

NEW ISSUE - BOOK-ENTRY-ONLY

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



THE COMMONWEALTH OF MASSACHUSETTS

\$1,200,000,000

General Obligation

Revenue Anticipation Notes

\$600,000,000 2011 Series A

\$600,000,000 2011 Series B

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

The Notes 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 Notes. However, for information regarding certain statutory limits on state tax revenue growth and on expenditures for debt service, see "SECURITY FOR THE NOTES" (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 Notes are offered when, as and if issued and received by the original purchasers, and subject to the unqualified approving opinion as to legality of Edwards Wildman Palmer LLP, 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. Settlement of the issue is expected at DTC in New York, New York, on or about November 22, 2011.

November 15, 2011

THE COMMONWEALTH OF MASSACHUSETTS

\$1,200,000,000 General Obligation Revenue Anticipation Notes

\$600,000,000 2011 Series A

Dated: November 22, 2011

Maturity Date: April 26, 2012

Interest Rate: 2.00% (154/360)

CUSIP Number* : 57582PC24

\$600,000,000 2011 Series B

Dated: November 22, 2011

Maturity Date: May 31, 2012

Interest Rate: 2.00% (189/360)

CUSIP Number*: 57582PC32

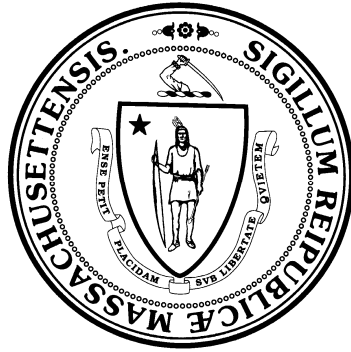
* Copyright, American Bankers Association. CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Noteowners only at the time of issuance of the Notes and 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.

No dealer, broker, salesperson or other person has been authorized by The Commonwealth of Massachusetts or the original purchasers of the Notes 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 Notes 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 Notes 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.

TABLE OF CONTENTS

INTRODUCTION	1
PURPOSE AND CONTENT OF OFFICIAL STATEMENT	1
THE NOTES	2
GENERAL	2
REDEMPTION.....	2
SECURITY FOR THE NOTES	3
LITIGATION.....	3
BOOK-ENTRY-ONLY SYSTEM	3
RATINGS	5
TAX EXEMPTION	6
OPINIONS OF COUNSEL.....	7
COMPETITIVE SALE OF NOTES.....	7
CONTINUING DISCLOSURE	8
MISCELLANEOUS	8
AVAILABILITY OF OTHER INFORMATION	9
APPENDIX A - Commonwealth Information Statement Supplement dated November 15, 2011.....	A-1
APPENDIX B - Proposed Form of Bond Counsel Opinion	B-1
APPENDIX C - Official Notice of Sale dated November 9, 2011	C-1
APPENDIX D - Cashflow for Fiscal 2011 and Forecasted Cashflow for Fiscal 2012	D-1
APPENDIX E - Continuing Disclosure Undertaking	E-1

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

\$1,200,000,000

General Obligation

Revenue Anticipation Notes

\$600,000,000 2011 Series A

\$600,000,000 2011 Series B

INTRODUCTION

This Official Statement (including the cover page and Appendices A through E attached hereto) provides certain information in connection with the issuance by The Commonwealth of Massachusetts (the “Commonwealth”) of \$1,200,000,000 aggregate principal amount of its General Obligation Revenue Anticipation Notes, 2011 Series A and 2011 Series B (the “Notes”). The Notes 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 Notes. However, for information regarding certain statutory limits on state tax revenue growth and expenditures for debt service, see “SECURITY FOR THE NOTES” 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 Notes are being issued pursuant to the provisions of Section 47 of Chapter 29 of the Massachusetts General Laws to finance current operating expenses of the Commonwealth.

Purpose and Content of Official Statement

This Official Statement describes the terms and use of proceeds of, and security for, the Notes. This introduction is subject in all respects to the additional information contained in this Official Statement, including Appendices A through E. 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 November 15, 2011 (the “November Supplement”), which is attached hereto as Appendix A. The March Information Statement and the November 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 Notes, 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. Specific reference is also made to the Commonwealth’s Statutory Basis

Financial Report for the year ended June 30, 2011, a copy of which has 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 Notes. Appendix C attached hereto contains the Official Notice of Sale with respect to the Notes. Appendix D attached hereto contains the Commonwealth's actual (unaudited) cashflow for fiscal 2011 and the most recent forecasted cashflow for fiscal 2012, together with a textual update of certain information that has changed since the fiscal 2012 forecast was published. The attached cashflow for fiscal 2012 sets forth actual (unaudited) cash receipts and disbursements for July, 2011 and estimated cash receipts and disbursement for the remainder of fiscal 2012. Appendix E attached hereto contains the proposed form of the Commonwealth's continuing disclosure undertaking to be included in the form of the Notes to facilitate compliance by the initial purchasers of the Notes with the requirements of paragraph (b)(5) of Rule 15c2-12 of the Securities and Exchange Commission.

The information contained in Appendix D is based on fiscal 2011 and fiscal 2012 cashflow projections submitted to the Legislature on September 6, 2011 by the State Treasurer and the Secretary of Administration and Finance and is believed to be reliable as of such date, but 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.

THE NOTES

General

The Notes will be dated November 22, 2011 and will be due and payable as to both principal and interest on the dates set forth on the inside cover page of this Official Statement. The Notes will bear interest at the rates per annum, payable at maturity and calculated on the basis of a 30-day month and a 360-day year, as set forth on the inside cover page of this Official Statement. The Commonwealth will act as its own paying agent with respect to the Notes. The Commonwealth reserves the right to appoint from time to time a paying agent or agents or bond registrar for the Notes.

Book-Entry-Only System. The Notes will be issued by means of a book-entry-only system, with one note certificate for each series of Notes 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 Notes 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 Notes will be paid in federal funds to DTC or its nominee as registered owner of the Notes. As long as the book-entry-only system remains in effect, DTC or its nominee will be recognized as the owner of the Notes for all purposes, including notices and voting. The Commonwealth will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. See "BOOK-ENTRY-ONLY SYSTEM."

Redemption

The Notes will not be subject to redemption prior to their stated maturity date.

SECURITY FOR THE NOTES

The Notes 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 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 Notes, 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 or of interest on the Notes 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 Notes have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code. The Notes 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 Notes or in any way contesting or affecting the validity of the Notes.

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 the knowledge of the Attorney General, 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 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 Notes. The Notes 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 Note will be issued for each series of Notes, each in the aggregate principal amount of such series, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds 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 and www.dtc.org.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note (“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 Notes 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes 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 Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes 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 Notes 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 NOTE OWNER.

The principal of and interest and premium, if any, on the Notes 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

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

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the Commonwealth. Under such circumstances, in the event that a successor depository is not obtained, Notes will be delivered and registered as designated by the Beneficial Owners. The Beneficial Owner, upon registration of Notes held in the Beneficial Owner's name, will become the Noteowner. Note 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, Note 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 Notes have been assigned ratings of "F1+," "MIG 1" and "SP-1+" by Fitch Ratings, Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, 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 Notes.

TAX EXEMPTION

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Notes.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. Failure to comply with these requirements may result in interest on the Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Notes. The Commonwealth has covenanted to comply with such requirements to ensure that interest on the Notes will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these covenants.

Bond Counsel is also of the opinion that, under existing law, interest on the Notes is exempt from Massachusetts personal income taxes, and the Notes are exempt from Massachusetts personal property taxes. Bond Counsel expresses no opinion regarding any other Massachusetts tax consequences arising with respect to the Notes. Prospective purchasers of the Notes should be aware, however, that the Notes are included in the measure of Massachusetts estate and inheritance taxes, and the Notes and the interest thereon are included in the measure of certain Massachusetts corporate excise and franchise taxes. Bond Counsel has not opined as to the taxability of the Notes or the income therefrom under the laws of any state other than Massachusetts. A copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

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

Notes purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Notes, or, in some cases, at the earlier redemption date of such Notes ("Premium Notes"), will be treated as having amortizable note premium for federal income tax purposes and Massachusetts personal income tax purposes. No deduction is allowable for the amortizable note premium in the case of obligations, such as the Premium Notes, the interest on which is excluded from gross income for federal income tax purposes. However, a holder's basis in a Premium Note will be reduced by the amount of amortizable note premium properly allocable to such holder. Holders of Premium Notes should consult their own tax advisors with respect to the proper treatment of amortizable note premium in their particular circumstances.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Notes may adversely affect the value of, or the tax status of interest on, the Notes. Further, no assurance can be given that any pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the market value and marketability of, or the tax status of interest on, the Notes. Prospective holders of the Notes are urged to consult their own tax advisors with respect to any such legislation, interpretation or development.

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

OPINIONS OF COUNSEL

The unqualified approving opinion as to the legality of the Notes will be rendered by Edwards Wildman Palmer LLP, of Boston, Massachusetts, Bond Counsel to the Commonwealth. The proposed form of the opinion of Bond Counsel relating to the Notes 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.

COMPETITIVE SALE OF NOTES

After competitive, electronic bidding on November 15, 2011, the Notes were awarded by the Commonwealth in the amounts, to the purchasers and at the aggregate purchase prices to be paid to the Commonwealth, and were initially offered to the public at prices resulting in the reoffering yields, as follows:

2011 Series A

<u>Purchase Amount</u>	<u>Purchaser</u>	<u>Purchase Price</u>	<u>Reoffering Yield</u>
\$100,000,000	Morgan Stanley & Co. LLC	\$100,814,000	0.14%
150,000,000	Jefferies & Company, Inc.	151,219,500	0.09
<u>350,000,000</u>	Morgan Stanley & Co. LLC	352,835,000	0.14
\$600,000,000			

2011 Series B

<u>Purchase Amount</u>	<u>Purchasers</u>	<u>Purchase Price</u>	<u>Reoffering Yield</u>
\$50,000,000	Morgan Keegan & Co., Inc.	\$ 50,501,000	0.14%
100,000,000	Citigroup Global Markets Inc.	100,997,000	0.10
100,000,000	Citigroup Global Markets Inc.	100,993,000	0.10
<u>350,000,000</u>	Wells Fargo Bank, National Association	353,472,000	0.10
\$600,000,000			

The following language has been provided by the purchaser named therein. The Commonwealth takes no responsibility as to the accuracy or completeness thereof.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, a purchaser of a portion of the 2011 Series A Notes, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. LLC will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. LLC will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2011 Series A Notes.

The Commonwealth does not intend to print physical copies of the Final Official Statement but instead will make available to the successful bidder or bidders in a timely manner an electronic version of the Final Official Statement via the Electronic Municipal Market Access (EMMA) system established by the Municipal Securities Rulemaking Board. Once posted, the Final Official Statement may be viewed and downloaded from the EMMA website, www.emma.msrb.org or from the State Treasurer's website, www.mass.gov/treasury/debt.

