety of one-time state and local purposes, and gaming revenues received by the Commonwealth would be applied to a variety of ongoing expenses, including local aid and education, with stipulated percentages also deposited in the Stabilization Fund and applied to debt reduction. The bill stipulates that licensing fees, which would be set by the gaming commission, must be at least \$85 million per casino and \$25 million for the slot facility. Neither the sponsors of the legislation nor the Executive Office for Administration and Finance have released any cost or revenue projections. The Commonwealth’s fiscal 2012 budget does not assume any revenue from expanded gaming.

Limitations on Tax Revenues

On July 28, 2011, the Department of Revenue certified that preliminary cumulative state tax revenues for fiscal 2011 exceeded the permissible state tax revenue limit set by Chapter 62F by approximately \$1.182 billion. Because no withdrawals from the Stabilization Fund are expected to occur on account of fiscal 2011, the entire amount of any cumulative excess as of the end of fiscal 2011 is expected to be transferred back to the General Fund for inclusion in consolidated net surplus. The Department of Revenue is expected to certify final permissible state tax revenues in September, 2011.

The following table shows the quarter by quarter trend of the Temporary Holding Fund for fiscal 2007 through the third quarter of fiscal 2011.

Temporary Holding Fund

(in thousands)

	<u>Fiscal 2007</u>	<u>Fiscal 2008</u>	<u>Fiscal 2009</u>	<u>Fiscal 2010</u>	<u>Fiscal 2011</u>
<u>First quarter - period ended September 30</u>					
Cumulative net tax revenues, current fiscal year	\$4,542,170	\$4,796,700	\$4,870,214	\$4,374,038	\$4,819,581
Cumulative net tax revenues, prior fiscal year	4,367,285	4,542,170	4,796,700	4,870,214	4,374,038
Permissible growth rate(1)	8.05%	6.94%	7.89%	4.13%	2.57%
Permissible state tax revenues(2)	<u>4,718,720</u>	<u>4,857,306</u>	<u>5,175,160</u>	<u>5,080,266</u>	<u>4,486,538</u>
Cumulative net revenues, current fiscal year, in excess of permissible revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$333,042</u>
<u>Second quarter - period ended December 31</u>					
Cumulative net tax revenues, current fiscal year	\$8,831,036	\$9,194,513	\$9,200,005	\$8,834,580	\$9,732,050
Cumulative net tax revenues, prior fiscal year	8,526,671	8,831,036	9,194,513	9,200,005	8,834,580
Permissible growth rate(1)	7.62%	6.93%	8.34%	2.10%	3.465%
Permissible state tax revenues(2)	<u>9,175,977</u>	<u>9,442,585</u>	<u>9,960,876</u>	<u>9,392,837</u>	<u>9,140,698</u>
Cumulative net revenues, current fiscal year, in excess of permissible revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$591,351</u>
<u>Third quarter - period ended March 31</u>					
Cumulative net tax revenues, current fiscal year	\$13,659,295	\$14,485,334	\$13,599,204	\$13,358,852	\$14,550,178
Cumulative net tax revenues, prior fiscal year	12,946,485	13,659,294	14,485,334	13,599,204	13,358,852
Permissible growth rate(1)	6.92%	7.41%	7.60%	2.00%	4.039%
Permissible state tax revenues(2)	<u>13,841,734</u>	<u>14,671,584</u>	<u>15,586,799</u>	<u>13,871,188</u>	<u>13,898,416</u>
Cumulative net revenues, current fiscal year, in excess of permissible revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>651,763</u>
<u>Fourth Quarter - Period ending June 30</u>					
Cumulative net tax revenues, current fiscal year	\$19,848,064	\$21,009,329	\$18,513,036	\$18,792,777	\$20,770,602(3)
Cumulative net tax revenues, prior fiscal year	18,592,175	19,848,064	21,009,085	18,513,036	18,792,777
Permissible growth rate(1)	6.52%	7.66%	6.27%	1.61%	4.24%
Permissible state tax revenues(2)	<u>19,804,571</u>	<u>21,368,426</u>	<u>22,325,305</u>	<u>18,810,911</u>	<u>19,588,839</u>
Cumulative net revenues, current fiscal year, in excess of permissible revenues	<u>\$43,493</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,181,763(3)</u>

SOURCES: Office of the Comptroller .

(1) Defined as inflation plus 2%, but not less than 0%.

(2) Defined as cumulative net state tax revenues, prior fiscal year, multiplied by 1 plus the permissible growth rate.

(3) Preliminary.

See the March Information Statement under the heading "COMMONWEALTH REVENUES AND EXPENDITURES – Limitations on Tax Revenues."

Medicaid and the Commonwealth Care Trust Fund

Federal 1115 MassHealth Demonstration Waiver. The Commonwealth's waiver expired on June 30, 2011, but the Commonwealth has received two successive one-month extensions from the Centers for Medicare and Medicaid Services while negotiations continue. The latest extension is expected to expire on September 30, 2011. See the March Information Statement under the heading "COMMONWEALTH REVENUES AND EXPENDITURES – Medicaid and the Commonwealth Care Trust Fund; *Federal 1115 MassHealth Demonstration Waiver.*"

Other Health and Human Services

Office of Children, Youth, and Family Services. The first paragraph on page A-29 of the March Information Statement has been revised to read as follows: Through the Department of Transitional Assistance, the Commonwealth funds three major programs of public assistance for eligible state residents: transitional aid to families with dependent children (TAFDC); emergency aid to the elderly, disabled and children (EAEDC); and the state supplemental benefits for residents enrolled in the federal supplemental security income (SSI) program. In addition, the Department is responsible for administering the entirely federally funded Supplemental Nutrition

Assistance Program (SNAP, formerly food stamps), which provides food assistance to low-income families and individuals. Lastly, beginning in fiscal 2008, the Department established a new supplemental nutritional program, which provides small supplemental benefits to certain working families currently enrolled in the SNAP program.

See the March Information Statement under the heading “COMMONWEALTH REVENUES AND EXPENDITURES – Other Health and Human Services; *Office of Children, Youth, and Family Services.*”

PENSION AND OPEB FUNDING

Funding Schedule

The fiscal 2012 budget amended state law to extend the time period for amortizing the Commonwealth’s unfunded liability. Under the new law, the liability is to be amortized to zero by June 30, 2040. The fiscal 2012 budget also contains language requiring that pension funding amounts for fiscal 2012 through fiscal 2017 must be equal to or greater than the amounts for those years specified in the proposed funding schedule filed by the Secretary of Administration and Finance on January 18, 2011. See the March Information Statement under the heading “PENSION AND OPEB FUNDING – Funding Schedule.”

Actuarial Valuations

Because of a delay in obtaining information relating to teachers, the full actuarial valuation report for the Commonwealth’s retirement systems is not expected to be released until October, 2011.

See the March Information Statement under the heading “PENSION AND OPEB FUNDING – Actuarial Valuations.”

