PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 3, 2011

<u>REFUNDING ISSUE - BOOK-ENTRY-ONLY</u>

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

THE COMMONWEALTH OF MASSACHUSETTS

$146,305,000*
General Obligation Refunding Bonds
(SIFMA Index Bonds)
2011 Series A

Dated: Date of Delivery **Due: As shown on the inside cover hereof**

The Bonds will be issued by means of a book-entry-only system evidencing ownership and transfer of the Bonds on the records of The Depository Trust Company, New York, New York ("DTC"), and its participants. Details of payment of the Bonds are more fully described in this Official Statement.

The Bonds will bear interest from their delivery date. Interest on the Bonds will be computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be, and will be payable on the first Business Day of each month, commencing March 1, 2011. The Bonds are subject to redemption prior to maturity as more fully described herein.*

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

The Bonds are offered when, as and if issued and received by the Underwriters, and subject to the unqualified approving opinion as to legality of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel. Certain legal matters will be passed upon for the Commonwealth by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Greenberg Traurig, LLP, Boston, Massachusetts. The Bonds are expected to be available for delivery at DTC in New York, New York, on or about February 15, 2011.

Morgan Stanley

BofA Merrill Lynch	**Barclays Capital**	**Citi**
Fidelity Capital Markets	**Jefferies & Company**	**J.P. Morgan**
Ramirez & Co., Inc.	**Raymond James & Associates, Inc.**	**Siebert Brandford Shank & Co., LLC**

February __, 2011

* Preliminary, subject to change.

THE COMMONWEALTH OF MASSACHUSETTS

$146,305,000*
General Obligation Refunding Bonds
(SIFMA Index Bonds)
2011 Series A

Dated: Date of Delivery **Due: February 1, as shown below**

Maturity*	Amount*	Interest Rate (variable)	Price	CUSIP Number**
2012	$ 25,000,000	SIFMA Rate† plus _____%	%	
2013	25,000,000	SIFMA Rate† plus _____%		
2014	71,305,000	SIFMA Rate† plus _____%		
2015	25,000,000	SIFMA Rate† plus _____%		

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* Preliminary, subject to change.

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

† See "The Bonds - Additional Information Related to SIFMA Index Bonds" herein for a description of the SIFMA Rate, the Adjusted SIFMA Rate and the determination thereof.

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

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT: THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPECTIVE RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

IN CONNECTION WITH THIS OFFERING THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL ON THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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THE COMMONWEALTH OF MASSACHUSETTS

CONSTITUTIONAL OFFICERS

Deval L. Patrick..Governor

Timothy P. Murray.. Lieutenant Governor

William F. Galvin..Secretary of the Commonwealth

Martha Coakley...Attorney General

Steven Grossman.. Treasurer and Receiver-General

Suzanne M. Bump...Auditor

LEGISLATIVE OFFICERS

Therese Murray...President of the Senate

Robert A. DeLeo...Speaker of the House

OFFICIAL STATEMENT

THE COMMONWEALTH OF MASSACHUSETTS

$146,305,000*
General Obligation Refunding Bonds
(SIFMA Index Bonds)
2011 Series A

INTRODUCTION

This Official Statement (including the cover page and Appendices A through C attached hereto) provides certain information in connection with the issuance by The Commonwealth of Massachusetts (the "Commonwealth") of its $146,305,000* aggregate principal amount of its General Obligation Refunding Bonds (SIFMA Index Bonds), 2011 Series A (the "Bonds"). The Bonds will be general obligations of the Commonwealth, and the full faith and credit of the Commonwealth will be pledged to the payment of the principal of and interest on the Bonds. However, for information regarding certain statutory limits on state tax revenue growth and expenditures for debt service, see "SECURITY FOR THE BONDS" and the Commonwealth Information Statement (described below) under the headings "COMMONWEALTH REVENUES AND EXPENDITURES – Limitations on Tax Revenues" and "LONG-TERM LIABILITIES – General Authority to Borrow; *Limit on Debt Service Appropriations*."

The Bonds are being issued to refund, on a current basis, bond anticipation notes issued under the Commonwealth's Commercial Paper Program (the "Notes"). The Notes were issued to refund, on a current basis, a portion (the "Refunded Bonds") of the Commonwealth's General Obligation Refunding Bonds (SIFMA Index Bonds), Series 2010A (the "2010 Bonds"). See "THE BONDS – Plan of Finance."

Purpose and Content of Official Statement

This Official Statement describes the terms and use of proceeds of, and security for, the Bonds. This introduction is subject in all respects to the additional information contained in this Official Statement, including Appendices A through C. 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 June 8, 2010 (the "June Information Statement"), as it appears as Appendix A in the Official Statement dated June 21, 2010 of the Commonwealth with respect to its $250,000,000 General Obligation Bonds, Consolidated Loan of 2010, Series B (the "June Official Statement"). A copy of the June 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 June Information Statement has been supplemented by the Commonwealth's Information Statement Supplement dated February 1, 2011 (the "February Supplement"), which is attached hereto as Appendix A. The June Information Statement and the February Supplement are referred to herein collectively as the "Information Statement." Subsequent filings by the Commonwealth to the EMMA system, prior to the sale of the Bonds, of continuing disclosure documents identified as "other financial/operating data" are hereby deemed to be included by reference in the Information Statement. The Information Statement contains certain fiscal, budgetary, financial and other general information concerning the Commonwealth. Exhibit A to the Information Statement contains certain economic information concerning the Commonwealth. Exhibit B to the Information Statement contains the financial statements of the Commonwealth for the fiscal year ended June 30, 2010, prepared on a statutory basis. Exhibit C to the Information Statement contains the financial statements of the Commonwealth for the fiscal year ended June 30, 2010, prepared on a GAAP basis. Specific reference is made to said Exhibits A, B and C, copies of which have been filed with EMMA. The financial statements are also available at the website of the Comptroller of the Commonwealth.

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* Preliminary, subject to change.

Appendix B attached hereto contains the proposed form of legal opinion of Bond Counsel with respect to the Bonds. Appendix C attached hereto contains the proposed form of the Commonwealth's continuing disclosure undertaking to be included in the form of the Bonds to facilitate compliance by the Underwriters of the Bonds with the requirements of paragraph (b)(5) of Rule 15c2-12 of the Securities and Exchange Commission.

THE BONDS

General

The Bonds will bear interest from their date of delivery at the Adjusted SIFMA Rate (defined below) payable on each Interest Payment Date until maturity or earlier redemption, all as described below under "Additional Information Related to SIFMA Index Bonds." The Bonds will mature on February 1 of the years and in the amounts set forth on the inside cover hereof. Interest on the Bonds will be computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be, and will be payable on the first Business Day of each month, commencing March 1, 2011* (each such date, an "Interest Payment Date") to the registered owner as of the record date. The record date for the Bonds will be the 15th day of the month immediately preceding the Interest Payment Date. The Commonwealth will act as its own paying agent and Calculation Agent with respect to the Bonds. The Commonwealth reserves the right to appoint from time to time a paying agent or agents, Calculation Agent or bond registrar for the Bonds.

Book-Entry-Only System. The Bonds will be issued by means of a book-entry-only system, with one bond certificate for each maturity immobilized at The Depository Trust Company, New York, New York ("DTC"). The certificates will not be available for distribution to the public and will evidence ownership of the Bonds in principal amounts of $5,000 or integral multiples thereof. Transfers of ownership will be effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. Interest and principal due on the Bonds will be paid in federal funds to DTC or its nominee as registered owner of the Bonds. As long as the book-entry-only system remains in effect, DTC or its nominee will be recognized as the owner of the Bonds for all purposes, including notices and voting. The Commonwealth will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. See "BOOK-ENTRY-ONLY SYSTEM."