CONTINUING DISCLOSURE

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

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

MISCELLANEOUS

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

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

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

The Commonwealth has prepared the prospective financial information set forth in this Official Statement in connection with its budgeting and appropriations processes. This prospective financial information was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of

the Commonwealth, was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best knowledge and belief of the offices of the Commonwealth identified in this Official Statement as the sources of such information, the 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 for Debt Management, Office of the Treasurer and Receiver-General, One Ashburton Place, 12th floor, Boston, Massachusetts 02108, telephone (617) 367-3900, x. 226, or Scott Jordan, Assistant Secretary for Capital Finance and Intergovernmental Affairs, 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 Notes should be directed to Walter J. St. Onge, III, Edwards Wildman Palmer LLP, 111 Huntington Avenue, Boston, Massachusetts 02199, telephone (617) 239-0389.

THE COMMONWEALTH OF MASSACHUSETTS

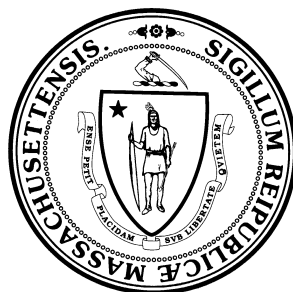
By /s/ Steven Grossman
Steven Grossman
Treasurer and Receiver-General

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

November 15, 2011

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**THE
COMMONWEALTH
OF
MASSACHUSETTS**



INFORMATION STATEMENT SUPPLEMENT

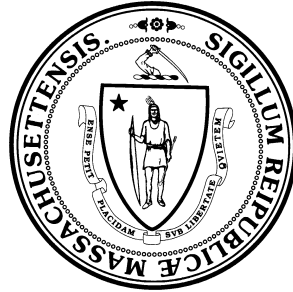
Dated November 15, 2011

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TABLE OF CONTENTS
INFORMATION STATEMENT SUPPLEMENT DATED NOVEMBER 15, 2011

RECENT DEVELOPMENTS	A-1
Fiscal 2011.....	A-1
Fiscal 2012.....	A-2
COMMONWEALTH REVENUES AND EXPENDITURES	A-4
Statutory Basis Distribution of Budgetary Revenues and Expenditures	A-4
State Taxes.....	A-6
Fiscal 2010, Fiscal 2011 and Fiscal 2012 Tax Revenues	A-7
Federal and Other Non-Tax Revenues.....	A-8
Limitations on Tax Revenues	A-9
Temporary Holding Fund	A-10
Medicaid and the Commonwealth Care Trust Fund	A-10
Other Health and Human Services	A-10
PENSION AND OPEB FUNDING.....	A-11
Retirement Systems	A-11
Funding Schedule	A-11
Actuarial Valuations	A-11
Annual Required Contributions	A-13
Other Post-Retirement Benefit Obligations (OPEB)	A-14
STATE WORKFORCE.....	A-15
Unions and Labor Negotiations	A-15
CASH FLOW	A-15
Overview of Fiscal 2011 Non-Segregated Operating Cash Flow.....	A-17
Overview of Fiscal 2012 Non-Segregated Operating Cash Flow.....	A-18
LONG-TERM LIABILITIES	A-19
General and Special Obligation Long-Term Debt Issuance and Repayment Analysis.....	A-19
Outstanding Long Term Commonwealth Debt.....	A-19
Debt Service Requirements	A-19
Liquidity Facilities.....	A-22
Budgetary Contract Assistance Liabilities.....	A-22
Authorized but Unissued Debt.....	A-22
COMMONWEALTH CAPITAL INVESTMENT PLAN	A-23
LEGAL MATTERS	A-23
Programs and Services.....	A-23
Medicaid Audits and Regulatory Reviews	A-24
Taxes	A-24
Other Revenues	A-24
Other	A-25
New Legal Matters	A-25
MISCELLANEOUS.....	A-26
CONTINUING DISCLOSURE.....	A-27
AVAILABILITY OF OTHER FINANCIAL INFORMATION	A-28

THE COMMONWEALTH OF MASSACHUSETTS



CONSTITUTIONAL OFFICERS

Deval L. Patrick.....Governor
Timothy P. MurrayLieutenant 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

November 15, 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 November 15, 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 November 15, 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. Specific reference is also made to the Commonwealth’s Statutory Basis Financial Report for the year ended June 30, 2011, a copy of which has 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

Through June 30, 2011, the end of fiscal 2011, the Governor had 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 October 27, 2011, the Governor approved the final fiscal 2011 supplemental appropriations bill. (The final supplemental appropriations bill for a particular fiscal year is customarily enacted and approved in the third or fourth month of the ensuing fiscal year.) The bill provides for the deposit of \$350 million of fiscal 2011 year-end surplus resources into the Stabilization Fund. In addition to the Stabilization Fund deposit, the bill provides \$132.1 million in additional fiscal 2011 appropriations and authorizes a further \$22 million in already-authorized fiscal 2011 funding to be made available in fiscal 2012. Highlights of the supplemental funding include \$39 million of fiscal 2011 surplus funds to support infrastructure projects across the state, \$10 million for cities and towns affected

by the June 1, 2011 tornado for costs not reimbursed through the Federal Emergency Management Agency, \$6.2 million to reimburse cities and towns for a portion of the costs incurred in responding to the December, 2008 ice storm, \$12 million for judicial operations, \$11.2 million for children's clothing allowances under foster care and Transitional Aid for Families with Dependent Children and \$9.5 million to fund a portion of the state's costs of the Low-Income Housing Tax Credit. The legislation authorizes \$36.8 million in expenditures (\$35.2 million after accounting for offsetting revenues) from fiscal 2012 resources, which have been included in the updated forecasts for fiscal 2012 prepared by the Executive Office for Administration and Finance.

On November 2, 2011, the Comptroller issued the fiscal 2011 Statutory Basis Financial Report (SBFR), which closes the books on fiscal 2011 and incorporates the impact of the fiscal 2011 final supplemental appropriations bill approved by the Governor on October 27, 2011. As reported in the SBFR, fiscal 2011 budgeted fund total revenues and other financing sources exceeded fiscal 2011 budgeted fund total expenditures and other uses by \$998 million, and fiscal 2011 ended with a budgeted fund balance of \$1.901 billion. Of that amount, \$1.379 billion was reserved in the Stabilization Fund, \$400 million was reserved for continuing appropriations and debt service and \$122 million was undesignated.

The Stabilization Fund balance of \$1.379 billion at the end of fiscal 2011 represents a \$709 million increase from the close of fiscal 2010. The \$709 million increase in fiscal 2011 resulted from \$9.0 million in Stabilization Fund investment earnings, \$1.6 million in statutorily required deposits on account of withholding taxes on certain Lottery winnings, a \$350 million deposit authorized in the fiscal 2011 final supplemental appropriations bill, and statutorily required deposits from the fiscal 2011 consolidated net surplus of \$103.9 million (equal to 0.5% of fiscal 2011 tax revenues) and \$244.8 million (from the remaining consolidated net surplus).

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, and after taking into account a \$71.3 million deposit made in October related to one-time tax settlements, the Stabilization Fund is projected to have a \$1.265 billion balance at the end of fiscal 2012.

On October 17, 2011, the Secretary of Administration and Finance, based on available data on tax revenue collections and economic trends, revised the fiscal 2012 tax revenue estimate from \$20.615 billion to \$21.010 billion. A portion of the increase in the tax revenue estimate is proposed to be used to support supplemental appropriations filed by the Governor on October 17, 2011, as described below, and the balance is proposed to be preserved to address non-tax revenue shortfalls and other cost exposures that may occur later in the fiscal year. To address non-tax revenue shortfalls that have already occurred in fiscal 2012, the Secretary also revised the aggregate fiscal 2012 non-tax revenue projection downward by \$26 million from the level assumed in the enacted fiscal 2012 budget. The revised tax estimate assumes that the income tax rate will be reduced to 5.25%, effective January 1, 2012. See "COMMONWEALTH REVENUE AND EXPENDITURES – State Taxes; *Income Tax*."

On October 17, 2011, the Governor filed legislation requesting new supplemental appropriations totaling \$161.2 million, including \$39 million for programs and services for families in Massachusetts who are homeless or

at risk of becoming so, \$35 million to preserve Adult Day Health services provided by MassHealth for low-income seniors and disabled persons for the remainder of the fiscal year (these costs would be offset with \$17.5 million in federal Medicaid reimbursements), \$20.4 million to sustain critical information technology services and programs in support of state programs and agency operations, \$20 million to offset projected deficiencies at state sheriffs' offices for the operations of correctional facilities and \$10 million for a reserve to offset fiscal 2012 costs of state agencies incurred in response to the August Tropical Storm Irene. The House and Senate have adopted similar versions of supplemental budget legislation that include an additional \$52 million in funding for homeless programs and the costs of responding to Tropical Storm Irene. It is anticipated that a final version of this legislation will be adopted within the next week and sent to the Governor for his final review and signature.

Pursuant to a recent change in state finance law, \$71.3 million received by the Commonwealth on account of one-time judgments and settlements during the first quarter of fiscal 2012 has been deposited in the Stabilization Fund. On November 3, 2011 the Department of Revenue certified to the State Comptroller that an additional \$10.1 million is to be deposited into the Stabilization Fund on account of one-time tax judgments and settlements during October 2011. See "COMMONWEALTH REVENUES AND EXPENDITURES – Federal and Other Non-Tax Revenues; *Settlements and Judgments.*"

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.