Other Post-Retirement Benefit Obligations (OPEB)

The fiscal 2012 budget provides that 10% of all tobacco settlement payments received by the Commonwealth in fiscal 2013 are to be deposited in the State Retiree Benefits Trust Fund, with the amount of payments to be deposited increasing by 10 percentage points in each succeeding year until the amount to be deposited reaches 100% of the payments. See “COMMONWEALTH REVENUE AND EXPENDITURES – Federal and Other Non-Tax Revenues; *Tobacco Settlement*” and the March Information Statement under the heading “PENSION AND OPEB FUNDING – Other Post-Retirement Benefit Obligations (OPEB).”

STATE WORKFORCE

Unions and Labor Negotiations

Concessions made by most state collective bargaining units to help the Commonwealth manage through the fiscal challenges caused by the recession over the last couple of years included delaying wage increases to which the Commonwealth had previously agreed by one year. If tax revenue collections exceeded certain thresholds, however, then the wage increases would be delayed by six months instead of one year. In either case, the delay of the wage increases results in permanent annual savings to the Commonwealth of tens of millions of dollars.

Fiscal year 2011 tax revenue collections exceeded the threshold in the collective bargaining agreements that triggers a six-month wage increase delay for fiscal years 2011 and 2012 instead of a one-year delay. Because the fiscal year 2011 and fiscal year 2012 budgets had been based on tax revenue estimates that were below the threshold, those budgets did not fund the additional costs associated with a six-month delay instead of a one-year delay. The Executive Office of Administration estimates that the potential aggregate additional cost resulting from tax revenues exceeding the threshold is \$110 million for fiscal years 2011 and 2012 combined. As a result of the fact that this cost was not anticipated and is not budgeted, the Executive Office of Administration and Finance has been negotiating with state collective bargaining units to amend the collective bargaining agreements to eliminate the provisions that allow the delayed wage increases to be accelerated by six months in exchange for a two-year extension of the existing collective bargaining agreements. Several of the Commonwealth’s largest employee unions have already agreed to the contract amendments and negotiations are continuing with the other unions. At

this point, the Executive Office of Administration and Finance does not plan to seek supplemental appropriations to fund any costs associated with the provisions providing for a six-month acceleration of the delayed wage increases previously negotiated.

See the March Information Statement under the heading “STATE WORKFORCE – Unions and Labor Negotiations.”

CASH FLOW

On September 6, 2011, the State Treasurer and the Secretary of Administration and Finance released a cash flow statement for fiscal 2012, which is summarized in the table below.

The next cash flow statement is expected to be released on or about December 31, 2011. See the March Information Statement under the heading “FISCAL 2011 AND FISCAL 2012 – Cash Flow.”

Overview of Fiscal 2012 Non-Segregated Operating Cash Flow (in millions) (1)
(as of August 31, 2011)

	<u>Jul-11</u>	<u>Aug-11(2)</u>	<u>Sep -11(2)</u>	<u>Oct -11(2)</u>	<u>Nov -11(2)</u>	<u>Dec-11 (2)</u>	<u>Jan-12 (2)</u>	<u>Feb-12 (2)</u>	<u>Mar-12(2)</u>	<u>Apr-12 (2)</u>	<u>May-12(2)</u>	<u>June-12(2)</u>	Total FY 2012 (2)
Opening Non-Segregated Operating Cash Balance	\$2,200.4	\$2,194.7	\$1,853.2	\$1,563.3	\$1,096.3	\$1,376.2	\$1,049.9	\$1,559.1	\$1,038.3	\$568.3	\$1,663.8	\$1,136.7	\$2,200.4
Operating Activities:													
Budgetary Funds:													
<i>Transfer from/(to) Stabilization Fund</i>	\$0.0	\$0.0	(\$12.0)	(\$402.6)	\$0.0	\$185.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$229.6)
Total Budgetary Revenue/Inflows	\$2,275.6	\$2,336.4	\$2,930.9	\$1,894.0	\$2,400.6	\$3,224.3	\$3,090.7	\$2,147.3	\$3,241.1	\$4,052.5	\$2,513.9	\$3,537.3	\$33,644.6
Total Budgetary Expenditures/Outflows	\$2,304.8	\$2,473.1	\$3,305.7	\$2,206.1	\$2,704.5	\$3,280.7	\$2,382.5	\$2,513.8	\$3,622.8	\$2,483.4	\$2,322.0	\$2,976.5	\$32,576.1
Net Budgetary Funds	(\$29.3)	(\$136.7)	(\$374.8)	(\$312.1)	(\$303.9)	(\$56.4)	\$708.2	(\$366.5)	(\$381.7)	\$1,569.1	\$191.9	\$560.8	\$1,068.5
Non Budgetary Funds (Non Budgetary, Higher Ed and Trust Funds):													
Total Non Budgetary Revenue/Inflows	\$836.4	\$766.3	\$837.1	\$889.6	\$832.2	\$891.3	\$824.8	\$704.0	\$966.8	\$681.3	\$665.8	\$840.7	\$9,736.3
Total Non Budgetary Expenditures/Outflows	\$806.7	\$969.5	\$953.5	\$1,042.3	\$1,040.0	\$1,107.5	\$1,038.5	\$901.2	\$1,069.5	\$908.5	\$828.5	\$948.6	\$11,614.3
Net Non Budgetary Funds	\$29.7	(\$203.2)	(\$116.4)	(\$152.7)	(\$207.8)	(\$216.2)	(\$213.7)	(\$197.2)	(\$102.7)	(\$227.2)	(\$162.7)	(\$107.9)	(\$1,878.0)
Net Undesignated Revenue/Inflows and Expenditures/Outflows	\$7.1	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0	\$18.1
Net Operating Activities	\$7.5	(\$338.9)	(\$490.2)	(\$463.8)	(\$510.7)	(\$271.6)	\$495.5	(\$562.7)	(\$483.4)	\$1,342.9	\$30.2	\$453.9	(\$791.4)
Federal Grants:													
Total Federal Grants Revenue/Inflows	\$191.0	\$220.0	\$280.0	\$195.0	\$225.0	\$275.0	\$250.0	\$230.0	\$225.0	\$250.0	\$225.0	\$285.6	\$2,851.6
Total Federal Grants Expenditures/Outflows	\$231.7	\$242.0	\$212.5	\$192.5	\$240.0	\$291.5	\$233.0	\$234.0	\$241.5	\$234.5	\$224.0	\$275.5	\$2,852.7
Net Federal Grants	(\$40.7)	(\$22.0)	\$67.5	\$2.5	(\$15.0)	(\$16.5)	\$17.0	(\$4.0)	(\$16.5)	\$15.5	\$1.0	\$10.1	(\$1.1)
Capital Funds:													
Total Capital Revenue/Inflows	\$288.0	\$215.5	\$375.4	\$224.2	\$236.9	\$242.0	\$242.1	\$216.3	\$209.9	\$202.8	\$205.8	\$205.8	\$2,864.4
Total Capital Expenditures/Outflows:	\$260.4	\$196.1	\$242.6	\$229.9	\$231.2	\$280.1	\$245.5	\$170.3	\$180.0	\$162.9	\$258.7	\$325.6	\$2,783.3
Net Capital Funds	27.57	19.43	132.80	(5.72)	5.68	(38.12)	(3.42)	45.97	29.87	39.87	(52.93)	(119.83)	\$81.1
Financing Activities:	\$40.9	\$30.3	\$31.8	\$48.4	\$29.9	\$23.8	\$35.5	\$26.9	\$73.9	\$36.7	\$41.0	\$37.3	\$456.5
Cash Flow Financing Activities Inflows:													
<i>Commercial Paper</i>	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<i>Revenue Anticipation Notes (RANS)</i>	\$0.0	\$0.0	\$0.0	\$0.0	\$800.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$800.0
Total Cash Flow Financing Activities Inflows	\$0.0	\$0.0	\$0.0	\$0.0	\$800.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$800.0
Cash Flow Financing Activities Outflows:													
<i>Commercial Paper – (Principal + Interest)</i>	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<i>RANS – (Principal + Interest)</i>	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$302.7	\$505.4	\$0.0	\$808.1
Total Cash Flow Financing Activities Outflows	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$302.7	\$505.4	\$0.0	\$808.1
Net Financing Activities	\$0.0	\$0.0	\$0.0	\$0.0	\$800.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$302.7)	(\$505.4)	\$0.0	(\$8.1)
Ending Non-Segregated Operating Cash Balance	\$2,194.7	\$1,853.2	\$1,563.3	\$1,096.3	\$1,376.2	\$1,049.9	\$1,559.1	\$1,038.3	\$568.3	\$1,663.8	\$1,136.7	\$1,480.9	\$1,480.9