Additional Information Related to SIFMA Index Bonds

Interest Rates. The Bonds will bear interest at the Adjusted SIFMA Rate, which is the sum of the SIFMA Rate (defined below), plus for each maturity of the Bonds, the amount shown in the following table:

Maturity* February 1	Additional Interest*
2012	0.__% (__basis points)
2013	0.__% (__basis points)
2014	0.__% (__basis points)
2015	0.__% (__basis points)

The "SIFMA Rate" means for any day the level of the most recently effective index rate which is compiled from the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meet specific criteria established from time to time by the Securities Industry and Financial Markets Association ("SIFMA") and is issued on Wednesday of each week, or if any Wednesday is not a U.S. Government Securities Business Day (defined below), the next succeeding U.S. Government Securities Business Day. If such index is no longer published or otherwise not available, the SIFMA Rate for any day will mean the level of the "S&P Weekly High Grade Index" (formerly the J.J. Kenny Index) maintained by Standard & Poor's Securities Evaluations Inc. for a 7-day maturity as published on the Adjustment Date (defined below) or most recently published prior to the Adjustment Date. If at any time neither such index is available, the Calculation Agent shall use instead an index that the Calculation Agent, after consultation with the original underwriters of the Bonds, determines most closely approximates the SIFMA index.

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* Preliminary, subject to change.

A "Business Day" means a day other than (i) a day on which the business offices of the Commonwealth are closed, (ii) a Saturday, Sunday, legal holiday or day on which banking institutions in Boston, Massachusetts are authorized or required by law or executive order to close, or (iii) a day on which the New York Stock Exchange is closed.

A "U.S. Government Securities Business Day" means any day other than (a) a Saturday, a Sunday, or (b) a day on which SIFMA recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities, or (c) a day on which the Calculation Agent is required or permitted by law to close. The Commonwealth is acting as the initial Calculation Agent with respect to the Bonds.

Interest Rate Determination.

The "Adjustment Date" shall be Wednesday of each week, or if such day is not a U.S. Government Securities Business Day, the next succeeding U.S. Government Securities Business Day.

Except for the initial Adjusted SIFMA Rate, the Adjusted SIFMA Rate will be determined by the Calculation Agent; provided, however the Adjusted SIFMA Rate shall not exceed 12% per annum. The Adjusted SIFMA Rate shall adjust on each Adjustment Date, based upon the SIFMA Rate published for such week, with the effective date for each adjustment of the Adjusted SIFMA Rate to be each Thursday. Upon determining the Adjusted SIFMA Rate for a given week, the Calculation Agent (if the Calculation Agent is not then the Commonwealth itself) shall notify the Commonwealth of such rate by electronic mail (e-mail) or by telephone or in such other manner as may be appropriate on the date of such determination, which notice, if provided by telephone, shall be promptly confirmed in writing. Such notice shall be provided by not later than 3:00 P.M. Boston time on the Adjustment Date. Interest will be computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be.

The determination of the Adjusted SIFMA Rate (absent manifest error) shall be conclusive and binding upon the Commonwealth and the Owners of the Bonds. If for any reason the Adjusted SIFMA Rate shall not be established, the Bonds shall bear interest at the Adjusted SIFMA Rate last in effect until such time as a new Adjusted SIFMA Rate shall be established pursuant to the terms of the Bonds.

The Bonds shall bear interest from and including their date of delivery at the Adjusted SIFMA Rate until payment of the principal or redemption price thereof shall have been made or provided for in accordance with the provisions thereof, whether at maturity, upon redemption or otherwise. Interest on the Bonds shall be paid on each Interest Payment Date.

Redemption[*]

Optional Redemption.[*] The Bonds maturing on February 1, 2012 are subject to redemption prior to maturity at the option of the Commonwealth, in whole or in part at any time on or after August 1, 2011 at a redemption price equal to 100% of the principal amount of Bonds being redeemed, together with accrued and unpaid interest to the date fixed for redemption.[*]

The Bonds maturing on February 1, 2013 are subject to redemption prior to maturity at the option of the Commonwealth, in whole or in part at any time on or after August 1, 2012 at a redemption price equal to 100% of the principal amount of Bonds being redeemed, together with accrued and unpaid interest to the date fixed for redemption.[*]

The Bonds maturing on February 1, 2014 are subject to redemption prior to maturity at the option of the Commonwealth, in whole or in part at any time on or after August 1, 2013 at a redemption price equal to 100% of the principal amount of Bonds being redeemed, together with accrued and unpaid interest to the date fixed for redemption.[*]

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[*] Preliminary, subject to change.

The Bonds maturing on February 1, 2015 are subject to redemption prior to maturity at the option of the Commonwealth, in whole or in part at any time on or after August 1, 2014 at a redemption price equal to 100% of the principal amount of Bonds being redeemed, together with accrued and unpaid interest to the date fixed for redemption.*

Notice of Redemption. The Commonwealth shall give notice of redemption to the owners of the Bonds not less than 20 days and not more than 60 days prior to the date fixed for redemption. Notice of redemption will be mailed to the registered owner as of the record date, which means, so long as the Bonds remain immobilized at DTC, Cede & Co., as nominee of DTC. Any failure on the part of DTC, any DTC participant or any nominee of a beneficial owner of any such Bond (having received notice from a DTC participant or otherwise) to notify the beneficial owner so affected, shall not affect the validity of the redemption.

The redemption notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to effect the redemption, in a separate account established by the Commonwealth for such purpose no later than the redemption date, or that the Commonwealth may rescind such notice at any time prior to the scheduled redemption date if the Treasurer and Receiver-General delivers a notice thereof to the registered owner of the Bonds. The redemption notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded, and the failure of the Commonwealth to make funds available in whole or in part on or before the redemption date shall not constitute a default. Notice of redemption having been given as aforesaid, and the amount necessary to effect the redemption having been so deposited, the Bonds called for redemption shall become due and payable on the redemption date, and from and after such date, such Bonds shall cease to bear interest.

Selection for Redemption. Any Bonds subject to optional redemption shall be redeemed in any order of maturity and in any principal amount within a maturity as designated by the Commonwealth. If less than all the Bonds of a maturity shall be called for redemption, the particular Bonds to be redeemed shall be selected by lot (provided that so long as the Bonds shall remain immobilized at DTC, such Bonds shall be selected in such manner as DTC shall determine). For purposes of selection by lot within a maturity, each $5,000 of principal amount of a Bond will be considered a separate Bond.

Plan of Finance

The Bonds are being issued pursuant to the provisions of Section 53A of Chapter 29 of the Massachusetts General Laws for the purpose of currently refunding the Refunded Bonds. Principal of the Refunded Bonds was paid on February 1, 2011 from proceeds of the Notes. It is anticipated that the proceeds of the Bonds will be applied on February 16, 2011 to the payment of the Notes.

The issuance of the Bonds is part of a refinancing plan commenced in March, 2010. At that time, the 2010 Bonds were issued to achieve a current refunding of the Commonwealth's General Obligation Refunding Bonds (Variable Rate Demand Bonds), 2005 Series A (the "2005 Bonds"). The 2005 Bonds had been originally issued in 2005 as a single maturity due on February 1, 2028, with mandatory sinking fund installments due each year to amortize the 2005 Bonds. In connection with the original issuance of the 2005 Bonds, the State Treasurer had also entered into a series of interest rate swap agreements (the "2005 Swap Contracts"). (See the Commonwealth Information Statement under the heading "LONG-TERM LIABILITIES –Interest Rate Swaps.") The 2005 Swap Contracts had an initial aggregate notional amount which equaled the original principal amount of the 2005 Bonds. The aggregate notional amount of the Swap Contracts declines annually each February 1 to match the original annual amortization of the 2005 Bonds. The Commonwealth has maintained the 2005 Swap Contracts in place following the refunding of the 2005 Bonds in 2010 to serve as a hedge with respect to the 2010 Bonds and refunding bonds to be issued thereafter (including the Bonds).