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

	<u>Fiscal 2007</u>	<u>Fiscal 2008</u>	<u>Fiscal 2009</u>	<u>Fiscal 2010</u>	<u>Fiscal 2011</u>	<u>Projected Fiscal 2012(8)</u>
Beginning Fund Balances						
Reserved or Designated	\$947.20	\$351.30	\$171.50	\$68.90	\$122.0	\$400.1
Bay State Competitiveness Investment Fund	-	100	-	-	-	-
Stabilization Fund	2,154.70	2,335.00	2,119.20	841.3	669.8	1,379.1
Undesignated	106.2	114.7	115.1	106.4	111.3	121.7
Total	<u>\$3,208.10</u>	<u>\$2,901.00</u>	<u>\$2,405.80</u>	<u>\$1,016.60</u>	<u>\$903.1</u>	<u>\$1,900.8</u>
Revenues and Other Sources						
Alcoholic Beverages	71	71.2	71.9	71	72.7	75.3
Banks	340.9	547.8	242.6	234.9	(11.0)	11
Cigarettes	438.1	436.9	456.8	456.2	453.6	447.6
Corporations	1,587.60	1,512.20	1,548.60	1,600.30	1,951.4	1,838.9
Deeds	194.1	153.9	105.5	137.9	140.2	126.2
Income	11,399.60	12,483.80	10,583.70	10,110.30	11,576.0	12,102.6
Inheritance and Estate	249.6	254	259.7	221.4	309.6	256.9
Insurance	418.6	417.7	356.7	330	340.3	360.2
Motor Fuel	676.1	672.2	654	654.6	660.8	656.4
Public Utilities	178.3	120.2	(1.7)	(0.3)	(8.8)	7.1
Room Occupancy	111.1	119.2	109.5	101.6	110.4	115.1
Sales:						
Regular	2,927.70	2,952.20	2,799.70	3,282.80	3,476.3	3,513.3
Meals	608.7	632.9	629.6	759.6	813.3	844.3
Motor Vehicles	531.1	501.6	439.3	569.3	615.2	638.3
Sub-Total–Sales	4,067.50	4,086.70	3,868.60	4,611.70	4,904.8	4,995.9
Miscellaneous	3.8	3.1	3.3	14.1	16.6	16.7
Total Tax Revenues	<u>\$19,736.30</u>	<u>\$20,879.20</u>	<u>\$18,259.50</u>	<u>\$18,543.70</u>	<u>\$20,516.6</u>	<u>\$21,010.0</u>
MBTA Transfer	(734)	(756)	(767.1)	(767.1)	(767.1)	(779.1)
MSBA Transfer	(557.4)	(634.7)	(702.3)	(605.2)	(654.6)	(664.3)
WTF Transfer(2)	-	-	-	-	-	(19.2)
Total Budgeted Operating Tax Revenues	<u>\$18,444.90</u>	<u>\$19,488.50</u>	<u>\$16,790.00</u>	<u>\$17,171.40</u>	<u>\$19,094.9</u>	<u>\$19,547.4</u>
Federal Reimbursements	6,167.60	6,429.50	8,250.90	8,548.80	9,299.5	7,715.1
Departmental and Other Revenues	2,218.40	2,355.90	2,326.20	2,800.90	2,912.3	3,047.0
Inter-fund Transfers from Non-budgeted Funds and other sources (3)	1,785.00	2,039.30	1,850.30	1,788.80	1,768.6	1,943.7
Budgeted Revenues and Other Sources	<u>\$28,615.90</u>	<u>\$30,313.20</u>	<u>\$29,217.40</u>	<u>\$30,310.00</u>	<u>\$33,075.3</u>	<u>\$32,253.4</u>
Inter-fund Transfers	552.9	2,226.30	1,963.80	770.8	3,460.9	712.1
Total Budgeted Revenues and Other Sources	<u>\$29,168.80</u>	<u>\$32,539.50</u>	<u>\$31,181.20</u>	<u>\$31,080.80</u>	<u>\$36,536.3</u>	<u>\$32,965.5</u>
Expenditures and Uses						
Direct Local Aid	4,805.20	5,040.50	4,723.60	4,837.40	4,784.7	4,881.1
Medicaid (4)	7,550.40	8,246.30	8,679.20	9,287.60	10,237.3	10,432.6
Other Health and Human Services	4,625.30	4,796.50	4,828.30	4,616.60	4,614.8	4,776.0
Group Insurance	1,022.30	852.5	973.1	1,063.80	1,130.3	1,209.7

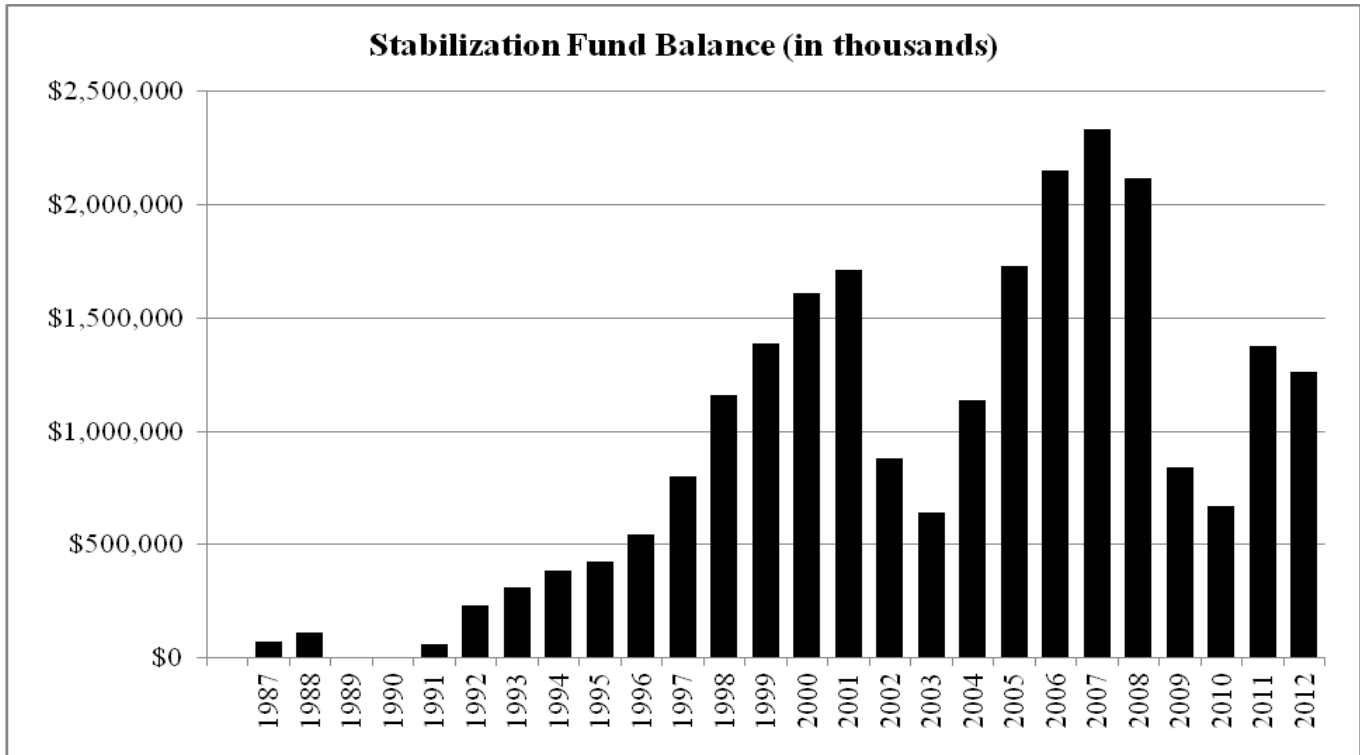
	<u>Fiscal 2007</u>	<u>Fiscal 2008</u>	<u>Fiscal 2009</u>	<u>Fiscal 2010</u>	<u>Fiscal 2011</u>	<u>Projected Fiscal 2012(8)</u>
Department of Elementary and Secondary Education	459	485.8	495.9	358.1	349.4	508.5
Higher Education	1,115.70	1,084.40	1,035.50	845.6	943.0	924.0
Department of Early Education and Care	507.1	549.9	560.3	513.5	515.1	509.4
Public Safety	1,399.20	1,544.40	1,514.30	1,423.20	905.0	1,426.8
Energy and Environmental Affairs	238.5	227.1	215.9	202.2	185.6	191.1
Debt Service	2,234.40	1,990.10	2,011.70	1,979.90	1,663.9	2,155.6
Post Employment Benefits (5)	1,335.20	1,398.60	1,314.40	1,748.60	1,838.9	1,892.3
Other Program Expenditures	<u>2,364.90</u>	<u>2,414.10</u>	<u>2,350.90</u>	<u>2,509.00</u>	<u>2,850.4</u>	<u>2,138.5</u>
Total - Programs and Services before transfers to Non-budgeted funds	\$27,657.20	\$28,630.20	\$28,703.10	\$29,384.50	\$30,018.6	\$31,045.7
Inter-fund Transfers to Non-budgeted Funds						
Commonwealth Care Trust Fund	722.1	1,045.90	987.6	631.7	739.0	728.0
State Retiree Benefit Trust Fund (5)	-	\$354.70	\$352.00	-	-	-
Medical Assistance Trust Fund	364	376.7	374	313.3	886.1	394.0
Massachusetts Transportation Trust Fund	-	-	-	(6)	195.1	180.1
Other	<u>179.6</u>	<u>400.9</u>	<u>189.9</u>	<u>94.1</u>	<u>238.8</u>	<u>184.8</u>
Total Inter-Fund Transfers to Non-Budgeted Funds	\$1,265.70	\$2,178.20	\$1,903.50	\$1,039.10	\$2,059.0	\$1,487.0
Budgeted Expenditures and Other Uses	<u>\$28,922.90</u>	<u>\$30,808.40</u>	<u>\$30,606.60</u>	<u>\$30,423.60</u>	<u>\$32,077.6</u>	<u>\$32,532.6</u>
Inter-fund Transfers	<u>553</u>	<u>2,226.30</u>	<u>1,963.80</u>	<u>770.8</u>	<u>3,460.9</u>	<u>712.1</u>
Total Budgeted Expenditures and Other Uses	\$29,475.90	\$33,034.70	\$32,570.40	\$31,194.40	\$35,538.5	\$33,244.8
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(\$307.10)</u>	<u>(\$495.20)</u>	<u>(\$1,389.20)</u>	<u>(\$113.60)</u>	<u>\$997.8</u>	<u>(\$279.2)</u>
<u>Ending Fund Balances</u>						
Reserved or Designated (7)	351.3	171.5	68.9	122	400.1	19.2
Bay State Competitiveness Investment Fund	100.0	-	-	-	-	-
Stabilization Fund	2,335.00	2,119.20	841.3	669.8	1,379.1	1,265.3
Undesignated	<u>114.7</u>	<u>115.1</u>	<u>106.4</u>	<u>111.3</u>	<u>121.7</u>	<u>105.0</u>
Total	\$2,901.00	\$2,405.80	\$1,016.60	\$903.10	\$1,900.8	\$1,399.7

SOURCES: Fiscal 2007-2011, Office of the Comptroller; fiscal 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 \$19.2 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 \$21.010 billion, which was revised by the Executive Office for Administration and Finance on October 17, 2011.

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

The following chart shows the Stabilization Fund balance from fiscal 1987 through fiscal 2011 (actual) and fiscal 2012 (projected).



SOURCE: Fiscal 1987-Fiscal 2011, Office of the Comptroller; Fiscal 2012 (projected), Executive Office for Administration and Finance.

See the March Information Statement “SELECTED FINANCIAL DATA – Stabilization Fund.”

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. On September 15, 2011, October 17, 2011 and November 15, 2011, the Commissioner of Revenue certified that for the three separate three-month periods (one ended August 31, 2011, one ended September 30, 2011 and one ended October 31, 2011), inflation-adjusted baseline tax revenue growth over the same three-month periods during the prior year were 3.19%, 3.7% and 3.01%, respectively, exceeding the 0% thresholds for each of these three-month certification periods. The Commissioner will issue one additional certification on December 15, 2011 (for the three-month period ending November 30, 2011). Accordingly, it will not be known if the rate reduction will be triggered until the Commissioner issues her final certification on December 15, 2011 as to whether 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*.”