SOURCE: Office of the Treasurer and Receiver-General.

(1) Totals may not add due to rounding.

(2) Figures are estimated.

LONG-TERM LIABILITIES

General and Special Obligation Long-Term Debt Issuance and Repayment Analysis (in thousands) (1)

	<u>Fiscal 2007</u>	<u>Fiscal 2008</u>	<u>Fiscal 2009</u>	<u>Fiscal 2010</u>	<u>Fiscal 2011</u>
Beginning Balance as of July 1	\$18,461,406	\$18,736,961	\$18,734,440	\$19,264,569	\$19,726,507
Debt Issued	1,556,485	1,280,824	1,887,108	1,669,088	2,123,318
Subtotal	<u>20,017,891</u>	<u>20,017,785</u>	<u>20,621,548</u>	<u>20,933,657</u>	<u>21,849,825</u>
Debt retired or defeased, exclusive of refunded debt	(1,399,715)	(1,179,730)	(1,227,029)	(1,207,150)	(974,770)
Refunding debt issued, net of refunded debt (3)	<u>118,785</u>	<u>(103,615)</u>	<u>(129,950)</u>	=	=
Ending Balance June 30 (2)	<u>\$18,736,961</u>	<u>\$18,734,440</u>	<u>\$19,264,569</u>	<u>\$19,726,507</u>	<u>\$20,875,055</u>

SOURCE: Office of the Comptroller.

- (1) Including premium, discount and accretion of capital appreciation bonds.
- (2) Includes federal grant anticipation notes issued as crossover refunding bonds. The refunding escrows funded by these bonds and related premiums are used to pay interest on the refunding bonds until the refunded bonds are callable and then to redeem the refunded bonds. Interest on the refunded bonds prior to redemption continues to be paid from pledged revenues as before.
- (3) Amounts may be negative due to defeasances of debt of authorities from the issuance of Commonwealth debt as afforded under General Laws.

See the March Information Statement under the heading “LONG-TERM LIABILITIES– General and Special Obligation Long-Term Debt Issuance and Repayment Analysis.”

Outstanding Long Term Commonwealth Debt (in thousands)

	<u>Fiscal 2007</u>	<u>Fiscal 2008</u>	<u>Fiscal 2009</u>	<u>Fiscal 2010</u>	<u>Fiscal 2011</u>
General Obligation Debt	\$15,822,591	\$16,086,470	\$17,051,724	\$17,655,539	\$18,516,760
Special Obligation Debt	1,248,750	1,112,590	1,078,630	1,063,501	1,591,505
Federal Grant Anticipation Notes	<u>1,665,620</u>	<u>1,535,380</u>	<u>1,134,215</u>	<u>997,467</u>	<u>766,790</u>
TOTAL	<u>\$18,736,961</u>	<u>\$18,734,440</u>	<u>\$19,264,569</u>	<u>\$19,726,507</u>	<u>\$20,875,055</u>

SOURCE: Office of the Comptroller.

See the March Information Statement under the heading “LONG-TERM LIABILITIES–Outstanding Long Term Commonwealth Debt.”

Debt Service Requirements

The following table sets forth, as of June 30, 2011, the annual fiscal year debt service requirements on outstanding Commonwealth general obligation bonds, special obligation bonds and federal grant anticipation notes. For variable-rate bonds with respect to which the Commonwealth is a fixed-rate payor under an associated interest rate swap agreement, the debt service schedule assumes payment of the fixed rate due under such agreement. For other variable-rate bonds, the schedule assumes a 5% interest rate.

See the March Information Statement under the heading “LONG-TERM LIABILITIES–Debt Service Requirements.”

Debt Service Requirements on Commonwealth Bonds as of June 30, 2011 through Maturity (in thousands) (1)