The Bonds mature as shown on the inside cover hereof. The Commonwealth currently intends to refinance a portion of the Bonds and the remaining 2010 Bonds as they mature or are redeemed prior to maturity, with the issuance of additional refunding bonds (the "Additional 2005 Swap Bonds"), so that the

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* Preliminary, subject to change.

amortization of the Bonds, the remaining 2010 Bonds and Additional 2005 Swap Bonds will, in the aggregate, match the original, scheduled amortization of the 2005 Bonds. It is also expected that the aggregate outstanding principal amount of the Bonds, the remaining 2010 Bonds and any Additional 2005 Swap Bonds at any time will be at least equal to the then aggregate outstanding notional amount of the 2005 Swap Contracts, although the Commonwealth may elect to terminate all or any portion of the 2005 Swap Contracts earlier than planned if market conditions are favorable. In such event, an allocable portion of the Bonds, remaining 2010 Bonds or Additional 2005 Swap Bonds would be unhedged. The actual amount of Bonds, remaining 2010 Bonds and Additional 2005 Swap Bonds outstanding at any time will likely be greater in order to account for certain financing costs included in each issue of refunding bonds. Set forth below is the expected aggregate notional amount of the 2005 Swap Contracts during this period.

Date	Aggregate Notional Amount of 2005 Swap Contracts Expected to be Outstanding
February 15, 2011*	$532,515,000
February 1, 2012	528,205,000
February 1, 2013	523,745,000
February 1, 2014	513,680,000
February 1, 2015	508,915,000
February 1, 2016	475,000,000
February 1, 2017	438,490,000
February 1, 2018	433,855,000
February 1, 2019	429,040,000
February 1, 2020	382,720,000
February 1, 2021	333,345,000
February 1, 2022	281,725,000
February 1, 2023	214,840,000
February 1, 2024	158,540,000
February 1, 2025	98,955,000
February 1, 2026	96,295,000
February 1, 2027	930,000
February 1, 2028†	--

* Preliminary, subject to change.

† Original stated maturity of the 2005 Bonds.

The intended refinancing plan of the Commonwealth as stated herein is preliminary and subject to change.

SECURITY FOR THE BONDS

The Bonds will be general obligations of the Commonwealth to which its full faith and credit will be pledged for the payment of principal and interest when due. However, it should be noted that Chapter 62F of the Massachusetts General Laws imposes a state tax revenue growth limit and does not exclude principal and interest payments on Commonwealth debt obligations from the scope of the limit. It should be noted further that Section 60B of Chapter 29 of the Massachusetts General Laws imposes an annual limitation on the percentage of total appropriations that may be expended for payment of interest and principal on general obligation debt of the Commonwealth. These statutes are both subject to amendment or repeal by the Legislature. Currently, both actual tax revenue growth and annual general obligation debt service are below the statutory limits. See the Commonwealth Information Statement under the headings "COMMONWEALTH REVENUES AND EXPENDITURES – Limitations on Tax Revenues" and "LONG-TERM LIABILITIES – General Authority to Borrow; *Limit on Debt Service Appropriations*."

The Commonwealth has waived its sovereign immunity and consented to be sued on contractual obligations, including the Bonds, and all claims with respect thereto. However, the property of the Commonwealth is not subject to attachment or levy to pay a judgment, and the satisfaction of any judgment generally requires a legislative appropriation. Enforcement of a claim for payment of principal of or interest on the Bonds may also be subject to the provisions of federal or state statutes, if any, hereafter enacted extending the time for payment or imposing other constraints upon enforcement, insofar as the same may be constitutionally applied. The United States Bankruptcy Code is not applicable to the Commonwealth. Under Massachusetts law, the Bonds have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code. The Bonds are not subject to acceleration.

LITIGATION

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

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

BOOK-ENTRY-ONLY SYSTEM

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

DTC 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 Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

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

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

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

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

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

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Commonwealth. Under such circumstances, in the event that a successor depository is not obtained, Bonds will be delivered and registered as designated by the Beneficial Owners. The Beneficial Owner, upon registration of Bonds held in the Beneficial Owner's name, will become the Bondowner. Bond certificates are required to be printed and delivered.

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

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

RATINGS

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

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

UNDERWRITING

The Underwriters, represented by Morgan Stanley & Co. Incorporated, have agreed, subject to certain conditions, to purchase all of the Bonds from the Commonwealth at a discount from the initial offering prices of the Bonds equal to approximately ________% of the aggregate principal amount of the Bonds. The Underwriters may offer and sell the Bonds to certain dealers and others (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices (or yields higher than the offering yields) stated on the inside cover page hereof. The principal offering prices (or yields) set forth on the inside cover page hereof may be changed from time to time after the initial offering by the Underwriters.

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

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of UBSFS and CS&Co. will purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

Morgan Stanley and Citigroup Inc., the respective parent companies of Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc., each an underwriter of the Bonds, have entered into a retail brokerage joint venture. As part of the joint venture each of Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc. 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, each of Morgan Stanley & Co. Incorporated and Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC. for its selling efforts in connection with their respective allocations of Bonds.

TAX MATTERS

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

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

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

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds may affect the tax exempt status of interest on the Bonds or the tax consequences of ownership of the Bonds. No assurance can be given that future legislation, or amendments to the Code, if enacted into law, will not contain provisions which could directly or indirectly reduce the benefit of the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

Interest paid on tax-exempt obligations such as the Bonds is now generally required to be reported by payors to the Internal Revenue Service ("IRS") and to recipients in the same manner as interest on taxable obligations. In addition, such interest may be subject to "backup withholding" if the Bond owner fails to provide the information required on IRS Form W-9, Request for Taxpayer Identification Number and Certification, or the IRS has specifically identified the Bond owner as being subject to backup withholding because of prior underreporting. Neither the information reporting requirement nor the backup withholding requirement affects the excludability of interest on the Bonds from gross income for federal tax purposes.

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

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

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

On the date of delivery of the Bonds, the Underwriters will be furnished with an opinion of Bond Counsel substantially in the form attached hereto. See Appendix B -- Proposed Form of Opinion of Bond Counsel.

OPINION OF COUNSEL

The unqualified approving opinion as to the legality of the Bonds will be rendered by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., of Boston, Massachusetts, Bond Counsel to the Commonwealth. The proposed form of the opinion of Bond Counsel relating to the Bonds is attached hereto as Appendix B. Certain legal matters will also be passed upon by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. of Boston, Massachusetts, as Disclosure Counsel to the Commonwealth. Certain legal matters will be passed upon for the Underwriters by their counsel, Greenberg Traurig, LLP, of Boston, Massachusetts.

CONTINUING DISCLOSURE

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

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

MISCELLANEOUS

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

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

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

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

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

The information, estimates and assumptions and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale made pursuant to this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Commonwealth or its agencies, authorities or political subdivisions since the date of this Official Statement, except as expressly stated.

AVAILABILITY OF OTHER INFORMATION

Questions regarding this Official Statement or requests for additional financial information concerning the Commonwealth should be directed to Colin A. MacNaught, Assistant Treasurer, Office of the Treasurer and Receiver-General, One Ashburton Place, 12th floor, Boston, Massachusetts 02108, telephone (617) 367-3900, x. 226, or Karol D. Ostberg, Director of Capital Finance, Executive Office for Administration and Finance, State House, Room 373, Boston, Massachusetts 02133, telephone (617) 727-2040. Questions regarding legal matters relating to this Official Statement and the Bonds should be directed to John R. Regier, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, Massachusetts 02111, telephone (617) 348-1720.

THE COMMONWEALTH OF MASSACHUSETTS

By ____
Steven Grossman
Treasurer and Receiver-General

By ____
Jay Gonzalez
Secretary of Administration and Finance

February __, 2011

APPENDIX A

THE

COMMONWEALTH

OF

MASSACHUSETTS

INFORMATION STATEMENT SUPPLEMENT

Dated February 1, 2011

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THE COMMONWEALTH OF MASSACHUSETTS

CONSTITUTIONAL OFFICERS

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

LEGISLATIVE OFFICERS

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

THE COMMONWEALTH OF MASSACHUSETTS

INFORMATION STATEMENT SUPPLEMENT

February 1, 2011

This supplement ("Supplement") to the Information Statement of The Commonwealth of Massachusetts (the "Commonwealth") dated June 8, 2010 (the "June Information Statement") is dated February 1, 2011 and contains information which updates the information contained in the June Information Statement. The June Information Statement has been filed with the Municipal Securities Rulemaking Board. This Supplement and the June 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 February 1, 2011. All capitalized terms not otherwise defined in this Supplement shall have the meanings ascribed to them in the June Information Statement.