Tax Expenditure Commission. The fiscal 2012 budget established a study commission on tax expenditures to review and evaluate the administration and fiscal impact of tax expenditures and make recommendations to the Legislature on the administrative efficiency and cost benefit of tax expenditures. Tax expenditures include credits, deductions and exemptions from the basic provisions of the state tax code. The commission is chaired by the Secretary of Administration and Finance and includes legislators and economists. The commission's report, which may include proposed legislation, is due April 30, 2012.

Fiscal 2010, Fiscal 2011 and Fiscal 2012 Tax Revenues

Fiscal 2011. Tax revenues for fiscal 2011, ended June 30, 2011, totaled approximately \$20.517 billion, an increase of approximately \$1.973 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)	2,152.4	115.7	5.7	84.1	55.9	2,012.4
Total (2)	<u>\$20,516.6</u>	<u>\$1,972.9</u>	<u>10.6%</u>	<u>\$767.1</u>	<u>\$654.7</u>	<u>\$19,094.9</u>

SOURCE: Executive Office for Administration and Finance.

(1) Figures are final.

(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 tax revenue increase of approximately \$1.973 billion for fiscal 2011 compared to fiscal 2010 is attributable, in large part, to an increase of approximately \$431.8 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 \$732.6 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.

Tax revenues for the first four months of fiscal 2012, ended October 31, 2011, totaled approximately \$6.516 billion, an increase of approximately \$420 million, or 6.9%, over the same period in fiscal 2011. The following table shows the tax collections for the first four 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 four-month period that are dedicated to the MBTA and the MSBA.

Fiscal 2012 Tax Collections (in millions)

<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	\$1,444.6	\$91.9	6.8%	\$59.6	\$59.6	\$1,325.3
August	1,425.3	39.7	2.9%	54.1	54.1	1,317.0
September	2,195.8	180.8	9.0%	81.0	52.4	2,062.4
October(2)	1,450.3	107.3	8.0%	56.5	56.5	1,337.2
Total (3)	\$6,515.9	\$419.6	6.9%	\$251.3	\$222.7	\$6,041.9

SOURCE: Executive Office for Administration and Finance.

(1) Includes adjustments of \$28.6 million on the account of the first quarter.

(2) Figures are preliminary

(3) Totals may not add due to rounding.

The year-to-date tax revenue increase of approximately \$419.6 million through October 31, 2011 from the same period in fiscal 2011 is attributable, in large part, to an increase of approximately \$186.8 million, or 6.4%, in withholding collections, an increase of approximately \$53.6 million, 12.6%, in income cash estimated payments, an increase of approximately \$26.7 million, 19.5%, in income payments with returns and bills, an increase of approximately \$57.1 million, or 10.8%, in corporate and business collections, an increase of approximately \$14.7 million, or 0.9%, in sales and use tax collections, an increase of approximately \$32.5 million, or 49.9%, in estate collections. Year-to-date fiscal 2012 tax collections (through October) were approximately \$11.8 million below the year-to-date benchmark for the fiscal 2012 tax revenue estimate of \$21.010 billion, which was revised from \$20.615 billion by the Secretary of Administration and Finance on October 17, 2011. See “RECENT DEVELOPMENTS – Fiscal 2012.”

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. Fiscal 2011 Lottery operating revenues were \$976.5 million, resulting in a \$10 million deficit against \$986.5 million in commitments appropriated by the Legislature from the State Lottery Fund and the Arts Lottery Fund, including Lottery administrative expenses and appropriations for local aid to cities and towns. Fiscal 2011 Lottery contributions to local aid totaled \$802.2 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
2011	-	248.7	248.7
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. On September 14, 2011 and October 13, 2011, the House of Representatives and Senate, respectively, approved different versions of legislation 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. The legislation would establish an appointed, independent state gaming commission to oversee the implementation of the law and the regulation of 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 legislation stipulates that initial 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. Differences between the House and Senate versions of the bill were reconciled by a legislative conference committee, and the conference committee's report was accepted by both houses of the Legislature on November 15, 2011. The legislation is expected to be enacted by the Legislature, with minor revisions, on November 16, 2011 and sent to the Governor for his approval. 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.

Settlements and Judgments. The fiscal 2012 budget amended state finance law to provide that any one-time settlement or judgment amounting to \$10 million or more is to be deposited in the Stabilization Fund rather than used as miscellaneous revenue for the current fiscal year. Upon receiving a joint certification from the Commissioner of Revenue and the Attorney General that a state agency is in receipt of a one-time settlement or judgment for the Commonwealth in excess of \$10 million in any one fiscal year, the Comptroller is to transfer the proceeds of the settlement or judgment from the General Fund to the Stabilization Fund. On October 5, 2011, the Comptroller transferred \$71.3 million received on account of settlements and judgments during the first quarter of fiscal 2012. An additional transfer of \$10.1 million is planned to take place in early November. Such transfers are expected to occur on a bi-monthly basis going forward.

Limitations on Tax Revenues

On September 27, 2011, the Department of Revenue certified that cumulative state tax revenues for fiscal 2011 exceeded the permissible state tax revenue limit set by Chapter 62F by approximately \$1.187 billion. Because \$9.0 million in Stabilization Fund investment income was transferred to the General Fund during fiscal 2011, per the fiscal 2011 General Appropriation Act, that same amount was transferred back to the Stabilization Fund before the remaining cumulative excess as of the end of fiscal 2011 was transferred back to the General Fund for inclusion in the consolidated net surplus.

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	\$20,776,223
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>\$1,187,394</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.

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 five successive one-month extensions from the Centers for Medicare and Medicaid Services while negotiations continue. The latest extension is expected to expire on November 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

Retirement Systems

On January 18, 2011, the Governor filed legislation proposing pension reforms, including increasing the retirement ages, eliminating early retirement subsidies and increasing the period for average earnings from the highest three years to the highest five years for all new state employees. If enacted as filed, the legislation is expected by the Governor to generate savings over the next 30 years estimated at more than \$3 billion for the Commonwealth and \$2 billion for municipalities. These savings projections are not assumed in the revised pension funding schedule. On September 15, 2011 and November 2, 2011, the Senate and House of Representatives, respectively, approved similar versions of the legislation that was originally filed by the Governor. Based on the bills adopted by the House and Senate, the Executive Office for Administration and Finance expects the bill that comes out of the conference committee to achieve a comparable level of savings. Differences between the House and Senate versions of the bill were reconciled by a legislative conference committee, and on November 15, 2011, the conference committee’s version of the bill was enacted by the Legislature and sent to the Governor for his approval.

See the March Information Statement under the heading “PENSION AND OPEB FUNDING – Retirement Systems.”

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

On September 30, 2011, pursuant to Chapter 32 of the Massachusetts General Laws, the Public Employee Retirement Administration Commission (PERAC) released its actuarial valuation of the Commonwealth’s total pension obligation as of January 1, 2011. This valuation was based on the plan provisions in effect at the time and is based on member data and asset information as of December 31, 2010. See the March Information Statement under the heading “PENSION AND OPEB FUNDING.”

The unfunded actuarial accrued liability as of that date for the total obligation was approximately \$18.589 billion, including approximately \$4.998 billion for the Massachusetts State Employees’ Retirement System (MSERS), \$11.773 billion for the Massachusetts Teachers’ Retirement System (MTRS), \$1.536 billion for Boston Teachers and \$282 million for cost-of-living increases reimbursable to local systems. The valuation study estimated the total actuarial accrued liability as of January 1, 2011 to be approximately \$64.219 billion (comprised of \$26.243 billion for MSERS, \$34.891 billion for MTRS, \$2.804 billion for Boston Teachers and \$282 million for cost-of-living increases reimbursable to local systems). Total assets were valued on an actuarial basis at approximately \$45.631 billion based on a five-year average valuation method, which equaled 110% of the January 1, 2011 total asset market value.

The principal assumptions used in the valuation were an investment return assumption of 8.25% and a salary increase assumption based on Group and years of service. The ultimate salary increase rate is 4.5% for Groups 1 and 2, 5.0% for Groups 3 and 4, and 4.75% for teachers. The assumption is higher in early years of

employment and grades down to the ultimate rate. All assumptions other than the investment return assumption are based on PERAC's most recent Experience Study Analysis for the State Retirement System, published in 2007 and the Massachusetts Teachers' Retirement System, published in 2008.

The Actuarial Cost Method which was used to determine pension liabilities in this valuation is known as the Entry Age Normal Cost Method. Under this method, the Normal Cost for each active member on the valuation date is determined as the level percent of salary, which, if paid annually from the date the employee first became a retirement system member, would fully fund by retirement, death, disability or termination, the projected benefits which the member is expected to receive. The Actuarial Liability for each member is determined as the present value as of the valuation date of all projected benefits which the member is expected to receive, minus the present value of future annual Normal Cost payments expected to be made to the fund. Since only active members have a Normal Cost, the Actuarial Liability for inactives, retirees, and survivors is simply equal to the present value of all projected benefits. The Unfunded Actuarial Liability is the Actuarial Liability less current assets.

The Normal Cost for a member will remain a level percent of salary for each year of membership, except for changes in provisions of the plan or the actuarial assumptions employed in projection of benefits and present value determinations. The Normal Cost for the entire system will also be changed by the addition of new members or the retirement, death, disability, or termination of members. The Actuarial Liability for a member will increase each year to reflect the additional accrual of Normal Cost. It will also change if the plan provisions or actuarial assumptions change.

Differences each year between the actual experience of the plan and the experience projected by the actuarial assumptions are reflected by adjustments to the Unfunded Actuarial Liability. An experience difference which increases the Unfunded Actuarial Liability is an Actuarial Loss and one which decreases the Unfunded Actuarial Liability is an Actuarial Gain.

The Actuarial Value of Assets is determined in accordance with the deferred recognition method under which 20% of the gains or losses occurring in the prior year are recognized, 40% of those occurring two years prior are recognized, etc., so that 100% of gains and losses occurring five years ago are recognized. This has the effect of smoothing the short-term volatility of market values over a five-year period. The actuarial value of assets will be adjusted, if necessary, in order to remain between 90% and 110% of market value. In valuations prior to 1998, plan assets were determined at market value. As part of the 1998 valuation, this methodology was adjusted to reduce the potential volatility in the market value approach from year to year. The actuarial value of assets as of January 1, 2011 is 110% of the market value (the 110% limit has applied as of January 1, 2009, 2010 and 2011). The unfunded actuarial liability decreased from \$20.0 billion on January 1, 2010 to \$18.6 billion on January 1, 2011. However, the unfunded liability is expected to increase in the ensuing years as remaining 2008 investment losses are recognized and the 90%-110% corridor no longer applies.