General Obligation Bonds

Federal Highway Grant Anticipation Notes

Period Ending	General Obligation Bonds			Build America Bonds			Federal Highway Grant Anticipation Notes				
	Principal	Compounded Interest	Gross Interest	Subsidies	Net Interest	Debt Service	Principal	Gross Interest	Build America Bonds Subsidies	Net Interest	Debt Service
6/30/2012	\$1,168,978	\$8,266	\$842,890	\$(36,557)	\$806,333	\$1,983,576	\$156,405	\$32,257	\$(1,494)	\$30,763	\$187,168
6/30/2013	1,317,899	9,413	797,614	(36,557)	761,057	2,088,369	161,285	26,876	(1,494)	25,382	186,667
6/30/2014	1,241,297	7,735	745,551	(36,557)	708,994	1,951,231	170,710	17,450	(1,494)	15,956	186,666
6/30/2015	1,103,428	7,686	694,420	(36,557)	657,863	1,775,772	178,390	9,773	(1,494)	8,279	186,669
6/30/2016	1,121,015	6,652	644,970	(36,557)	608,413	1,736,079	11,390	4,098	(1,434)	2,664	14,054
6/30/2017	889,998	4,877	596,393	(36,557)	559,836	1,454,712	11,635	3,720	(1,302)	2,418	14,053
6/30/2018	829,326	3,868	554,789	(36,557)	518,232	1,351,425	11,925	3,277	(1,147)	2,130	14,055
6/30/2019	813,435	3,310	513,965	(36,557)	477,408	1,294,154	12,245	2,780	(973)	1,807	14,052
6/30/2020	870,127	2,594	474,011	(36,300)	437,711	1,310,432	12,600	2,235	(782)	1,453	14,053
6/30/2021	1,132,433	2,194	424,832	(35,014)	389,818	1,524,445	12,985	1,648	(577)	1,071	14,056
6/30/2022	995,939	1,968	374,126	(32,698)	341,428	1,339,335	13,390	1,020	(357)	663	14,053
6/30/2023	743,804	1,782	330,828	(31,412)	299,416	1,045,003	<u>13,830</u>	<u>348</u>	<u>(122)</u>	<u>226</u>	<u>14,056</u>
6/30/2024	694,362	1,446	295,394	(31,295)	264,099	959,908					
6/30/2025	631,429	1,246	263,463	(31,295)	232,168	864,843					
6/30/2026	582,093	1,121	233,829	(30,776)	203,053	786,268					
6/30/2027	490,228	1,067	207,845	(30,203)	177,642	668,938					
6/30/2028	445,558	1,115	186,009	(28,953)	157,056	603,729					
6/30/2029	595,408	522	161,809	(26,687)	135,122	731,052					
6/30/2030	604,494	288	131,111	(22,892)	108,219	713,002					
6/30/2031	517,190	106	97,983	(16,808)	81,175	598,471					
6/30/2032	258,715	0	82,021	(14,776)	67,245	325,960					
6/30/2033	187,300	0	69,908	(12,440)	57,468	244,768					
6/30/2034	188,585	0	60,460	(11,068)	49,392	237,977					
6/30/2035	196,755	0	50,745	(9,647)	41,098	237,853					
6/30/2036	205,130	0	40,643	(8,177)	32,466	237,596					
6/30/2037	214,730	0	30,106	(6,654)	23,452	238,182					
6/30/2038	194,135	0	19,102	(5,077)	14,025	208,160					
6/30/2039	123,805	0	10,940	(3,445)	7,495	131,300					
6/30/2040	91,905	0	4,596	(1,609)	2,988	94,893					
TOTAL	\$18,449,502	\$67,258	\$8,940,357	\$(719,683)	\$8,220,674	\$26,737,434	\$766,790	\$105,482	(\$12,670)	\$92,812	\$859,602

Period Ending	<u>Special Obligation Revenue Bonds (Convention Center)</u>			<u>Special Obligation Revenue Bonds (CTF-Accelerated Bridge Program)</u>					<u>Special Obligation Revenue Bonds (Gas Tax)</u>		
	Principal	Interest	Debt Service	Principal	Gross Interest	Build America Bonds Subsidies	Net Interest	Debt Service	Principal	Interest	Debt Service
6/30/2012		\$34,486	\$34,486		\$32,623	\$(12,314)	\$20,309	\$20,309	\$39,135	\$19,804	\$58,939
6/30/2013		34,486	34,486		32,623	(12,314)	20,309	20,309	41,150	17,772	58,922
6/30/2014		34,486	34,486		32,623	(12,314)	20,309	20,309	37,170	15,534	52,704
6/30/2015	\$19,995	34,486	54,481		32,623	(12,314)	20,309	20,309	39,070	13,631	52,701
6/30/2016	21,075	33,436	54,511		32,623	(12,314)	20,309	20,309	39,900	11,482	51,382
6/30/2017	22,210	32,330	54,540		32,623	(12,314)	20,309	20,309	42,465	9,287	51,752
6/30/2018	23,310	31,164	54,474		32,623	(12,314)	20,309	20,309	23,040	7,261	30,301
6/30/2019	24,475	30,126	54,601		32,623	(12,314)	20,309	20,309	24,300	5,994	30,294
6/30/2020	23,380	28,842	52,222		32,623	(12,314)	20,309	20,309	25,640	4,658	30,298
6/30/2021	24,610	27,673	52,283		32,623	(12,314)	20,309	20,309	26,905	3,392	30,297
6/30/2022	25,970	26,380	52,350		32,623	(12,314)	20,309	20,309	28,385	1,912	30,297
6/30/2023	27,440	24,952	52,392		32,623	(12,314)	20,309	20,309	9,520	476	9,996
6/30/2024	28,990	23,443	52,433	\$21,325	32,623	(12,314)	20,309	41,634	0	0	0
6/30/2025	30,625	21,848	52,473	22,395	31,546	(11,937)	19,609	42,004	0	0	0
6/30/2026	32,360	20,164	52,524	23,550	30,381	(11,529)	18,851	42,401	0	0	0
6/30/2027	34,190	18,384	52,574	24,860	29,054	(11,065)	17,989	42,849	0	0	0
6/30/2028	36,125	16,504	52,629	26,245	27,655	(10,575)	17,079	43,324	0	0	0
6/30/2029	38,170	14,517	52,687	27,710	26,177	(10,058)	16,119	43,829	0	0	0
6/30/2030	40,330	12,418	52,748	29,250	24,616	(9,512)	15,105	44,355	0	0	0
6/30/2031	42,610	10,199	52,809	30,880	22,969	(8,935)	14,034	44,914	0	0	0
6/30/2032	45,020	7,856	52,876	32,635	21,200	(8,316)	12,884	45,519	0	0	0
6/30/2033	47,565	5,380	52,945	34,485	19,329	(7,661)	11,668	46,153	0	0	0
6/30/2034	50,250	2,764	53,014	36,440	17,353	(6,970)	10,383	46,823	0	0	0
6/30/2035	0	0	0	38,505	15,265	(6,239)	9,026	47,531	0	0	0
6/30/2036	0	0	0	40,685	13,058	(5,466)	7,591	48,276	0	0	0
6/30/2037	0	0	0	42,995	10,726	(4,650)	6,076	49,071	0	0	0
6/30/2038	0	0	0	45,430	8,262	(3,718)	4,544	49,974	0	0	0
6/30/2039	0	0	0	48,005	5,659	(2,546)	3,112	51,117	0	0	0
6/30/2040	0	0	0	50,730	2,907	(1,308)	1,599	52,329	0	0	0
TOTAL	\$638,700	\$526,324	\$1,165,024	\$576,125	\$730,256	(\$280,567)	\$449,687	\$1,025,811	\$376,680	\$111,202	\$487,883

SOURCE: Office of the Comptroller.
(1) Totals may not add due to rounding.

Liquidity Facilities

The following table describes the liquidity facilities that the Commonwealth had in connection with its commercial paper program and certain of its outstanding bond issues as of September 1, 2011.

<u>Associated Program</u>	<u>Facility Amount (in thousands)</u>	<u>Bank</u>	<u>Facility Type</u>	<u>Termination Date</u>
<i>Commercial Paper</i>				
Series E	\$200,000	Dexia Credit Local	Line/Letter	9/27/2011
<i>Variable Rate Bonds</i>				
1997 Series B (Refunding)	\$271,280	Helaba(1)	Line	10/10/2011
1998 Series A (Refunding)	\$222,355	JP Morgan Chase Bank	Line	3/12/2013
2000 Series A	\$200,000	Landesbank Baden- Wurttemberg	Line	12/29/2015
2000 Series B	\$75,590	State Street Bank	Line	1/29/2012
2001 Series B (Refunding)	\$248,110	Landesbank Hessen- Thuringen (Helaba)(1)	Line	10/10/2011
2001 Series C (Refunding)	\$248,115	State Street Bank	Line	2/20/2014
2006 Series A	\$150,000	Wells Fargo Bank, National Association	Line	8/15/2014
2006 Series B	\$200,000	Bank of America	Line	4/2/2012

SOURCE: Office of the Treasurer Receiver General.