The June Information Statement, as supplemented hereby, includes three exhibits. Exhibit A is the Statement of Economic Information as of October 1, 2010, 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, reviewed by independent auditors, and the Commonwealth's Comprehensive Annual Financial Report, reported in accordance with generally accepted accounting principles (GAAP), for the year ended June 30, 2010. The Commonwealth's independent auditor has not been engaged to perform, and has not performed, since the respective dates of its reports included herein, any procedures on the financial statements addressed in such reports, nor has said independent auditor performed any procedures relating to the official statement of which this Supplement is a part. Specific reference is made to said Exhibits A, B and C, copies of which have been filed with the Municipal Securities Rulemaking Board. The financial statements are also available at the web site of the Comptroller of the Commonwealth located at http://www.mass.gov/osc by clicking on "Publications and Reports" and then "Financial Reports."

RECENT DEVELOPMENTS

Fiscal 2010

On October 31, 2010, the Commonwealth published the fiscal 2010 statutory basis financial report, which shows a consolidated net surplus of approximately $21.3 million before a $10 million transfer for life sciences funding required by the Commonwealth's fiscal 2011 budget.

Fiscal 2010 collections totaled $18.544 billion, an increase of approximately $284 million, or 1.6%, over fiscal 2009. The following table shows monthly tax collections for fiscal 2010 and the change from tax collections in the same months in the prior year, both in dollars and as a percentage. The table also notes the amount of tax collections in fiscal 2010 that are dedicated to the Massachusetts Bay Transportation Authority ("MBTA") and to the Massachusetts School Building Authority ("MSBA").

The Commonwealth's Comprehensive Annual Financial Report (CAFR) with respect to the fiscal year ended June 30, 2010 was delayed because of the need to incorporate independently audited fiscal 2010 financial statements for the recently created Massachusetts Department of Transportation (MassDOT). The MassDOT financial statements were issued on January 10, 2010, and the Comptroller issued the fiscal 2010 CAFR on January 24, 2010. Copies of such report are filed with the Municipal Securities Rulemaking Board and available at the website of the Comptroller of the Commonwealth. See "CONTINUING DISCLOSURE" herein and the June Information Statement under the heading "SELECTED FINANCIAL DATA – GAAP Basis; *Financial Reports*."

Fiscal 2010 Tax Collections (in millions)

Month	Tax Collections	Change from Prior Year	Percentage Change	MBTA Portion (2)	MSBA Portion	Tax Collections: Net of MBTA and MSBA
July	$ 1,250.6	$ (131.1)	(9.5)%	$ 57.6	$ 54.7	$ 1,138.4
August	1,296.5	(12.7)	(1.0)	54.4	51.7	1,190.4
September	1,765.9	(333.6)	(15.9)	79.8	47.2	1,638.9
October	1,224.9	74.8	6.5	53.8	51.1	1,120.0
November	1,288.7	32.4	2.6	50.5	48.0	1,190.2
December	1,885.9	23.4	1.3	87.4	48.2	1,750.3
January	1,845.1	54.5	3.0	61.9	58.8	1,724.4
February	1,002.7	49.0	5.1	46.0	43.7	913.0
March	1,624.9	21.7	1.4	83.9	45.3	1,495.8
April	1,747.6	(31.6)	(1.8)	56.0	53.2	1,638.4
May	1,574.3	291.7	22.7	53.0	50.3	1,471.1
June	2,036.7	245.8	13.7	82.8	53.1	1,900.8
Total (1)	**$ 18,543.7**	**$ 284.4**	**1.6%**	**$767.1**	**$ 605.2**	**$ 17,171.4**

SOURCE: Executive Office for Administration and Finance.
(1) Totals may not add due to rounding.
(2) Includes adjustment of $30.2 million on the account of the first quarter, $36.7 million on the account of the second quarter, $36.2 million on account of the third quarter and an anticipated $26.9 million on account of the fourth quarter related to the inflation-adjusted floor applicable to tax receipts dedicated to the MBTA.

The tax revenue increase of $284.4 million from fiscal 2009 is attributable in large part to an increase of approximately $743 million, or 19.2%, in sales and use tax collections, an increase of approximately $21 million, or 1.0%, in corporate and business collections, offset by a decrease of approximately $473 million, or 4.5%, in income tax collections. The tax revenue figures from the Department of Revenue indicate that fiscal 2010 tax collections were $84 million above the revised fiscal 2010 estimate of $18.460 billion announced by the Secretary of Administration and Finance on January 7, 2010. See the June Information Statement under the heading "COMMONWEALTH REVENUES AND EXPENDITURES – Tax Revenue Forecasting."

Fiscal 2011

On June 30, 2010 the Governor approved the fiscal 2011 budget, which totaled $27.570 billion. The Governor vetoed approximately $457 million from the budget that was enacted by the Legislature. Such vetoes included $372 million of appropriations funded from additional federal Medicaid matching funds (FMAP) that were assumed in the budget, but which the United States Congress had not yet approved. (As described below, the FMAP extension legislation was subsequently approved.) A six-month extension of the enhanced FMAP rate was anticipated in the Governor's fiscal 2011 budget proposals filed in January, as well as in both the House and Senate versions of the budget. See the June Information Statement under the heading "FISCAL 2010 AND FISCAL 2011 – Fiscal 2011 Budget Proposals." In addition, the budget enacted by the Legislature included $54 million in anticipated federal assistance for needy families that has not yet been approved by Congress. The budget enacted by the Legislature also included approximately $21 million in Lottery revenues in excess of revenue projections given by the State Lottery Commission. The Governor vetoed certain funding in the fiscal 2011 budget to solve for the exposures anticipated at that time.

The fiscal 2011 budget included a $100 million withdrawal from the Stabilization Fund, the use of fiscal 2011 interest earnings on the Stabilization Fund and an additional $95 million in savings by suspending the statutory carryover of the General Fund balance into fiscal 2012. Taking all that into account, the Stabilization Fund was projected, when the fiscal 2011 budget was signed into law, to have a $556 million balance at the end of fiscal 2011. The fiscal 2011 budget also relies on $809 million in remaining available federal funds under the American Recovery and Reinvestment Act of 2009.

On August 5, 2010, the Governor signed into law legislation relating to economic development that includes four sets of provisions affecting tax revenues:

- The legislation extends the net operating loss carry-forward period for specified categories of taxpayers (generally including business corporations but not financial institutions or utility corporations) filing under the corporate excise tax from five years to 20 years, for losses sustained in tax years beginning in calendar year 2010. The Department of Revenue estimates that the static revenue loss under this provision will be approximately $4.7 million in fiscal 2016, $12.6 million in fiscal 2017, $19.8 million in fiscal 2018, $25.5 million in fiscal 2019, and $30.3 million in fiscal 2020. The Department of Revenue estimates that the static revenue loss under this provision will increase annually until the tax law change is fully phased in by fiscal 2031, at which point the annual revenue loss will be approximately $92.2 million.

- The legislation institutes a reduced 3% capital gains tax rate under the individual income tax for sale of investments in certain Massachusetts-based start-ups. The new rate takes effect for tax years beginning on or after January 1, 2011 with respect to investments in corporations incorporated on or after January 1, 2011, but a three-year holding period is required. The Department of Revenue estimates that this provision will result in a static revenue loss of $0.1 million in fiscal 2014, $0.7 million in fiscal 2015, $2.3 million in fiscal 2016, $4.0 million in fiscal 2017, and $5.7 million in fiscal 2018. The Department of Revenue estimates that the static revenue loss under this provision will increase annually until fiscal 2022, at which point the annual revenue loss will be approximately $13.5 million.