The following table shows the valuation of accrued liabilities and assets from 2007 through 2011:

Pension Fund Valuation and Unfunded Accrued Liabilities (in millions)

<u>Valuation Date(Jan. 1)</u>	<u>Total Actuarial Accrued Liability</u>	<u>Actuarial Value of Assets(1)</u>	<u>Unfunded Accrued Liabilities</u>	
			<u>Unfunded Actuarial Liability(2)</u>	<u>Market Value of Unfunded Liability</u>
2007	53,761	40,412	13,349	8,859
2008	56,637	44,532	12,105	7,402
2009	59,142	37,058	22,084	25,453
2010	61,576	41,589	19,986	23,767
2011	64,219	45,631	18,589	22,737

SOURCE: Public Employee Retirement Administration Commission.

(1) Based on five-year average smoothing methodology.

(2) Based on actuarial valuation.

The following table shows the pension funding progress from 2007 through 2011:

Pension Funding Progress for the last five fiscal years

(Amounts in thousands except for percentages)

	<u>Actuarial</u> <u>Value of Plan</u> <u>Assets</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u>	<u>Unfunded</u> <u>Actuarial</u> <u>Liability</u> <u>(UAAL)</u>	<u>Funded</u> <u>Ratio</u>	<u>Annual</u> <u>Covered</u> <u>Payroll*</u>	<u>UAAL</u> <u>as % of</u> <u>Covered</u> <u>Payroll*</u>
State Employees'						
Retirement System						
Actuarial Valuation as of Jan. 1						
2011	\$ 21,244,900	\$ 26,242,776	\$ 4,997,876	81.0%	\$ 4,808,250	103.94%
2010	19,019,062	24,862,421	5,843,359	76.5%	4,711,563	124.00%
2009	16,992,214	23,723,240	6,731,026	71.6%	4,712,655	142.80%
2008	20,400,656	22,820,502	2,419,846	89.4%	4,574,233	52.90%
2007	18,445,225	21,670,810	3,225,585	85.1%	4,391,891	73.40%
Teachers:						
Retirement System						
Actuarial Valuation as of Jan. 1						
2011	\$ 23,117,952	\$ 34,890,991	\$ 11,773,039	66.3%	\$ 5,558,311	211.81%
2010	21,262,462	33,738,966	12,476,504	63.0%	5,509,698	226.40%
2009	18,927,731	32,543,782	13,616,051	58.2%	5,389,895	252.60%
2008	22,883,553	30,955,504	8,071,951	73.9%	5,163,498	156.30%
2007	20,820,392	29,320,714	8,500,322	71.0%	4,969,092	171.10%

SOURCE: Public Employee Retirement Administration Commission.

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

Annual Required Contributions

The following table sets forth the annual required contribution (ARC) by the Commonwealth under generally accepted accounting principles, its reimbursement to Boston for its payments to SBRS (the fiscal 2010 payment includes both the final payment in arrears and the first annual contribution under 2010 legislation described in the March Information Statement under the heading "PENSION AND OPEB FUNDING – Retirement Systems") and payments for municipal COLAs for each of the fiscal years indicated. The ARC is determined annually based on the most recent Commonwealth valuation. Valuations have been performed annually since January 1, 2000. As noted in the March Information Statement under the heading "PENSION AND OPEB FUNDING – Funding Schedule," the Commonwealth also develops a revised funding schedule by statute at least every three years, and the Commonwealth made the full contribution required, under the then-current funding schedule, for each year displayed in the table. The prior funding schedule was filed in February, 2009 and based on valuation results as of January 1, 2008. Since the funding schedule can be several years old when the ARC is determined, the funding schedule information lags the more current ARC information except in the year in which the funding schedule is developed. Accordingly, in some years the ARC will exceed the contribution made and in other years the contribution made will exceed the ARC. Due to significant investment losses in 2008, the unfunded liability (and therefore the ARC) increased significantly for fiscal 2009. However, the funding schedule was based on the 2008 valuation before the market downturn. This accounts for the discrepancy between the ARC and contributions made in fiscal 2009. In fiscal 2010 the discrepancy is accounted for by the market downturn and the double payment to SBRS described above. As noted in the March Information Statement under the heading "PENSION AND OPEB FUNDING – Funding Schedule," in January, 2011, a revised Commonwealth schedule was filed that extended the amortization period to 2040.

Annual Required Contributions and Other Pension Contributions

(amounts in thousands)

	<u>SERS</u>	<u>MTRS</u>	<u>Total</u>	<u>COLA(1)</u>	<u>BTRS(1)</u>
<u>2011</u>					
Annual required contribution (ARC).....	\$471,096	\$767,960	\$1,239,056	n/a	n/a
Contributions made, excluding COLAs.....	<u>431,166</u>	<u>855,201</u>	<u>1,286,367</u>	<u>34,153</u>	<u>121,290</u>
% Funded for the fiscal year.....	92%	111%	104%		
<u>2010</u>					
Annual required contribution (ARC).....	\$646,932	\$1,106,052	\$1,752,984	n/a	n/a
Contributions made, excluding COLAs.....	<u>410,682</u>	<u>690,397</u>	<u>1,101,079</u>	<u>32,683</u>	<u>242,857</u>
% Funded for the fiscal year.....	63%	62%	63%		
<u>2009</u>					
Annual required contribution.....	697,340	1,149,629	1,846,969	n/a	n/a
Contributions made, excluding COLAs.....	<u>397,482</u>	<u>781,026</u>	<u>1,178,508</u>	<u>34,696</u>	<u>122,216</u>
% Funded for the fiscal year.....	57%	68%	64%		
<u>2008</u>					
Annual required contribution.....	369,866	749,853	1,119,719	n/a	n/a
Contributions made, excluding COLAs.....	<u>460,788</u>	<u>809,000</u>	<u>1,269,788</u>	<u>34,000</u>	<u>98,000</u>
% Funded for the fiscal year.....	125%	108%	113%		
<u>2007</u>					
Annual required contribution.....	432,219	763,798	1,196,017	n/a	n/a
Contributions made, excluding COLAs.....	<u>435,610</u>	<u>747,000</u>	<u>1,182,610</u>	<u>37,005</u>	<u>93,300</u>
% Funded for the fiscal year.....	101%	98%	99%		

SOURCE: Office of the Comptroller.

(1) COLA and BTRS contributions are additional amounts funded by the Commonwealth, but are not part of the Commonwealth's funding of ARC.

See the March Information Statement under the heading "PENSION AND OPEB FUNDING – Annual Required Contributions."

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 cash flow statements for fiscal 2011 and fiscal 2012, which are summarized in the tables below.

The actual ending cash balance for September, 2011 was \$1.462 billion, \$101.4 million less than the forecasted ending balance of \$1.563 billion. The decrease resulted from variances in a variety of spending categories in August and September.

A number of events have taken place subsequent to the issuance of this statement, as described throughout this Supplement, which have affected the cash flow forecast, including the revisions to the fiscal 2012 revenue estimates released on October 17, 2011. See "RECENT DEVELOPMENTS – Fiscal 2012."

The Stabilization Fund balance of \$1.379 billion at the end of fiscal 2011 represents a \$709 million increase from the close of fiscal 2010. The entire \$709 million is expected to be transferred from the General Fund to the Stabilization Fund during November, 2011. This will have a material impact on the cash flow position described in the tables below, because the Stabilization Fund is a segregated fund, and the tables include only non-segregated funds. The August cash flow forecast contemplated a transfer of only \$402.6 million from the General Fund to the Stabilization Fund.

As noted above (see "COMMONWEALTH REVENUES AND EXPENDITURES – Federal and Other Non-Tax Revenues; *Settlements and Judgments*"), \$71.3 million received by the Commonwealth on account of one-time judgments and settlements during the first quarter of fiscal 2012 has been deposited in the Stabilization Fund. The August cash flow statement projected a much smaller settlement related deposit of approximately \$12 million.

The August cash flow statement projected the issuance of revenue anticipation notes in the amount of \$800 million during November, 2011; that issuance is now expected to be \$1.2 billion.

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.”

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

	<u>Jul-10</u>	<u>Aug-10</u>	<u>Sep -10</u>	<u>Oct -10</u>	<u>Nov -10</u>	<u>Dec-10</u>	<u>Jan-11</u>	<u>Feb-11</u>	<u>Mar-11</u>	<u>Apr-11</u>	<u>May-11</u>	<u>June-11</u>	<u>Total FY 2011</u>
Opening Non-Segregated Operating Cash Balance	\$844.3	\$1,082.2	\$1,852.1	\$1,715.3	\$1,522.2	\$1,661.9	\$1,558.0	\$1,948.2	\$1,591.3	\$924.8	\$2,246.0	\$2,363.0	\$844.3
Operating Activities:													
Budgetary Funds:													
<i>Transfer from/(to) Stabilization Fund</i>	\$0.0	\$0.0	\$12.7	\$0.0	(\$11.3)	\$0.0	\$0.0	\$0.0	\$0.0	\$4.3	\$0.0	\$0.0	\$5.8
Total Budgetary Revenue/Inflows	\$2,642.8	\$2,369.4	\$3,004.9	\$2,476.0	\$2,841.3	\$3,231.5	\$3,010.1	\$2,402.1	\$3,131.8	\$4,043.8	\$2,669.6	\$3,383.1	\$35,206.5
Total Budgetary Expenditures/Outflows	\$2,461.6	\$2,273.0	\$3,096.3	\$2,376.6	\$2,643.2	\$3,135.5	\$2,152.3	\$2,666.7	\$3,360.6	\$2,628.5	\$2,071.2	\$2,889.7	\$31,755.2
Net Budgetary Funds	\$181.2	\$96.4	(\$91.4)	\$99.4	\$198.1	\$96.0	\$857.8	(\$264.6)	(\$228.8)	\$1,415.3	\$598.4	\$493.5	\$3,451.3
Non Budgetary Funds (Non Budgetary, Higher Ed and Trust Funds):													
Total Non Budgetary Revenue/Inflows	\$748.4	\$730.7	\$755.9	\$757.5	\$1,117.3	\$440.0	\$810.8	\$876.8	\$475.6	\$1,317.7	\$658.0	\$707.7	\$9,396.5
Total Non Budgetary Expenditures/Outflows	\$892.6	\$949.0	\$933.0	\$944.0	\$981.5	\$1,235.6	\$925.5	\$934.3	\$1,065.3	\$859.9	\$1,038.8	\$1,076.1	\$11,835.7
Net Non Budgetary Funds	(\$144.2)	(\$218.4)	(\$177.1)	(\$186.5)	\$135.8	(\$795.6)	(\$114.7)	(\$57.5)	(\$589.7)	\$457.8	(\$380.8)	(\$368.3)	(\$2,439.2)
Net Undesignated Revenue/Inflows and Expenditures/Outflows	(\$14.5)	\$1.5	\$1.6	\$1.9	\$1.6	\$1.9	\$1.6	\$7.7	\$1.6	\$1.6	\$7.5	\$3.2	\$17.4
Net Operating Activities	\$22.5	(\$120.4)	(\$266.9)	(\$85.2)	\$335.6	(\$697.6)	\$744.7	(\$314.4)	(\$816.9)	\$1,874.6	\$225.1	\$128.4	\$1,029.5
Federal Grants:													
Total Federal Grants Revenue/Inflows	\$277.5	\$194.3	\$278.9	\$180.7	\$179.5	\$330.0	\$48.8	\$383.3	\$379.3	\$191.6	\$322.0	\$361.8	\$3,127.8
Total Federal Grants Expenditures/Outflows	\$230.2	\$332.8	\$188.1	\$195.7	\$235.8	\$294.5	\$253.3	\$278.7	\$301.8	\$250.1	\$317.1	\$287.4	\$3,165.5
Net Federal Grants	\$47.3	(\$138.5)	\$90.8	(\$15.0)	(\$56.2)	\$35.6	(\$204.5)	\$104.6	\$77.5	(\$58.5)	\$4.9	\$74.4	(\$37.8)
Capital Funds:													
Total Capital Revenue/Inflows	\$422.4	\$56.4	\$256.4	\$146.2	\$68.1	\$754.1	\$35.2	\$30.5	\$250.8	\$52.8	\$511.2	\$311.7	\$2,895.8
Total Capital Expenditures/Outflows:	\$254.3	\$227.5	\$217.1	\$239.0	\$207.7	\$195.9	\$185.3	\$177.6	\$177.9	\$193.0	\$193.0	\$245.1	\$2,513.4
Net Capital Funds	\$168.1	(\$171.1)	\$39.3	(\$92.8)	(\$139.6)	\$558.2	(\$150.0)	(\$147.1)	\$72.9	(\$140.1)	\$318.3	\$66.6	\$382.4
Financing Activities:													
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	\$1,200.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1,200.0
Total Cash Flow Financing Activities Inflows	\$0.0	\$1,200.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1,200.0
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	\$354.7	\$431.4	\$432.0	\$1,218.1
Total Cash Flow Financing Activities Outflows	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$354.7	\$431.4	\$432.0	\$1,218.1
Net Financing Activities	\$0.0	\$1,200.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$354.7)	(\$431.4)	(\$432.0)	(\$18.1)
Ending Non-Segregated Operating Cash Balance	\$1,082.2	\$1,852.1	\$1,715.3	\$1,522.2	\$1,661.9	\$1,558.0	\$1,948.2	\$1,591.3	\$924.8	\$2,246.0	\$2,363.0	\$2,200.4	\$2,200.4