(1) The Commonwealth has solicited proposals to replace the existing bank on these two facilities.

Budgetary Contract Assistance Liabilities

City of Chelsea Commonwealth Lease Revenue Bonds. In November, 1993, the Chelsea Industrial Development Financing Authority issued approximately \$95.8 million of lease revenue bonds. The proceeds of the bonds were loaned to the Massachusetts Industrial Finance Agency (now MassDevelopment) and applied to the cost of the Massachusetts Information Technology Center, a tax and data processing facility of the Department of Revenue and certain other departments and agencies of the Commonwealth. The bonds bore interest at a variable rate, and under two interest rate swap agreements that were entered into at the time with Lehman Brothers Special Financing, Inc. (LBSF), MassDevelopment received variable rate payments with respect to the bonds and was obligated to make fixed rate payments in exchange therefor. Simultaneously with the issuance of the bonds, the Commonwealth entered into a 30-year lease, which provided for the payment of debt service on the bonds, including swap related payments, and certain other expenses associated with the project. In September, 2008, LBSF and its parent, Lehman Brothers Holdings Inc. (LBHI), filed for bankruptcy. In December, 2008, the bonds were refinanced by the Commonwealth through the issuance of general obligation debt, and the Commonwealth made a \$2.3 million payment to LBSF to terminate the swap agreements. In May, 2010, LBHI advised the Executive Office for Administration and Finance that it calculated the termination value to be approximately \$13.7 million. In June, 2011, LBHI issued a subpoena to the Executive Office for Administration and Finance relating to the termination of the swap agreements. Any obligation of the Commonwealth with respect to this termination does not constitute a general obligation or a pledge of the credit of the Commonwealth or of MassDevelopment and is subject to appropriation by the Legislature.

Authorized but Unissued Debt

<u>Fiscal Year</u>	<u>Authorized But Unissued Debt</u>
2007	8,349,391
2008	7,043,446
2009	19,517,272
2010	18,164,985
2011	16,282,298(1)

SOURCE: Office of the Comptroller.
(1) Estimated.

See the March Information Statement under the heading “LONG-TERM LIABILITIES—Authorized But Unissued Debt.”

COMMONWEALTH CAPITAL INVESTMENT PLAN

The authorization for federal transportation programs (including 14.1¢ of the 18.4¢ in federal gasoline taxes and 20.1¢ of the 24.4¢ in federal diesel taxes) is set to expire unless extended on or before September 30, 2011. The pending expiration of the transportation program has been a regular occurrence since the last multi-year authorization legislation (SAFETEA-LU) expired on September 30, 2009. Since that time, the United States Congress has reauthorized the program through a series of eight short-term continuing resolutions.

The U. S. Senate and the U. S. House of Representatives are considering conflicting proposals for the long-term reauthorization of the program. The Senate is proposing a two-year extension at existing funding levels, which would require approximately \$12 billion in additional federal revenues, either through a revenue increase or a reallocation of budget authority from other programs. The House is proposing a six-year extension funded from existing revenue streams, which would translate into a reduction of approximately 30% in federal transportation funding.

The Commonwealth is monitoring these developments and developing contingency plans for each.

For the table in the March Information Statement captioned “Capital Investment Plan – Sources of Funds,” the forecast for federal funding was based on level funding from the prior year.

See the March Information Statement under the heading “COMMONWEALTH CAPITAL INVESTMENT PLAN.”

LEGAL MATTERS

Matters described in the March Information Statement under the heading “LEGAL MATTERS” are updated as follows:

Programs and Services

Finch, et al. v. Commonwealth Health Insurance Connector Authority, et al. On May 6, 2011, the Supreme Judicial Court issued a decision in which it held that the Massachusetts statute limiting the eligibility of many aliens for Commonwealth Care constitutes a suspect classification that is subject to strict scrutiny under the Massachusetts Constitution. The Court did not reach the question whether this restriction on Commonwealth Care eligibility would satisfy strict scrutiny, but remanded the matter to a single justice of the Supreme Judicial Court for further proceedings. Plaintiffs moved for partial summary judgment, asking the single justice to declare that the challenged eligibility rules are unconstitutional. The Commonwealth has opposed the motion, asked the single justice to reserve and report the issue to the full Supreme Judicial Court, and asked for a declaration that the challenged rules satisfy strict scrutiny and are thus constitutional. The single justice reported the matter to the full bench of the Supreme Judicial Court, which will hear arguments on the matter in October. It is possible that the Supreme Judicial Court’s decision will have implications for other public benefit programs.

Massachusetts Community College Council, Inc., et al. v. Board of Higher Education, et al., Suffolk County Superior Court. In July, 2011, the complaint was amended to name additional defendants, namely the boards of trustees of several community colleges. While the case is not a class action, if the plaintiffs prevail, it is expected that the Commonwealth would likely make similarly situated persons eligible for coverage or contribution. If plaintiffs obtain rights to enroll in GIC health care coverage, those who would become eligible for enrollment in GIC health insurance coverage might also successfully argue for pension benefits in a separate, subsequent proceeding. It is not possible, at this time, to accurately estimate the costs that would be incurred if the plaintiffs prevail, but it appears that funding for any health care coverage for the individual plaintiffs as a result of this action would be from funds controlled by the board of trustees of each community college employing a plaintiff. The state law governing community colleges provides that the division of continuing education is to be run at no expense to the Commonwealth.

Medicaid Audits and Regulatory Reviews

In re: Disallowance of 2005 MassHealth acute hospital supplemental payments. In February 2011, CMS sent EOHHS a Notice of Disallowance of \$25,543,963 in FFP for payments to UMMHC. EOHHS filed a Request for Reconsideration with the U.S. Department of Health and Human Services on March 31, 2011.

Boston Medical Center Corp. and Boston Medical Center Health Plan, Inc. v. Secretary of the Executive Office of Health and Human Services, Suffolk Superior Court. Plaintiffs have appealed to the Massachusetts Appeals Court, and their appellate brief is due on September 30, 2011.

Holyoke Medical Center, Inc., et al. v. Secretary of the Executive Office of Health & Human Services, Suffolk Superior Court. Plaintiffs have appealed to the Massachusetts Appeals Court, and their appellate brief is due on September 30, 2011.

Taxes

Vodafone Americas, Inc. v. Commissioner of Revenue, Appellate Tax Board. In June, 2011, the parties entered into a broad settlement of these and other issues in this dispute, requiring the Commonwealth to issue a refund to Vodafone in the amount of approximately \$170,000.

Other Revenues

Sandra Murphy, et al. v. Massachusetts Turnpike Authority, Supreme Judicial Court. Plaintiffs' motion for direct appellate relief was allowed on May 25, 2011. Plaintiffs' brief to the SJC was filed on August 19, 2011. The Turnpike Authority's brief is expected to be filed in November, 2011.