- The legislation provides for the exclusion of income of a non-U.S. corporation from a "water's edge" combined report under the corporate excise tax if the income is not subject to U.S. federal income tax by reason of an exemption in a federal bi-lateral treaty, effective for tax years beginning January 1, 2009. Other income of a non-U.S. corporation that is derived from U.S. sources (as well as income effectively connected with a U.S. trade or business) would continue to be included in the combined group's Massachusetts income tax base in accordance with the combined reporting statute and regulations, including in situations where a federal treaty reduces the federal tax rate on such income but does not completely exempt the income from tax. The Department of Revenue estimates that this provision will result in a revenue reduction or revenue forgone of up to approximately $28 million annually, with a potentially larger revenue loss in fiscal 2011 due to the retroactive nature of the change. See the June Information Statement under the heading "COMMONWEALTH REVENUES AND EXPENDITURES – State Taxes; *Corporate Tax Reform*."

- The legislation established a sales tax holiday on August 14-15, 2010. All non-business retail sales of $2,500 or less were exempt from the Massachusetts sales tax, excluding telecommunications services, motor vehicles, meals, utilities, motor boats, and tobacco products. The Department of Revenue certified on December 29, 2010 that the sales tax holiday resulted in a static revenue loss of approximately $19.9 million in fiscal 2011. See the June Information Statement under the heading "COMMONWEALTH REVENUES AND EXPENDITURES – State Taxes; *Sales and Use Tax*."

On August 10, 2010, the President signed a $26 billion state-aid package that would provide additional federal funding to the states for Medicaid and teachers' pay. This measure extends the FMAP rate originally set to expire December 31, 2010 to June 30, 2011, which is expected to provide approximately $449 million in additional Medicaid reimbursement to the Commonwealth. The state-aid package is also expected to provide approximately $204 million to the Commonwealth to retain or hire teachers at local school districts.

On September 8, 2010, the Commonwealth novated its swap agreement with Ambac Financial Services, LLC initially entered into with respect to the Commonwealth's General Obligation Refunding Bonds, 1997 Series B. As part of the novation, Ambac Financial Services, LLC transferred all of its rights, liabilities, duties and obligations with respect to such swap to SMBC Capital Markets, Inc. The Commonwealth pays a fixed rate of 4.659% to SMBC and SMBC pays the Commonwealth a variable rate equal to the SIFMA Index.

On October 15, 2010 the Governor approved supplemental budget legislation that included approximately $419 million in supplemental appropriations in order to preserve program funding for safety net services and public safety functions. This additional funding was supported with $399 million of the $449 million in estimated additional federal revenues to be provided to the Commonwealth in fiscal 2011 from the August 2010 extension of the FMAP rate through June 30, 2011. This leaves $50 million in such revenues currently unexpended. The legislation also eliminated the planned fiscal 2011 withdrawal of $100 million from the Stabilization Fund and restored the "statutory carry forward" in fiscal 2011, worth approximately $95 million. Of the $419 million in supplemental funding, approximately $327 million was provided for the MassHealth program. The Commonwealth receives additional federal Medicaid reimbursements for these expenditures, leaving the "net" total amount of supplemental funding at approximately $203 million.

On January 4, 2011 the Governor approved $330 million in supplemental appropriations, including $258 million for the MassHealth program, $20 million for the Commonwealth Care Bridge Program and $16 million for the emergency assistance shelter program.

On January 18, 2011 the Secretary of Administration and Finance, in consultation with the chairs of the House and Senate Committees on Ways and Mean and based on available data on tax revenue collections and economic trends, revised the fiscal 2011 tax revenue estimate from $19.078 billion to $19.784 billion. The Secretary also revised the non-tax revenue estimate to account for, among other non-tax revenue items, the fact that the Secretary no longer expects approximately $160 million in estimated fiscal 2011 revenues tied to reimbursement for certain costs associated with the Special Disability Workload, owed by the federal government to the Commonwealth, to be received in fiscal 2011. When the fiscal 2011 budget was signed into law, it appeared likely that the United States Congress would fund these amounts owed to states before the November, 2010 elections. However, the Secretary of Administration and Finance is now less confident that the Commonwealth will receive this amount from the federal government in fiscal 2011.

On January 26, 2011, the Governor filed legislation requesting supplemental fiscal 2011 appropriations totaling $311.7 million, including $183.3 million for additional payments from the Medical Assistance Trust Fund to hospitals (these payments will be entirely supported by offsetting federal revenues in fiscal 2011), $32.6 million for a reserve for the Trial Court to support collective bargaining increases for OPEIU Local 6, $25 million for additional projected snow and ice removal costs, $14.4 million to support cash assistance caseload spending at the Department of Transitional Assistance, $25 million for additional funding to support Underground Storage Tank reimbursements, $8.2 million for the operations of the Fernald Development Center in Waltham (which has remained open beyond projected closure dates) and $6 million for projected caseload spending by the Department of Housing and Community Development for Emergency Assistance family homeless shelters.

In addition, the legislation provides for other requests such as line item transfer authority for MassHealth and the Department of Early Education and Care to manage caseload and utilization changes, and authorization for the Secretary of Administration and Finance to fund the statutorily required deposit into the Stabilization Fund of 0.5% of total tax revenue. This deposit was suspended in the fiscal 2011 budget. The value of this deposit is projected to be $95 million and would result in a projected fiscal 2011 ending balance of $770 million in the Stabilization Fund.

Preliminary tax revenues for the first seven months of fiscal 2011, ended January 31, 2011, totaled approximately $11.649 billion, an increase of approximately $1.091 million, or 10.3%, over the same period in fiscal 2010. The following table shows the tax collections for the first seven months of 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)

Month	Tax Collections	Change from Prior Year	Percentage Change	MBTA Portion(3)	MSBA Portion	Tax Collections: Net of MBTA and MSBA
July	$1,352.7	$102.1	8.2%	$60.3	$60.3	$1,232.1
August	1,385.6	89.1	6.9	55.3	55.3	1,275.0
September	2,015.1	249.2	14.1	76.2	51.9	1,887.1
October	1,342.9	118.0	9.6	55.3	55.3	1,232.3
November	1,426.6	137.9	10.7	52.9	52.9	1,320.8
December	2,072.3	186.4	9.9	83.5	54.5	1,934.2
January(1)	2,053.5	208.3	11.3	66.1	66.1	1,921.4
Total (2)	**$ 11,648.6**	**$1,091.1**	**10.3%**	**$449.6**	**$396.3**	**$10,802.8**

SOURCE: Executive Office for Administration and Finance.
(1) Figures are preliminary.
(2) Totals may not add due to rounding.
(3) Includes adjustments of $24.3 million on account of the first quarter and $29 million on account of the second quarter.

The year-to-date tax revenue increase of approximately $1.091 billion through January 31, 2011 from the same period in fiscal 2010 is attributable in large part to an increase of approximately $395.7 million, or 7.7%, in withholding collections, an increase of approximately $239.0 million, or 24.9%, in income estimated payments, a decrease of approximately $105.8 million, or 28.0%, in income refunds, an increase of approximately $289.5 million, or 10.8%, in sales and use tax collections, and an increase of approximately $54.9 million, or 5.9%, in corporate and business tax collections. Year-to-date fiscal 2011 tax collections (through January) were approximately $28 million above the revised benchmark estimate, which is based on 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 June Information Statement under the heading "COMMONWEALTH REVENUES AND EXPENDITURES – Tax Revenue Forecasting; *Fiscal 2011*.

Fiscal 2012

On January 18, 2011, a fiscal 2012 consensus tax revenue estimate of $20.525 billion was agreed upon by the Secretary of Administration and Finance and the chairs of the House and Senate Committees on Ways and Means. The fiscal 2012 consensus tax revenue estimate of $20.525 billion represents revenue growth of 3.7% actual and 5.3% baseline from the revised fiscal 2011 estimate of $19.784 billion.