SOURCE: Office of the Treasurer and Receiver-General.
(1) Totals may not add due to rounding.

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:													
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	1,667,584	2,233,368
Subtotal	<u>20,017,891</u>	<u>20,017,785</u>	<u>20,621,548</u>	<u>20,932,153</u>	<u>21,959,875</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>	<u>1,504</u>	<u>(198,650)</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>\$20,786,455</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	\$18,428,160
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>\$20,786,455</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						Federal Highway Grant Anticipation Notes				
	Principal	Compounded Interest	Gross Interest	Build America Bonds 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	Special Obligation Revenue Bonds (Convention Center)			Special Obligation Revenue Bonds (CTF-Accelerated Bridge Program) Build America					Special Obligation Revenue Bonds (Gas Tax)		
	Principal	Interest	Debt Service	Principal	Gross Interest	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 October 1, 2011.

<u>Associated Program</u>	<u>Facility Amount (in thousands)</u>	<u>Bank</u>	<u>Facility Type</u>	<u>Termination Date</u>
<i>Variable Rate Bonds</i>				
1997 Series B (Refunding)	\$271,280	Helaba(1)	Line	2/08/2012
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	2/08/2012
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	4/02/2012

SOURCE: Office of the Treasurer and 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) was extended on September 19, 2011 until March 31, 2012. In the absence of regular appropriations bills for fiscal 2012, the federal government is operating pursuant to a continuing resolution that expires on November 18, 2011. The U. S. Congress will need to pass an additional continuing resolution, or perhaps several short-term measures, to keep surface transportation programs funded beyond November 18, 2011 and until such time as a fiscal 2012 transportation appropriations bill is enacted.

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

Rosie D., et al. v. The Governor, United States District Court, Western Division. MassHealth estimates that its implementation of program changes in compliance with the Remedy Order will increase its costs, including administrative costs, by approximately \$215 million annually.

Disability Law Center, Inc. v. Massachusetts Department of Correction et al, United States District Court. The trial in this case has been continued and a new trial date has not yet been set.

Finch, et al. v. Commonwealth Health Insurance Connector Authority, et al. On May 6, 2011, the Supreme Judicial Court 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. After briefing by the parties, the single justice reported the matter to the full court without decision. The Commonwealth argues that the challenged statutes are narrowly tailored to serve the compelling governmental interest of furthering national immigration policy, and therefore do not violate the equal protection provisions of the Massachusetts Constitution. Plaintiffs contend that the statutes do not pass muster under strict scrutiny. The Supreme Judicial Court held oral argument on this remaining issue on October 6, 2011. The case is currently under advisement.

Connor B., ex rel. Vigurs, et al. v. Patrick, et al., United States District Court, Western Division. On September 6, 2011, the defendants moved to decertify the class on the basis of *Wal-Mart Stores, Inc. v. Dukes*, 131 S.Ct. 2541 (2011), but this motion was denied on November 10, 2011.

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: Centers for Medicare and Medicaid Services regulations (Uncompensated Care Pool/Health Safety Net Trust Fund). By the end of pool fiscal year 2012 the Commonwealth will have collected an estimated \$5.157 billion in acute hospital assessments since 1990 and an estimated \$2.037 billion in surcharge payments since 1998.

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 was filed on September 30, 2011. Boston Medical Center's appeal and Holyoke Medical Center's appeal (see below) were consolidated. The Commonwealth's consolidated brief was filed on October 28, 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 was filed on September 30, 2011. Holyoke Medical Center's appeal and Boston Medical Center's appeal (see above) were consolidated. The Commonwealth's consolidated brief was filed on October 28, 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

Grand River Enterprises Six Nations, Ltd. v. William Pryor, et al., United States District Court, New York. The court has granted the states' summary judgment motion on all counts, prompting the plaintiff to file a motion for reconsideration and a notice of appeal with the United States Court of Appeals for the Second Circuit.

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.

In May, 2011, the Massachusetts Appeals Court upheld the award of approximately \$5 million in post-award interest on two DRB awards and the Supreme Judicial Court denied the Commonwealth’s request for further appellate review of that decision.

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 has filed an answer and the matter is now in the discovery phase.

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. Of the 60 hospitals that filed claims regarding incorrect payments from the former APG system, only five hospitals have proposed a specific written

dollar settlement associated with those claims. The aggregate dollar settlement amount proposed by only those hospitals is approximately \$10.4 million. The dollar amount associated with the claims made by the rest of the hospitals could be significantly more.

Home Depot U.S.A., Inc. v. Commissioner of Revenue, Appellate Tax Board. On February 4, 2011, Home Depot USA (HDUSA) filed a petition with the Appellate Tax Board appealing the Commissioner's refusal to abate corporate excise taxes in the amount of \$33.9 million for the tax years ended January 28, 2007, February 3, 2008, and February 1, 2009. For all three tax years, HDUSA filed amended returns which were treated as applications for abatement. HDUSA is seeking a ruling (a) reversing the reported add-back of the "consent" dividend received from its REIT and (b) reversing the reported add-back of intangible expenses (royalties) paid to its intangible holding company, Homer TLC, Inc. The royalty issue has been settled in favor of the Commissioner. HDUSA is currently under audit for all three subject tax years.

Potential suit asserting a sales/use tax abatement claim. This matter involves a tax abatement claim in the amount of \$21.8 million filed as a result of a class action suit against the taxpayer. This matter has not been filed with the Appellate Tax Board.

Potential suit asserting corporate excise/public utilities (M.G.L. c. 63) abatement claims. The taxpayer and related entities have filed amended returns/abatements seeking \$96 million. This matter has not yet been filed with the Appellate Tax Board.

Slater et al. v. Harold W. Clarke et al., United States District Court, Washington, and United States Court of Appeals for the Ninth Circuit (interlocutory appeal). Plaintiffs in this civil suit seek damages and injunctive and declaratory relief from a number of Massachusetts defendants, including current or former employees of the Department of Correction, the Commonwealth Fusion Center, the Executive Office of Public Safety and Security, and the Worcester County District Attorney's Office, in connection with the murders of Beverly and Brian Mauck, in Washington State, by Daniel Tavares, a former Massachusetts inmate. Plaintiffs allege that Massachusetts officials improperly and prematurely released Tavares from Massachusetts custody and that, after Tavares fled to Washington State, Massachusetts officials failed to extradite Tavares, knowing that he posed a danger to Washington residents.

Plaintiffs voluntarily dismissed the suit against the former Commissioner of the Department of Correction, Harold W. Clarke. The remaining defendants moved to dismiss the complaint on the grounds of lack of personal jurisdiction, absolute prosecutorial immunity, qualified immunity, and failure to state a claim upon which relief may be granted. The court dismissed the case against William Lochrie, an employee of the Department of Correction Office of Investigative Services, for lack of personal jurisdiction. The court denied the motions to dismiss of the remaining defendants with respect to personal jurisdiction and absolute immunity. The court has yet to rule on the remaining issues raised in defendants' motions to dismiss. Defendants filed a notice of interlocutory appeal to the Ninth Circuit Court of Appeals on the issues of personal jurisdiction and absolute immunity. The appeal has been docketed and remains pending.

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 Scott Jordan, Assistant Secretary for Capital Finance and Intergovernmental Affairs, 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

November 15, 2011

5685341v.2

PROPOSED FORM OF BOND COUNSEL OPINION

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



EDWARDS WILDMAN PALMER LLP
111 HUNTINGTON AVENUE
BOSTON, MA 02199
+1 617 239 0100 main +1 617 227 4420 fax
edwardswildman.com

[Date of Delivery]

The Honorable Steven Grossman
Treasurer and Receiver-General
The Commonwealth of Massachusetts
State House - Room 227
Boston, Massachusetts 02133

The Commonwealth of Massachusetts
General Obligation Revenue Anticipation Notes
2011 Series A and 2011 Series B
Dated November 22, 2011

We have acted as Bond Counsel to The Commonwealth of Massachusetts (the Commonwealth”) in connection with the issuance by the Commonwealth of \$1,200,000,000 aggregate principal amount of General Obligation Revenue Anticipation Notes, 2011 Series A and 2011 Series B, dated November 22, 2011 (the “Notes”). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

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

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

1. The Notes are valid general obligations of the Commonwealth and the full faith and credit of the Commonwealth are pledged for the payment of the principal of and interest on the Notes. It should be noted, however, that Chapter 62F of the General Laws of the Commonwealth establishes a state tax revenue growth limit and does not exclude principal and interest payments on Commonwealth debt obligations from the scope of the limit.
2. Interest on the Notes is exempt from Massachusetts personal income taxes, and the Notes are exempt from Massachusetts personal property taxes. We express no opinion as to other Massachusetts tax consequences arising with respect to the Notes or as to the taxability of the Notes or the income therefrom under the laws of any state other than Massachusetts.
3. Interest on the Notes is excluded from the gross income of the owners of the Notes for federal income tax purposes. In addition, interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the Commonwealth

The Honorable Steven Grossman
[Date of Delivery]
Page 2

with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The Commonwealth has covenanted to comply with all such requirements. Failure by the Commonwealth to comply with certain of such requirements may cause interest on the Notes to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. We express no opinion regarding any other federal tax consequences arising with respect to the Notes.