Carol Surprenant v. Massachusetts Turnpike Authority, Massachusetts Port Authority, and Massachusetts Department of Transportation. United States District Court. The Plaintiff has voluntarily dismissed her appeal, and a judgment of dismissal was entered on August 4, 2011.

Other

Perini Corp., Kiewit Construction Corp., Jay Cashman, Inc. d/b/a Perino-Kiewit-Cashman Joint Venture v. Commonwealth. In several related cases and potential litigation, plaintiffs make claims for alleged increased costs arising from differing site conditions and other causes of delay on the Central Artery/Ted Williams Tunnel project. Plaintiffs have asserted claims in excess of \$160 million. These claims are at various stages of resolution, including the Superior Court and the Central Artery Tunnel Project Dispute Review Board ("DRB") panel. The DRB has issued decisions on some of the claims, awarding plaintiffs approximately \$69.6 million on claims of approximately \$102.8 million. Those decisions are now the subject of further court proceedings. Plaintiffs also still have in excess of \$62 million in claims pending.

Local 589, Amalgamated Transit Union, et al. v. Commonwealth of Massachusetts, et al., Suffolk Superior Court. On April 13, 2011, the Superior Court (a) approved the voluntary filing of an amended complaint by

plaintiffs that had the effect of dropping the pension claims from the case, and (b) entered summary judgment for the Commonwealth on the remaining health-insurance claims. The plaintiffs have appealed the entry of summary judgment on the health-insurance claims, and the Superior Court is in the process of assembling the appellate record.

OPEIU, Local 6 and the Massachusetts Trial Court. In April, 2011, the Governor signed a supplemental budget containing a \$30 million appropriation to the Trial Court that will be applied toward the arbitration award. OPEIU, Local 6 has since agreed to dismiss the Superior Court action.

New Legal Matters

The matters described below commenced after the March Information Statement was published.

Disability Policy Consortium, Inc., et al v. Commonwealth of Massachusetts. United States District Court. On July 26, 2011, the Disability Policy Consortium, Inc. (DPC) and eight individuals, claiming to be “qualified individuals” within the definition of the Americans with Disabilities Act Title II (ADA) and Section 504 of the Rehabilitation Act, filed suit in federal district court alleging that MassHealth does not meet its obligations under the ADA and Section 504 of the Rehabilitation Act. Plaintiffs claim that MassHealth forms, materials and other information are not accessible to persons with visual, hearing or other developmental/cognitive disabilities and that MassHealth has failed to provide plaintiffs reasonable accommodations required under the ADA and other federal laws so that they can access services, complete forms, and access notices, bills and other materials. Plaintiffs also allege that MassHealth’s violations of the ADA and the Rehabilitation Act are intentional and longstanding. Plaintiffs seek injunctive relief, money damages and reasonable attorney’s fees and costs. Defendant’s answer is due September 16, 2011.

Administrative proceeding regarding challenge to MassHealth’s payment system for acute hospital outpatient services. A total of 60 hospital providers have filed claims for administrative hearings before the MassHealth Board of Hearings (BOH), challenging MassHealth’s former Ambulatory Payment Group (APG) payment system for acute hospital outpatient services. The hospitals generally claim that there were errors in the payment system that resulted in incorrect payments to the hospitals, and that MassHealth’s efforts to correct those errors through a “parallel system” were ineffective and continued to result in incorrect payments from October, 1997 through December, 2003. While a number of these hospitals had entered into settlements regarding payments for services provided from October, 1997 through December, 2000, the administrative appeals of all 60 hospitals involve payments for the period 2001 through 2003, and for some of those hospitals the appeals involve payments for the entire time period. Five of the 60 hospital providers had filed complaints in Superior Court in 2005. The Superior Court actions were stayed in 2007 and remanded to BOH. The current BOH hearing began on November 6, 2008 and is ongoing. During the course of these proceedings, MassHealth agreed to rerun and reprice the disputed claims, the results of which may form the basis for a potential global settlement. The potential liability for all 60 hospitals may exceed \$27 million.

MISCELLANEOUS

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

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 March Information Statement and this Supplement are subject to change without notice. Neither the delivery of this Supplement nor any sale made pursuant to any official statement of which the March Information Statement and this Supplement are a part 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 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 the Municipal Securities Rulemaking Board (MSRB), 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 Rule 15c2-12 of the federal Securities and Exchange Commission, 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 and has not failed in the last seven years to comply with its continuing disclosure undertakings with respect to its special obligation debt and federal grant anticipation notes. 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 MSRB.

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 the March Information Statement or this Supplement or requests for additional information concerning the Commonwealth should be directed to Colin MacNaught, Assistant Treasurer for Debt Management, Office of the Treasurer and Receiver-General, One Ashburton Place, 12th floor, Boston, Massachusetts 02108, telephone (617) 367-3900, or to Karol Ostberg, Director of 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 the March Information Statement or this Supplement should be directed to John R. Regier, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, Massachusetts 02111, telephone (617) 348-1720.

THE COMMONWEALTH OF MASSACHUSETTS

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

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

September 12, 2011

5496950v.4

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:

MINTZ LEVIN

One Financial Center
Boston, MA 02111
617-542-6000
617-542-2241 fax
www.mintz.com

[Date of Closing]

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

We have acted as bond counsel to The Commonwealth of Massachusetts (the “Commonwealth”) in connection with the issuance by the Commonwealth of \$500,525,000 General Obligation Bonds, Consolidated Loan of 2011, Series D, dated the date of delivery (the “Bonds”). In such capacity, we have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion.

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

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

(a) The Bonds are valid and binding general obligations of the Commonwealth, and the full faith and credit of the Commonwealth are pledged to the payment of the principal of and interest on the Bonds. It should be noted, however, that Chapter 62F of the Massachusetts General Laws 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. It should further be noted that Chapter 29, Section 60B, 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.

(b) Interest on the Bonds, including any accrued original issue discount, will not be included in the gross income of the holders of the Bonds for federal income tax purposes. This opinion is rendered subject to the condition that the Commonwealth comply with certain requirements of the Internal Revenue Code of 1986, as amended, which must be satisfied subsequent to the issuance of the Bonds in order that interest thereon is and continues to be excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be included in the gross

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

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income of holders of the Bonds retroactive to the date of issuance of the Bonds. While interest on the Bonds will not constitute a preference item for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations, interest on the Bonds will be included in the “adjusted current earnings” of corporate holders of the Bonds and therefore will be taken into account in the computation of the alternative minimum tax applicable to certain corporations. We express no opinion as to other federal tax consequences resulting from holding the Bonds.