On January 26, 2011, the Governor filed with the Legislature his budget recommendations for fiscal 2012. The Governor's recommendations call for total spending in fiscal 2012 to be less than total anticipated spending in fiscal 2011 by $570 million, or 1.8%, after accounting for close to $400 million of off-budget spending in fiscal 2011 for Chapter 70 education aid, higher education and special education from federal stimulus funds that would otherwise be accounted for within the state budget. After accounting for one-time resources supporting the fiscal 2011 budget and estimated changes in tax and non tax revenues, the total available resources expected to be available in fiscal 2012 are $1.2 billion less than fiscal 2011. The Governor has proposed $627 million in additional resources to support the fiscal 2012 budget, resulting in a total budget that is $570 million below fiscal 2011 estimated spending. Of the $627 million in additional resources, $385 million are considered by the Executive Office for Administration and Finance to be one-time resources, including a withdrawal of $200 million from the Stabilization Fund. The $200 million withdrawal from the Stabilization Fund leaves a projected fiscal 2012 ending balance of approximately $570 million. The Governor's fiscal 2012 budget recommendations also include a proposal to require any one-time litigation or tax settlements in excess of $10 million to be deposited into the Stabilization Fund. The $385 million in fiscal 2012 one-time resources is an approximate $1.5 billion decrease from one-time resources currently assumed in the fiscal 2011 budget.

In addition to the $200 million withdrawal from the Stabilization Fund, the fiscal 2012 budget recommendation includes the following revenue proposals: $99 million in additional abandoned property revenues above the roughly $90 million that are typically collected each year; $46 million from the delay of the FAS 109 deduction, which will become effective in the next tax year; $8 million in state revenues from clarifying that hotel resellers must collect hotel occupancy taxes on their mark-ups; $78 million from additional federal Medicaid revenue adopted under a waiver with the Centers for Medicare and Medicaid Services; $61.5 million from enhanced tax collection activities performed by the Department of Revenue; $40 million in revenue maximization efforts to optimize federal revenue and other sources; $20 million from the modernization of bottle redemption laws to include a broader group of beverage sales subject to the 5¢ bottle deposit; $20 million from making technical clarifications to the state's existing corporate sales factor rules; $25 million from contributions from quasi-public authorities; and other revenue initiatives totaling $30 million in fiscal 2012.

Included in the Governor's fiscal 2012 budget, or in legislation filed concurrently with the budget recommendations, are a number of reform initiatives including: pension reform, criminal justice reform, homeless shelter reform and a municipal relief package. Many of these and other reform proposals are expected to generate savings that have been assumed in the Governor's fiscal 2012 budget proposal. The Governor's budget proposal also assumes growth in spending for the Commonwealth's health care coverage programs, including MassHealth, Commonwealth Care and the Group Insurance Commission, will be avoided in fiscal 2012 based on new procurement and enrollment strategies expected to drive care to lower-cost settings. With respect to MassHealth, other steps to control growth in costs are also being taken, including reductions in provider and managed care plan rates, reductions in certain optional benefits and increases in certain co-payments. In the absence of these steps to control growth in costs, the Executive Office for Administration and Finance estimates that costs in the Commonwealth's health care coverage programs would grow by approximately $1 billion.

Cash Flow

The Commonwealth ended fiscal 2010 with an overall increase in the non-segregated cash balance from $805.3 million (at the end of fiscal 2009) to $844.2 million, as compared to a projection of $860.2 million in the June 3, 2010 cash flow forecast. See the June Information Statement under the heading "FISCAL 2010 AND FISCAL 2011 – Cash Flow."

On December 3, 2010, the State Treasurer and the Secretary of Administration and Finance released a cash flow statement for fiscal 2011. The fiscal 2011 cash flow statement is based upon the fiscal 2011 budget signed on June 30, 2010 (including the value of all vetoes and subsequent overrides), all supplemental appropriations filed, enacted or anticipated, and all prior appropriations continued into fiscal 2011. See "RECENT DEVELOPMENTS – Fiscal 2011" herein.

The Commonwealth's five-year capital investment plan, which is reviewed annually, calls for approximately $2.3 billion of bonds to be issued in fiscal 2011. This amount includes $1.625 billion in general obligation bonds issued under the bond cap and $675.0 million of borrowing for the accelerated bridge program (which includes $300 million of borrowing for the program carried over from prior fiscal years, as well as $375 million in borrowing for fiscal 2011). Prior year spending of $200 million under the accelerated bridge program bond authorization was temporarily financed with general obligation bond anticipation notes issued in July, 2010. (Such notes were retired with a portion of proceeds of accelerated bridge program bonds issued on December 23, 2010) See "COMMONWEALTH CAPITAL INVESTMENT PLAN," "LONG-TERM LIABILITIES – Special Obligation Debt; *Commonwealth Transportation Fund*" and "LONG-TERM LIABILITIES – Federal Grant Anticipation Notes" herein.

On August 26, 2010 the State Treasurer issued $358 million in general obligation bonds under the bond cap and $1.2 billion in revenue anticipation notes to support the state's cash flow. The revenue anticipation notes are scheduled to mature in late April, 2011, late May, 2011 and late June, 2011. The State Treasurer issued an additional $350 million in general obligation bonds under the bond cap on December 1, 2010. The State Treasurer also issued general obligation refunding bonds on July 29, 2010 (approximately $120.4 million) and September 15, 2010 (approximately $165.6 million) to refund certain Commonwealth bonds that matured on August 1, 2010, October 1, 2010 and November 1, 2010, pursuant to special legislation enacted in conjunction with the fiscal 2011 budget. Both series of refunding bonds were sold on July 23, 2010. The refunding bonds mature in 2014 and 2015.

The next cash flow statement is expected to be released on or about March 1, 2011.

Overview of Fiscal 2010 Non-Segregated Operating Cash Flow (in millions) (1)