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

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

EDWARDS WILDMAN PALMER LLP



Official Notice of Sale

\$1,200,000,000

**The Commonwealth of Massachusetts
General Obligation Revenue Anticipation Notes
2011 Series A and 2011 Series B**

November 9, 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 all or a part of General Obligation Revenue Anticipation Notes, 2011 Series A and 2011 Series B (collectively, the “Notes”), of The Commonwealth of Massachusetts (the “Commonwealth”) to be sold in an aggregate principal amount of \$1,200,000,000. Bids for the purchase of the Notes will be submitted via Parity. No other method of submitting bids will be accepted. The bids will be received via Parity and up to the time described below under the captions “Time” and “Procedures for Electronic Bidding.”

The Notes 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 Notes. The Preliminary Official Statement referred to below contains certain information regarding certain 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 at the times shown below for each series of Notes on November 15, 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 “Cancellation or Postponement.” If no legal bid or bids are received for the Notes on November 15, 2011, an alternative date and time may be designated by the State Treasurer and communicated on TM3.

Time for Receipt of Bids

2011 Series A	10:30 a.m. Eastern Standard Time
2011 Series B	11:00 a.m. Eastern Standard Time

Procedures for Electronic Bidding. A prospective electronic bidder must register electronically to bid for the Notes via Parity pursuant to this Official Notice of Sale. By submitting its bid for the Notes, a prospective bidder represents and warrants to the Commonwealth that such bidder’s bid for the purchase of any of the Notes 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 Notes.

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 Notes. 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 Notes, such bidder should telephone Parity's new issues desk at (212) 849-5021.

Electronic bids must be submitted for the purchase of the Notes via Parity by the time specified above for the applicable series of Notes on Tuesday, November 15, 2011. Bids submitted after such applicable time will not be deemed received via Parity for the purposes of this bidding process. Bids will be communicated electronically to the Commonwealth at the respective deadline for each series of Notes on Tuesday, November 15, 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 Notes, 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 Notes 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.

Details of Notes. The Notes will be dated November 22, 2011, will not be subject to redemption prior to maturity, and will mature in the principal amounts as shown below:

<u>Series</u>	<u>Principal Amount</u>	<u>Maturity Date</u>	<u>Interest Basis</u>
2011 Series A	\$600,000,000	April 26, 2012	30/360
2011 Series B	\$600,000,000	May 31, 2012	30/360

Interest will be payable at maturity calculated on the basis of a 30-day month and a 360-day year, as shown above. The Notes will be issued as fixed rate notes and will bear interest at a rate or rates per annum specified by the Commonwealth on the day prior to accepting bids (see "Bidding Parameters" below).

The Notes 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.

Bidding Parameters. Bids to purchase the Notes may be for all or part of the offering. Bidders may submit separate bids for any portion of the Notes, provided that no bid for less than \$50,000,000 of any series will be considered, and all bids must be in integral multiples of \$5,000,000. No "all or none" bids will be accepted. The Commonwealth will specify the fixed rate or rates per annum that each series of Notes will bear. Notice of such rate or rates may be obtained by any bidder from TM3 after 2:00 p.m., November 14, 2011. Bidders shall specify the principal amount of Notes to be purchased pursuant to such bid, and the amount of premium, if any, that they will pay, in addition to the par value, to purchase such Notes. No bid to purchase the Notes at less than par will be accepted. Bidders may submit more than one bid to purchase the Notes, subject to the provisions noted above under "Procedures for Electronic Bidding."

The Commonwealth reserves the right to reduce the aggregate principal amount of any series of the Notes after the determination of the winning bid by such amount as may be necessary to produce sufficient funds for the purposes for which the Notes are being issued after taking into account any premium to be received by the Commonwealth. In such event, the final aggregate principal amount of the Notes will be decreased by not more than two percent (2%) of the aggregate principal amount of any series of the Notes stated in this Official Notice of Sale. The dollar amount bid for the affected Notes by the winning bidder will be adjusted, if applicable, to reflect changes in the aggregate dollar amount of the affected Notes. Any such adjustments will be communicated to the winning bidder by 2:00 p.m. on the day of the sale.

The Commonwealth has not contracted for the issuance of any credit enhancement for the Notes. If the Notes qualify for any credit enhancement, any purchase of such credit enhancement shall be at the sole option and expense of the successful bidder(s) and any increased costs of issuance or delivery of the Notes resulting by reason of such credit enhancement shall be assumed by such bidder(s). Bids shall not be conditioned upon the issuance of

any such credit enhancement. Any failure of the Notes to be enhanced or of any such credit enhancement to be issued shall not in any way relieve the successful bidder of its contractual obligations arising from the acceptance of its bid for the purchase of the Notes.

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

Good Faith Deposit. Upon notification from the Commonwealth, each successful bidder shall wire transfer to the State Treasurer an amount equal to 1% of the aggregate principal amount of the Notes (the "Good Faith Deposit") awarded to it, 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 bidders. The Good Faith Deposit will be applied to the purchase price of the applicable Notes. If the successful bidder fails to honor its accepted bid, the Good Faith Deposit will be retained by the Commonwealth.

Basis of Award. The Commonwealth reserves the right to reject any or all proposals and to waive any irregularity or informality with respect to any proposal.

Each series of Notes will be awarded to the bidder or bidders offering to purchase such Notes at the lowest TIC. The TIC under each proposal to purchase such Notes (expressed as an annual interest rate) will be determined as being twice that factor or discount rate, compounded semi-annually, which, when applied against the interest and principal payment(s) due on the Notes (or portion thereof), will cause such sum to be equal to the total purchase price thereof. The TIC shall be calculated from the dated date of the Notes (November 22, 2011) to the applicable maturity date with discounting periods calculated on an 30/360 basis. If this procedure produces a tie, the Notes will be awarded and sold to bidders based on a ratable apportionment between or among such bidders. The Commonwealth reserves the right to award the Notes, if issued, to any bidder in an amount less than the principal amount of Notes bid for in any proposal, in which event any premium bid shall be proportionately reduced.

Official Statement. The Preliminary Official Statement to be dated November 9, 2011 and the information contained therein will be 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 is subject to change without notice and to completion or amendment in the Final Official Statement in final form ("the Final Official Statement"). The Preliminary Official Statement may be viewed and downloaded from the State Treasurer's website, www.mass.gov/treasury/debt once released on November 9, 2011.

The Commonwealth does not intend to print physical copies of the Final Official Statement but instead will make available to the successful bidder or bidders in a timely manner an electronic version of the Final Official Statement via the Electronic Municipal Market Access (EMMA) system established by the Municipal Securities Rulemaking Board. Once posted, the Final Official Statement may be viewed and downloaded from the EMMA website, www.emma.msrb.org or from the State Treasurer's website, www.mass.gov/treasury/debt. The successful bidder shall be required to cooperate in providing the information required to complete the Final Official Statement.

The successful bidder(s) 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 Notes, each successful bidder shall furnish to the Commonwealth an issue price certificate acceptable to Bond Counsel to the effect that (i) all of the Notes purchased by it 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) at a price not higher than or a yield not lower than those shown on the cover page of the Final Official Statement and (ii) based on the records of and information available to such successful bidder, at least ten percent (10%) of the Notes purchased by it were sold to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at the respective initial offering price or yield shown on the cover page of the Final Official Statement. If any of the Notes purchased by a successful bidder were also offered to institutional or other investors at a discount from the price at which the Notes were offered to the general public, each such successful bidder will be asked for additional certifications as to actual and expected Note sales at such discounted price.

Expenses. Each bid will be deemed to be an all-in bid. The successful bidder(s) will be under no obligation to pay the Commonwealth's costs of issuance. The Commonwealth will not pay the expenses of any bidder(s), whether or not successful, in connection with the issuance or purchase of the Notes.

Delivery of Notes. The Notes will be delivered on November 22, 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(s) must make payment of the purchase price of the Notes by 10:00 a.m. (Boston time) November 22, 2011 in Federal 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 Notes 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 and authority under which the Notes are issued, or affecting the validity of the Notes, or contesting in any way the completeness, accuracy or fairness of the Preliminary Official Statement or Final Official Statement or contesting the title to her office or any official signing the Notes 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 Notes on the cover page of the Final Official Statement and any other information concerning the reoffering of the Notes included therein at the request of the successful bidder(s) 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 the sale of the Notes, and the Final Official Statement, both as of the date of sale and the date of settlement of the Notes, 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 Edwards Wildman Palmer LLP, Boston, Massachusetts, Bond Counsel, in substantially the form set forth in the Preliminary Official Statement, will be furnished to each 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 Notes and a discussion of Bond Counsel's opinion insofar as it concerns such exclusion. An opinion of Mintz, Levin, Cohn, Ferris, Glovsky & Popeo, P.C., Boston, Massachusetts, Disclosure Counsel, will also be furnished to each successful bidder to the effect that the Preliminary Official Statement, as of its date and as of the date of the sale of the Notes, and the Final Official Statement, as of the date of sale and the date of settlement of the Notes (except for the initial offering price or yield of the Notes on the cover page of the Final Official Statement and any other information concerning the reoffering of the Notes included therein at the request of any successful bidder and the financial and statistical data included in the Preliminary Official Statement and the Final Official Statement, the information contained in the Preliminary Official Statement and the Final Official Statement under the headings "Book-Entry-Only System" and "Ratings" and in Appendices B, C and D and the information contained in the Exhibits to the Information Statement (as defined in the Preliminary Official Statement and the Final Official Statement)), 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.

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

Right to Modify or Amend Notice of Sale. The Commonwealth reserves the right to modify or amend this Official Notice of Sale in any respect prior to the bid date. If any modifications occur, supplemental information with respect to the Notes will be communicated by posting on TM3 not later than 9:00 a.m. Eastern Standard Time on the day on which proposals may be submitted, and bidders shall bid upon the Notes based upon the terms thereof set forth in this Official Notice of Sale, as so modified by such supplemental information.