(c) Interest on the Bonds, including any accrued original issue discount, 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 given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

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

The Commonwealth of Massachusetts

\$500,525,000
General Obligation Bonds
Consolidated Loan of 2011, Series D

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 the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") system pursuant to the requirements of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), no later than 270 days after the end of each fiscal year of the Commonwealth, commencing with the fiscal year ending June 30, 2012, (i) the annual financial information described below relating to such fiscal year, together with audited financial statements of the Commonwealth for such fiscal year if audited financial statements are then available; provided, however, that if audited financial statements of the Commonwealth are not then available, such audited financial statements shall be delivered to EMMA when they become available (but in no event later than 350 days after the end of such fiscal year) or (ii) notice of the Commonwealth's failure, if any, to provide any such information. The annual financial information to be provided as aforesaid shall include financial information and operating data, in each case updated through the last day of such fiscal year unless otherwise noted, relating to the following information contained in the Commonwealth's Information Statement dated March 15, 2011 (the "Information Statement"), as it appears as Appendix A in the Official Statement dated March 23, 2011 of the Commonwealth with respect to its \$80,005,000 General Obligation Refunding Bonds, 2011 Series B and its \$360,000,000 General Obligation Bonds, Consolidated Loan of 2011, Series A, which Official Statement has been filed with EMMA, 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, revenues and expenditures, concluding with prior fiscal year, plus estimates for current fiscal year	"COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS – Statutory Basis Distribution of Budgetary Revenues and Expenditures"
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 on a five-year comparative basis of lottery revenues and profits	"COMMONWEALTH REVENUES AND EXPENDITURES – Federal and Other Non-Tax Revenues; <i>Lottery Revenues</i> "
4. Summary presentation of payments received pursuant to the tobacco master settlement agreement	"COMMONWEALTH REVENUES AND EXPENDITURES – Federal and Other Non-Tax Revenues; <i>Tobacco Settlement</i> "

Financial Information and Operating Data Category	Reference to Information Statement for Level of Detail
5. So long as Commonwealth statutes impose limits on tax revenues, information as to compliance therewith in the prior fiscal year	“COMMONWEALTH REVENUES AND EXPENDITURES – Limitations on Tax Revenues”
6. Summary description of the retirement systems for which the Commonwealth is responsible, including membership and contribution rates.	“PENSION AND OPEB FUNDING – Retirement Systems” and “PENSION AND OPEB FUNDING – Employee Contributions.”
7. Summary presentation of the then-current, statutorily imposed funding schedule for future Commonwealth pension liabilities, if any	“PENSION AND OPEB FUNDING – Funding Schedule.”
8. Summary presentation on a five-year comparative basis of actuarial valuations of pension fund assets, liabilities and funding progress.	“PENSION AND OPEB FUNDING – Actuarial Valuations.”
9. Summary presentation on a five-year comparative basis of annual required pension contributions under GAAP and pension contributions made.	“PENSION AND OPEB FUNDING – Annual Required Contributions.”
10. Summary presentation on a five-year comparative basis of PRIT Fund asset allocation and investment returns.	“PENSION AND OPEB FUNDING – PRIT Fund Investments.”
11. Summary presentation of actuarial valuations of OPEB assets, liabilities and funding progress.	“PENSION AND OPEB FUNDING – Other Post-Retirement Employee Benefit Obligations (OPEB).”
12. If and to the extent otherwise updated in the prior fiscal year, summary presentation of the size of the state workforce	“STATE WORKFORCE”
13. Five-year summary presentation of actual capital project expenditures	“COMMONWEALTH CAPITAL INVESTMENT PLAN”
14. Statement of general and special obligation long-term debt issuance and repayment analysis on a five-year comparative basis through the end of the prior fiscal year	“LONG-TERM LIABILITIES – General and Special Obligation Long-Term Debt Issuance and Repayment Analysis”
15. Statement of outstanding Commonwealth debt on a five-year comparative basis through the end of the prior fiscal year	“LONG-TERM LIABILITIES – Outstanding Long Term Commonwealth Debt”
16. 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”
17. 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”

Financial Information and Operating Data Category		Reference to Information Statement for Level of Detail
18.	Annual fiscal year budgetary contractual assistance liabilities for Commonwealth, beginning with the current fiscal year	“LONG-TERM LIABILITIES – Budgetary Contract Assistance Liabilities”
19.	Five-year summary presentation of authorized but unissued general obligation debt	“LONG-TERM LIABILITIES – Authorized But Unissued Debt”
20.	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; <i>Statutory Limit on Direct Debt</i> ”
21.	Summary presentation of the then-current, Commonwealth interest rate swap agreements	“LONG-TERM LIABILITIES – Interest Rate Swaps”
22.	Summary presentation of the then-current, Commonwealth liquidity facilities	“LONG-TERM LIABILITIES – Liquidity Facilities”

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 EMMA. The Commonwealth’s annual financial statements for each fiscal year shall consist of (i) combined financial statements prepared in accordance with a basis of accounting that demonstrates compliance with the 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 and 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, not in excess of ten business days after occurrence of the event, to EMMA notice of any of the following events with respect to the Bonds (numbered in accordance with the provisions of the Rule):

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;^{1/}
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to the rights of security holders, if material;

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

- (viii) bond calls, if material;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the Bonds, if material;^{2/}
- (xi) rating changes;
- (xii) tender offers;
- (xiii) bankruptcy, insolvency, receivership or similar event of the Commonwealth;^{3/}
- (xiv) the consummation of a merger, consolidation, or acquisition or the sale of all or substantially all of the assets of the Commonwealth, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xv) appointment of a successor or additional trustee or the change of name of a trustee, if material.^{4/}

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 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

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

^{3/} As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Commonwealth in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Commonwealth, or if such jurisdiction has been assumed by leaving the existing governing body and officials in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Commonwealth.

^{4/} Not applicable to the Bonds.

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

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OFFICIAL NOTICE OF SALE

\$500,525,000
THE COMMONWEALTH OF MASSACHUSETTS
GENERAL OBLIGATION BONDS
CONSOLIDATED LOAN OF 2011, SERIES D

September 14, 2011, as supplemented September 20, 2011

NOTICE IS HEREBY GIVEN that electronic bids will be received by Steven Grossman, Treasurer and Receiver-General of The Commonwealth of Massachusetts (the “State Treasurer”), for the purchase of General Obligation Bonds, Consolidated Loan of 2011, Series D (the “Bonds”), of The Commonwealth of Massachusetts (the “Commonwealth”) to be sold in an aggregate principal amount of \$500,525,000. Bids for the purchase of the Bonds will be submitted via Parity. No other method of submitting bids will be accepted. The bids will be received via Parity up to the time described below under the captions “Time” and “Procedures for Electronic Bidding.”

The Bonds will constitute general obligations of the Commonwealth, and the full faith and credit of the Commonwealth are pledged to the payment of the principal of and interest on the Bonds. The Preliminary Official Statement referred to below contains certain information regarding statutory limits on state tax revenue growth and on expenditures for debt service and should be read in conjunction herewith.

Time. Bids will be received by the Commonwealth via Parity at 10:30 a.m. (Boston time) on September 21, 2011 (subject to the provisions described below under the caption “Procedures for Electronic Bidding”) or at such later date and/or other time as shall be established by the State Treasurer and communicated on Thomson Municipal Market Monitor News (www.tm3.com) (“TM3”), as described herein under the caption “Postponement.” If no legal bid or bids are received for the Bonds on September 21, 2011, an alternative date and time may be designated by the State Treasurer and communicated on TM3.