(as of August 31, 2010)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Total FY 2010
Opening Non-Segregated Operating Cash Balance	$ 805.3	$ 581.8	$ 837.7	$ 1,033.1	$ 703.4	$ 529.2	$ 890.0	$ 1,271.7	$ 988.4	$ 891.4	$ 1,335.9	$ 1,515.1	$ 805.3
Operating Activities:													
Budgetary Funds:													
Transfer from/(to) Stabilization Fund	0.0	199.0	0.0	0.0	0.0	41.2	0.0	0.9	0.4	(49.0)	0.0	0.0	192.5
Total Budgetary Revenue/Inflows	1,949.0	2,435.1	2,852.1	2,294.5	2,123.1	3,070.8	2,927.6	2,245.9	3,236.9	3,111.3	3,024.4	2,123.0	31,393.6
Total Budgetary Expenditures/Outflows	2,300.5	2,252.4	3,042.8	2,300.9	2,115.7	2,931.6	1,954.4	2,237.2	3,295.5	2,206.3	1,958.6	2,688.8	29,284.8
Net Budgetary Funds	(351.5)	182.6	(190.7)	(6.4)	7.4	139.1	973.2	8.7	(58.7)	905.0	1,065.9	(565.8)	2,108.8
Non Budgetary Funds (Non Budgetary, Higher Ed and Trust Funds):													
Total Non Budgetary Revenue/Inflows	762.0	642.6	736.8	701.0	774.2	526.6	431.8	715.0	759.3	844.0	514.8	1,708.6	9,116.7
Total Non Budgetary Expenditures/Outflows	842.0	806.8	1,167.9	777.1	879.6	973.9	866.7	1,005.0	1,019.1	887.7	815.1	1,173.7	11,214.6
Net Non Budgetary Funds	(80.0)	(164.2)	(431.2)	(76.0)	(105.4)	(447.2)	(435.0)	(290.0)	(259.8)	(43.7)	(300.2)	534.9	(2,097.9)
Net Undesignated Revenue/Inflows and Expenditures/Outflows	0.5	3.2	0.7	2.2	1.6	1.5	9.7	1.6	1.6	1.5	1.3	17.7	43.1
Net Operating Activities	**$ (431.1)**	**$ 21.6**	**$ (621.2)**	**$ (80.3)**	**$ (96.5)**	**$ (306.6)**	**$ 547.9**	**$ (279.7)**	**$ (316.8)**	**$ 862.9**	**$ 766.9**	**$ (13.2)**	**$ 54.0**
Federal Grants:													
Total Federal Grants Revenue/Inflows	611.2	174.1	161.3	159.8	209.7	270.4	233.5	87.9	345.9	392.9	302.1	352.4	3,301.3
Total Federal Grants Expenditures/Outflows	202.0	218.0	165.8	178.2	217.1	287.3	218.0	250.3	313.1	293.7	326.6	334.1	3,004.2
Net Federal Grants	**$ 409.1**	**$ (43.9)**	**$ (4.4)**	**$ (18.4)**	**$ (7.4)**	**$ (16.9)**	**$ 15.5**	**$ (162.5)**	**$ 32.8**	**$ 99.3**	**$ (24.5)**	**$ 18.3**	**$ 297.1**
Capital Funds:													
Total Capital Revenue/Inflows	70.0	238.3	172.9	40.1	105.6	798.6	3.5	302.6	206.7	2.1	316.1	85.0	2,341.6
Total Capital Expenditures/Outflows:	271.6	260.0	269.6	271.1	175.9	244.4	185.2	143.7	169.7	163.8	164.4	324.9	2,644.3
Net Capital Funds	**$ (201.6)**	**$ (21.7)**	**$ (96.7)**	**$ (231.0)**	**$ (70.3)**	**$ 554.2**	**$ (181.7)**	**$ 159.0**	**$ 37.0**	**$ (161.6)**	**$ 151.7**	**$ (239.8)**	**$ (302.7)**
Financing Activities:													
Cash Flow Financing Activities Inflows:													
Commercial Paper	0.0	300.0	0.0	0.0	0.0	430.0	0.0	0.0	150.0	0.0	0.0	0.0	880.0
Revenue Anticipation Notes (RANS)	0.0	0.0	1,217.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,217.9
Total Cash Flow Financing Activities Inflows	0.0	300.0	1,217.9	0.0	0.0	430.0	0.0	0.0	150.0	0.0	0.0	0.0	2,097.9
Cash Flow Financing Activities Outflows:													
Commercial Paper – (Principal + Interest)	0.0	0.0	300.2	0.0	0.0	300.0	0.0	0.0	0.0	0.7	280.0	0.0	881.0
RANS – (Principal + Interest)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	355.3	435.0	436.0	1,226.3
Total Cash Flow Financing Activities Outflows	0.0	0.0	300.2	0.0	0.0	300.0	0.0	0.0	0.0	356.0	715.0	436.0	2,107.3
Net Financing Activities	**$ 0.0**	**$ 300.0**	**$ 917.7**	**$ 0.0**	**$ (0.0)**	**$ 130.0**	**$ (0.0)**	**$ (0.0)**	**$ 150.0**	**$ (356.0)**	**$ (715.0)**	**$ (436.0)**	**$ (9.4)**
Ending Non-Segregated Operating Cash Balance	**$ 581.8**	**$ 837.7**	**$ 1,033.1**	**$ 703.4**	**$ 529.2**	**$ 890.0**	**$ 1,271.7**	**$ 988.4**	**$ 891.4**	**$ 1,335.9**	**$ 1,515.1**	**$ 844.3**	**$ 844.3**

SOURCE: Office of the Treasurer and Receiver-General.

(1) Totals may not add due to rounding.

Overview of Fiscal 2011 Non-Segregated Operating Cash Flow (in millions) (1)

(as of December 3, 2010)

	Jul	Aug	Sep	Oct	Nov (2)	Dec (2)	Jan (2)	Feb (2)	Mar (2)	Apr (2)	May (2)	June (2)	Total FY 2011 (2)
Opening Non-Segregated Operating Cash Balance	$ 844.3	$ 1,082.2	$ 1,852.1	$ 1,715.3	$ 1,522.1	$ 1,149.7	$ 1,124.2	$ 1,572.0	$ 1,273.4	$ 744.8	$ 978.2	$ 1,310.6	$ 844.3
Operating Activities:													
Budgetary Funds:													
Transfer from/(to) Stabilization Fund	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
Total Budgetary Revenue/Inflows	2,599.9	2,357.6	2,956.6	2,468.2	2,267.6	2,853.6	3,005.8	2,211.7	3,150.5	2,989.7	3,200.3	3,300.2	33,361.7
Total Budgetary Expenditures/Outflows	2,267.9	2,155.0	2,979.6	2,083.1	2,765.3	3,263.1	2,442.7	2,434.1	3,473.3	2,362.3	2,316.6	2,929.6	31,472.6
Net Budgetary Funds	332.0	202.6	(22.9)	385.1	(497.7)	(409.5)	563.2	(222.4)	(322.8)	627.4	883.7	370.5	1,889.1
Non Budgetary Funds (Non Budgetary, Higher Ed and Trust Funds):													
Total Non Budgetary Revenue/Inflows	425.5	707.3	686.0	593.0	829.7	750.1	720.9	679.1	710.6	726.8	670.8	703.9	8,203.7
Total Non Budgetary Expenditures/Outflows	935.1	976.2	968.1	999.1	752.4	946.1	845.6	814.6	981.9	855.4	797.5	903.5	10,775.8
Net Non Budgetary Funds	(509.6)	(268.9)	(282.1)	(406.1)	77.3	(195.9)	(124.7)	(135.5)	(271.4)	(128.6)	(126.8)	(199.7)	(2,572.1)
Net Undesignated Revenue/Inflows and Expenditures/Outflows	0.4	1.5	1.6	1.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	13.5
Net Operating Activities	**$ (177.2)**	**$ (64.7)**	**$ (303.4)**	**$ (19.1)**	**$ (419.4)**	**$ (604.4)**	**$ 439.4**	**$ (357.0)**	**$ (593.2)**	**$ 499.7**	**$ 757.9**	**$ 171.9**	**$ (669.5)**
Federal Grants:													
Total Federal Grants Revenue/Inflows	277.5	194.3	278.9	180.7	225.0	278.0	255.0	221.0	221.0	235.0	225.0	275.0	2,866.4
Total Federal Grants Expenditures/Outflows	230.2	332.8	188.1	195.7	224.5	277.3	253.5	222.5	225.2	228.9	222.0	280.0	2,880.8
Net Federal Grants	**$ 47.3**	**$ (138.5)**	**$ 90.8**	**$ (15.0)**	**$ 0.5**	**$ 0.7**	**$ 1.5**	**$ (1.5)**	**$ (4.2)**	**$ 6.1**	**$ 3.0**	**$ (5.0)**	**$ (14.4)**
Capital Funds:													
Total Capital Revenue/Inflows	422.1	0.6	293.0	80.0	275.1	1,044.8	246.9	226.1	244.7	237.6	240.6	340.6	3,652.2
Total Capital Expenditures/Outflows:	254.3	227.5	217.1	239.0	228.6	266.6	240.1	166.2	175.9	160.1	244.0	302.2	2,721.6
Net Capital Funds	**$ 167.8**	**$ (226.9)**	**$ 75.9**	**$ (159.0)**	**$ 46.5**	**$ 778.2**	**$ 6.8**	**$ 59.9**	**$ 68.8**	**$ 77.5**	**$ (3.4)**	**$ 38.4**	**$ 930.6**
Financing Activities:													
Cash Flow Financing Activities Inflows:													
Commercial Paper	200.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	200.0
Revenue Anticipation Notes (RANS)	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	200.0	1,200.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,400.0
Cash Flow Financing Activities Outflows:													
Commercial Paper – (Principal + Interest)	0.0	0.0	0.1	0.0	0.0	200.0	0.0	0.0	0.0	0.0	0.0	0.0	200.1
RANS – (Principal + Interest)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	350.0	425.0	425.0	1,200.0
Total Cash Flow Financing Activities Outflows	0.0	0.0	0.1	0.0	0.0	200.0	0.0	0.0	0.0	350.0	425.0	425.0	1,400.1
Net Financing Activities	**$ 200.0**	**$ 1,200.0**	**$ (0.1)**	**$ (0.0)**	**$ 0.0**	**$ (200.0)**	**$ 0.0**	**$ 0.0**	**$ 0.0**	**$ (350.0)**	**$ (425.0)**	**$ (425.0)**	**$ (0.1)**
Ending Non-Segregated Operating Cash Balance	**$ 1,082.2**	**$ 1,852.1**	**$ 1,715.3**	**$ 1,522.1**	**$ 1,149.7**	**$ 1,124.2**	**$ 1,572.0**	**$ 1,273.4**	**$ 744.8**	**$ 978.2**	**$ 1,310.6**	**$ 1,090.9**	**$ 1,090.9**

SOURCE: Office of the Treasurer and Receiver-General.