Cancellation or Postponement. The Commonwealth reserves the right to cancel or postpone the date and time established for the receipt of bids. **Any such cancellation or postponement will be announced by posting on TM3 prior to commencement of the bidding.** If any date and time fixed for the receipt of bids and the sale of the Notes 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 Notes in conformity in all respects with the provisions 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 of Massachusetts and the Notes are contained in the Preliminary Official Statement to be dated November 9, 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, when released, and this Official Notice of Sale may be viewed and downloaded at the State Treasurer's website, www.mass.gov/treasury/debt. Additional information may be obtained by calling Colin A. MacNaught, Assistant Treasurer for Debt Management, Office of the Treasurer and Receiver General (617-367-3900, ext. 226).

The Commonwealth of Massachusetts

A handwritten signature in black ink, appearing to read "Steven Grossman", with a long horizontal flourish extending to the right.

Steven Grossman
Treasurer and Receiver-General

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Cashflow for Fiscal 2011 and Forecasted Cashflow for Fiscal 2012**Actual Results through September, 2011**

The ending cash balance for September, 2011 was \$1.462 billion, \$101.4 million less than the forecasted ending balance of \$1.563 billion. The decrease resulted from variances in a variety of spending categories in August and September.

Recent Developments

The fiscal 2012 cash flow forecast is from the August 31, 2011 cash flow statement issued by the Secretary of Administration and Finance and the State Treasurer on September 6, 2011. A number of events have taken place subsequent to the issuance of this statement, as described in the Commonwealth Information Statement Supplement attached as Appendix A, which have affected the cash flow forecast.

On October 17, 2011, the Secretary of Administration and Finance, based on available data on tax revenue collections and economic trends, revised the fiscal 2012 tax revenue estimate from \$20.615 billion to \$21.010 billion. To address non-tax revenue shortfalls that have already occurred in fiscal 2012, the Secretary also revised the aggregate fiscal 2012 non-tax revenue projection downward by \$26 million from the level assumed in the enacted fiscal 2012 budget.

The Stabilization Fund balance of \$1.379 billion at the end of fiscal 2011 represents a \$709 million increase from the close of fiscal 2010. The entire \$709 million is expected to be transferred from the General Fund to the Stabilization Fund during November, 2011. This will have a material impact on the cash flow position as described in the tables below, because the Stabilization Fund is a segregated fund, and the tables include only non-segregated funds. The August cash flow forecast contemplated a transfer of only \$402.6 million from the General Fund to the Stabilization Fund.

Pursuant to a recent change in state finance law, \$71.3 million received by the Commonwealth on account of one-time judgments and settlements during the first quarter of fiscal 2012 has been deposited in the Stabilization Fund. The August cash flow statement projected a much smaller settlement related deposit of approximately \$12 million.

The August cash flow statement projected the issuance of revenue anticipation notes in the amount of \$800 million during November, 2011; that issuance is now expected to be \$1.2 billion.

Commonwealth Forecasted Cash Flow for Fiscal 2012

APPENDIX D

	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Total FY 2012
(millions)	Act	Est	Est	Est	Est	Est	Est	Est	Est	Est	Est	Est	
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:													
Tax Revenue	\$1,503.6	\$1,438.3	\$2,114.5	\$1,512.6	\$1,565.2	\$2,052.3	\$2,191.1	\$1,302.4	\$2,134.2	\$2,815.1	\$1,527.7	\$2,273.5	\$22,430.5
Federal Reimbursements	\$540.2	\$716.1	\$605.8	\$511.6	\$594.7	\$634.5	\$597.8	\$554.7	\$804.6	\$611.2	\$701.2	\$886.3	\$7,758.7
Other Budgetary Revenue	\$231.7	\$182.0	\$222.6	\$272.4	\$240.7	\$352.5	\$301.8	\$290.2	\$302.3	\$626.2	\$285.0	\$377.5	\$3,684.9
Transfer from/(to) Stabilization Fund	\$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
Local Aid	\$0.1	\$23.0	\$1,157.0	\$13.9	\$38.4	\$1,157.0	\$35.8	\$32.6	\$1,157.0	\$20.5	\$30.1	\$1,157.0	\$4,822.4
Tax Refunds	\$36.9	\$39.9	\$61.9	\$121.3	\$124.7	\$31.5	\$98.7	\$410.9	\$335.7	\$351.1	\$76.5	\$60.4	\$1,749.5
Debt Service for General Obligation (inch CA/T)	\$90.4	\$413.7	\$152.3	\$38.4	\$378.9	\$161.1	\$131.7	\$147.9	\$100.5	\$49.6	\$126.4	\$59.3	\$1,850.2
Debt Service for Special Obligations	\$17.2	\$0.0	\$0.0	\$0.0	\$0.0	\$20.1	\$17.2	\$0.0	\$0.0	\$0.0	\$0.0	\$59.2	\$113.7
Debt Service for GANS	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$15.8	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$11.7	\$27.5
Other Budgetary Expenditures	\$2,160.2	\$1,996.5	\$1,934.5	\$2,032.5	\$2,162.5	\$1,895.3	\$2,099.0	\$1,922.4	\$2,029.6	\$2,062.3	\$2,089.0	\$1,628.9	\$24,012.7
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):													
Lottery Revenue	\$118.4	\$142.0	\$142.0	\$142.0	\$142.0	\$142.0	\$142.0	\$142.0	\$142.0	\$142.0	\$142.0	\$142.0	\$1,680.4
Pension Receipts (PRIM and Annuity Receipts)	\$218.2	\$192.5	\$192.5	\$192.5	\$192.5	\$192.5	\$192.5	\$192.5	\$192.5	\$192.5	\$192.5	\$192.5	\$2,335.7
Transfer in for Non Pooled Fund Payments	\$148.7	\$315.3	\$312.3	\$402.4	\$368.3	\$452.3	\$378.3	\$265.0	\$358.3	\$207.3	\$212.3	\$305.8	\$3,726.3
Non Budgetary Tax Receipts	\$26.4	\$38.5	\$40.3	\$42.7	\$39.4	\$34.5	\$32.0	\$35.8	\$59.0	\$39.5	\$34.0	\$50.4	\$472.5
Other Non Budgetary Revenue	\$324.6	\$78.0	\$150.0	\$110.0	\$90.0	\$70.0	\$80.0	\$68.7	\$215.0	\$100.0	\$85.0	\$150.0	\$1,521.3
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
Lottery Payments	\$32.0	\$61.0	\$70.5	\$53.2	\$51.0	\$62.0	\$79.0	\$59.5	\$63.0	\$59.0	\$56.0	\$61.0	\$707.2
MBTA Sales Tax	\$55.9	\$64.0	\$60.0	\$63.1	\$81.5	\$65.0	\$65.0	\$65.0	\$65.0	\$65.0	\$65.0	\$65.0	\$779.5
MBTA Assessments	\$0.0	\$0.0	\$37.0	\$0.0	\$0.0	\$37.0	\$0.0	\$0.0	\$37.0	\$0.0	\$0.0	\$37.0	\$148.0
MSBA Payments	\$55.9	\$56.5	\$56.5	\$56.5	\$56.5	\$56.5	\$56.5	\$56.5	\$56.5	\$56.5	\$56.5	\$56.5	\$677.5
Pension Payments	\$315.0	\$305.0	\$310.0	\$312.0	\$309.0	\$330.0	\$405.0	\$300.0	\$301.0	\$305.0	\$290.0	\$306.0	\$3,788.0
Non Pooled Fund Payments	\$271.1	\$401.0	\$252.0	\$447.0	\$441.0	\$476.0	\$336.0	\$342.0	\$312.0	\$312.0	\$267.0	\$258.0	\$4,125.1
Other Non Budgetary Expenditures	\$76.7	\$82.0	\$167.5	\$110.5	\$101.0	\$81.0	\$97.0	\$78.2	\$225.0	\$111.0	\$94.0	\$165.0	\$1,388.9
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)
Undesignated Revenue/Inflows and Expenditures/Outflows:													
Investment Earnings	\$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
Other Funds/3rd Party	\$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
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:													
Capital Revenue/Inflows:													
Capital Inflow from Federal Reimbursements	\$48.2	\$73.1	\$76.1	\$56.0	\$68.7	\$73.8	\$73.9	\$48.1	\$41.7	\$34.6	\$37.6	\$37.6	\$669.4
Capital Inflow from Financing Activities:													
Capital Inflow to General Fund from Segregated Bond Fund	\$239.8	\$142.4	\$299.3	\$168.2	\$168.2	\$168.2	\$168.2	\$168.2	\$168.2	\$168.2	\$168.2	\$168.2	\$2,195.0
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:													
Cash Flow Financing Activities Inflows:													
Commercial Paper	\$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
Revenue Anticipation Notes (RANS)	\$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:													
Commercial Paper – (Principal + Interest)	\$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
RANS – (Principal + Interest)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$302.7	\$505.4	\$0.0	\$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	\$302.7	\$505.4	\$0.0	\$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
Capital Budget Bonding Activity:													
Opening Balance Segregated Bond Funds	\$681.4	\$441.7	\$299.3	\$437.5	\$269.3	\$538.6	\$370.5	\$522.3	\$791.6	\$623.5	\$455.3	\$724.6	
Bonds	\$0.0	\$0.0	\$437.5	\$0.0	\$437.5	\$0.0	\$320.0	\$437.5	\$0.0	\$0.0	\$437.5	\$0.0	
BANs	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	
Segregated Bond Funds Available	\$681.4	\$441.7	\$736.8	\$437.5	\$706.8	\$538.6	\$690.5	\$959.8	\$791.6	\$623.5	\$892.8	\$724.6	
Bond / BANs Proceeds Allocated	\$239.8	\$142.4	\$299.3	\$168.2	\$168.2	\$168.2	\$168.2	\$168.2	\$168.2	\$168.2	\$168.2	\$168.2	
Ending Balance Segregated Bond Funds	\$441.7	\$299.3	\$437.5	\$269.3	\$538.6	\$370.5	\$522.3	\$791.6	\$623.5	\$455.3	\$724.6	\$556.5	

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The Commonwealth of Massachusetts

\$600,000,000
Revenue Anticipation Notes
2011 Series A

and

\$600,000,000
Revenue Anticipation Notes
2011 Series B

Continuing Disclosure Undertaking
[to be included in note form]

On behalf of the Commonwealth, the Treasurer and Receiver-General of the Commonwealth hereby undertakes for the benefit of the owners of the Notes 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”), in a timely manner, not in excess of ten business days after occurrence of the event, notice of any of the following events with respect to the Notes (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 Notes, or other material events affecting the tax status of the Notes;
- (vii) modifications to the rights of security holders, if material;
- (viii) bond calls, if material;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the Notes, if material;^{2/}
- (xi) rating changes;
- (xii) tender offers;

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

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

- (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 Note 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 Note, 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 Notes, 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 Notes 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 Note 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 Notes, (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 Notes, or (d) 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), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Notes, 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 Notes, 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 Notes affected thereby at or prior to the time of such amendment.

^{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 Notes.