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

<u>October 1</u>	<u>Principal Amounts</u>
2012	\$50,525,000
2013	25,000,000
2014	25,000,000
2015	25,000,000
2016	30,000,000
2017	30,000,000
2018	30,000,000
2022	30,000,000
2023	30,000,000
2024	40,000,000
2025	42,000,000
2026	45,000,000
2027	50,000,000
2028	48,000,000

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

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

Redemption. The Bonds will be subject to redemption on any date prior to their stated maturity dates on and after October 1, 2021 at the option of the Commonwealth from any moneys legally available therefor, in whole or in part at any time, by lot, at 100% of the principal amount thereof, plus accrued interest to the redemption date.

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

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

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

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

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

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

Electronic bids must be submitted for the purchase of the Bonds (all or none) via Parity by 10:30 a.m. (Boston time) on Wednesday, September 21, 2011. Bids submitted after such time will not be deemed received via Parity for

the purposes of this bidding process. Bids will be communicated electronically to the Commonwealth at 10:30 a.m. (Boston time), on Wednesday, September 21, 2011. Prior to that time, an eligible prospective bidder may (i) input the proposed terms of its bid via Parity, (ii) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Bonds, or (iii) withdraw its proposed bid. Once the bids are communicated electronically via Parity to the Commonwealth, each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on Parity shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the Commonwealth, as described under "Basis of Award" set forth below, represented by the rate or rates of interest and the bid price specified in their respective bids.

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

Basis of Award. The Bonds will be awarded to the bidder offering to purchase all of the Bonds at the lowest true interest cost (TIC) to the Commonwealth. The TIC (expressed as an annual interest rate) will be determined as being twice that factor or discount rate, compounded semi-annually, which, when applied against each semi-annual debt service payment (interest, or principal and interest, as due) for the Bonds, will cause the sum of such discounted semi-annual payments to be equal to the total purchase price. The TIC shall be calculated from the expected settlement date of the Bonds, September 28, 2011.

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

Official Statement. The Preliminary Official Statement dated September 14, 2011, as supplemented September 20, 2011 and the information contained therein have been deemed final by the Commonwealth as of its date within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12") with permitted omissions, but are subject to change without notice and to completion or amendment in the Official Statement in final form (the "Final Official Statement"). The Preliminary Official Statement may be viewed and downloaded from the Commonwealth's website: www.mass.gov/treasury/debt.

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

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

respective initial offering price for such maturity described in (ii) above. In the event that the successful bidder cannot provide the certification in (iii) above, as to a particular maturity, such bidder shall instead provide a statement as to why the expectation described in (ii) above was not satisfied. In addition to executing and delivering a certificate as described in the previous paragraph, the successful bidder may be required to (a) demonstrate that it has made a bona-fide offering of all such Bonds to the General Public at prices no higher than, or prices corresponding to yields no lower than, the initial public offering prices, (b) provide an explanation of why any Bonds sold by the successful bidder between the bid date and the date of the delivery were sold for a price higher than, or a price corresponding to a yield lower than, the initial public offering prices, and (c) provide documentation identifying the initial purchaser of the Bonds, as applicable, including information sufficient to enable the Commonwealth and Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. to determine that such purchasers are the General Public. If any maturity of the Bonds was also offered to institutional or other investors at a discount from the price at which such maturity was offered to the general public, the successful bidder will be asked for additional certifications as to actual and expected Bond sales at such discounted price.

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

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

Settlement. The Bonds will be delivered on September 28, 2011, in New York, New York, at DTC against payment of the purchase price therefor (less the amount of the Good Faith Deposit). The successful bidder must make payment of the purchase price of the Bonds by 10:00 a.m. (Boston time) on September 28, 2011 in immediately available funds in Boston.

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

Legal Opinions. The approving opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel, in substantially the form set forth in the Preliminary Official Statement, will be furnished to the successful bidder. The Preliminary Official Statement contains a discussion of the effect of the Internal Revenue Code of 1986, as amended, on the exclusion from gross income of interest on the Bonds and a discussion of Bond Counsel's opinion insofar as it concerns such exclusion. An opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel, will also be furnished to the successful bidder to the effect that (i) the information contained in the Preliminary Official Statement and the Final Official Statement under the headings "The Bonds," "Security for the Bonds" and in Appendix B, insofar as such information constitutes summaries of certain provisions of the Bonds and applicable Massachusetts law, presents a fair summary of such provisions and that the statements in the Preliminary Official Statement and the Final Official Statement under the caption "Tax Exemption" and in the summary tax opinion contained on the cover of the Preliminary Official Statement and the Final

Official Statement, insofar as such statements purport to summarize certain provisions of the Internal Revenue Code of 1986 or purport to summarize such counsel's opinion regarding the Bonds, are correct in all material respects, and (ii) in the course of such counsel's participation in the preparation of the Preliminary Official Statement and the Final Official Statement, no facts came to such counsel's attention that have caused it to conclude that the Preliminary Official Statement, as of its date, or the Final Official Statement, as of the date of sale or the date of settlement of the Bonds (except for the financial and statistical data included therein, the initial offering prices or yields of the Bonds on the inside cover page of the Final Official Statement, any other information concerning the reoffering of the Bonds included therein at the request of the successful bidder and the stabilization clause, if any, and the information in the Preliminary Official Statement and the Final Official Statement under the headings "Book-Entry-Only System," "Ratings" and "Competitive Sale of Bonds" and in any other document specifically referenced therein, including any Appendix other than Appendix B, as to which no opinion need be expressed) contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading. An opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Disclosure Counsel, will also be furnished to the successful bidder to the effect that in the course of such counsel's participation in the preparation of the Commonwealth Information Statement (as defined in the Preliminary Official Statement), and as it may have been further supplemented as of the date of sale of the Bonds, no facts came to such counsel's attention that have caused it to conclude that the Commonwealth Information Statement as of the date of the Preliminary Official Statement, or, as it may have been supplemented as of the date of sale of the Bonds, as of said date of sale or as of the date of settlement of the Bonds (except for the financial and statistical data included therein and the information contained in the Exhibits thereto, as to which no opinion need be expressed), contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

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

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

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

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

Additional Information. Further information concerning the Commonwealth and the Bonds is contained in the Preliminary Official Statement dated September 14, 2011, as supplemented September 20, 2011, to which prospective bidders are directed, and to which this Official Notice of Sale is attached. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Official Notice of Sale. Copies of the Preliminary Official Statement and this Official Notice of Sale may be viewed and downloaded at the Commonwealth's website: www.mass.gov/treasury/debt. Additional information may be obtained from Colin A. MacNaught, Assistant Treasurer for Debt Management, Office of the Treasurer and Receiver General (617) 367-3900, ext. 226).

The Commonwealth of Massachusetts

/s/ Steven Grossman

Steven Grossman

Treasurer and Receiver-General