(1) Totals may not add due to rounding.

(2) Figures are estimated.

COMMONWEALTH REVENUES AND EXPENDITURES

In fiscal 2010, on a statutory basis, approximately 56.7% of the Commonwealth's budgeted operating revenues and other financing sources were derived from state taxes. In addition, the federal government provided approximately 28.2% of such revenues, with the remaining 15.1% provided from departmental revenues and transfers from non-budgeted funds.

Statutory Basis Distribution of Budgetary Revenues and Expenditures

The following table sets forth the Commonwealth's revenues and expenditures for fiscal 2006 through fiscal 2010 and projected revenues and expenditures for fiscal 2011.

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

	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Projected Fiscal 2011
Beginning Fund Balances						
Reserved or Designated	$ 355.6	$ 947.2	$ 351.3	$ 171.5	$ 68.9	$121.9
Bay State Competitiveness Investment Fund	-	-	100.0	-	-	-
Transitional Escrow Fund	304.8	-	-	-	-	-
Stabilization Fund	1,728.4	2,154.7	2,335.0	2,119.2	841.3	669.8
Undesignated	98.4	106.2	114.7	115.1	106.4	111.3
Total	**2,487.2**	**3,208.1**	**2,901.0**	**2,405.8**	**1,016.5**	**903.1**
Revenues and Other Sources						
Alcoholic Beverages	68.9	71.0	71.2	71.9	71.0	71.9
Banks	349.9	340.9	547.8	242.6	234.9	108.5
Cigarettes	435.3	438.1	436.9	456.8	456.2	453.1
Corporations	1,390.7	1,587.6	1,512.2	1,548.6	1,600.3	1,828.9
Deeds	210.1	194.1	153.9	105.5	137.9	115.7
Income	10,483.4	11,399.6	12,483.8	10,583.7	10,110.3	10,926.6
Inheritance and Estate	196.3	249.6	254.0	259.7	221.4	242.1
Insurance	448.5	418.6	417.7	356.7	330.0	348.2
Motor Fuel	671.8	676.1	672.2	654.0	654.6	665.1
Public Utilities	118.5	178.3	120.2	(1.7)	(0.3)	(10.6)
Room Occupancy	105.8	111.1	119.2	109.5	101.6	112.7
Sales:						
Regular	2,864.7	2,927.7	2,952.2	2,799.7	3,282.8	3,477.7
Meals	584.1	608.7	632.9	629.6	759.6	813.1
Motor Vehicles	555.5	531.1	501.6	439.3	569.3	614.5
Sub-Total–Sales	4,004.3	4,067.5	4,086.7	3,868.6	4,611.7	4,905.3
Miscellaneous	4.0	3.8	3.1	3.3	14.1	16.7
Total Tax Revenues	**18,487.4**	**19,736.3**	**20,879.2**	**18,259.5**	**18,543.7**	**19,784.0**
MBTA Transfer	(712.6)	(734.0)	(756.0)	(767.1)	(767.1)	(767.1)
MSBA Transfer	(488.7)	(557.4)	(634.7)	(702.3)	(605.2)	(654.7)
Total Budgeted Operating Tax Revenues	**17,286.2**	**18,444.9**	**19,488.5**	**16,790.0**	**17,171.4**	**18,362.2**
Federal Reimbursements	5,210.1	6,167.6	6,429.5	8,250.9	8,548.8	8,961.3
Departmental and Other Revenues	2,094.3	2,218.4	2,355.9	2,326.2	2,800.9	2,933.8
Inter-fund Transfers from Non-budgeted Funds and other sources (2)	1,714.9	1,785.0	2,039.3	1,850.3	1,788.8	1,857.1
Budgeted Revenues and Other Sources	**26,305.5**	**28,615.9**	**30,313.2**	**29,217.4**	**30,310.0**	**32,114.4**
Inter-fund Transfers	1,358.1	552.9	2,226.3	1,963.8	770.8	397.7
Total Budgeted Revenues and Other Sources	**$27,663.6**	**$29,168.8**	**$32,539.5**	**$31,181.2**	**$31,080.8**	**$32,512.1**
Expenditures and Uses						
Direct Local Aid	$4,430.0	$4,805.2	$5,040.5	$4,723.6	$4,837.4	$4,784.7
Medicaid (3)	6,852.5	7,550.4	8,246.3	8,679.2	9,287.6	10,238.3

	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010	Projected Fiscal 2011
Other Health and Human Services	4,433.6	4,625.3	4,796.5	4,828.3	4,616.6	4,671.7
Group Insurance	963.7	1,022.3	852.5	973.1	1,063.8	1,246.1
Department of Elementary and Secondary Education	408.6	459.0	485.8	495.9	358.1	422.4
Higher Education	987.8	1,115.7	1,084.4	1,035.5	845.6	936.9
Department of Early Education and Care	387.1	507.1	549.9	560.3	513.5	510.3
Public Safety	1,288.0	1,399.2	1,544.4	1,514.3	1,423.2	1,422.4
Energy and Environmental Affairs	202.0	238.5	227.1	215.9	202.2	190.0
Debt Service	1,826.7	2,234.4	1,990.1	2,011.7	1,979.9	2,001.3
Post Employment Benefits (4)	1,274.7	1,335.2	1,398.6	1,314.4	1,748.6	1,838.9
Other Program Expenditures	2,138.7	2,364.9	2,414.1	2,350.9	2,509.0	2,122.6
Total - Programs and Services before transfers to Non-budgeted funds	**25,193.4**	**27,657.2**	**28,630.2**	**28,703.1**	**29,384.5**	**30,385.6**
Inter-fund Transfers to Non-budgeted Funds						
Commonwealth Care Trust Fund	-	722.1	1,045.9	987.6	631.7	722.0
State Retiree Benefit Trust Fund (4)	-	-	354.7	352.0	-	-
Medical Assistance Trust Fund	70.0	364.0	376.7	374.0	313.3	640.6
Massachusetts Transportation Trust Fund	-	-	-	-	-	195.1
Other	321.2	179.6	400.9	189.9	94.1	175.0
Total Inter-Fund Transfers to Non-Budgeted Funds	**391.2**	**1,265.7**	**2,178.2**	**1,903.5**	**1,039.1**	**1,732.7**
Budgeted Expenditures and Other Uses	**25,584.6**	**28,922.9**	**30,808.4**	**30,606.6**	**30,423.6**	**32,118.3**
Inter-fund Transfers	1,358.1	553.0	2,226.3	1,963.8	770.8	397.74
Total Budgeted Expenditures and Other Uses	**26,942.7**	**29,475.9**	**33,034.7**	**32,570.4**	**31,194.4**	**32,516.0**
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	**720.9**	**(307.1)**	**(495.2)**	**(1,389.2)**	**(113.6)**	**(3.9)**
Ending Fund Balances						
Reserved or Designated (5)	947.2	351.3	171.5	68.9	122.0	10.8
Bay State Competitiveness Investment Fund	-	100.0	-	-	-	-
Transitional Escrow Fund	-	-	-	-	-	-
Stabilization Fund	2,154.7	2,335.0	2,119.2	841.3	669.8	769.2
Undesignated	106.2	114.7	115.1	106.4	111.3	118.2
Total	**$3,208.1**	**$2,901.0**	**$2,405.8**	**$1,016.6**	**$903.1**	**$898.2**

SOURCES: Fiscal 2006-2010, Office of the Comptroller; fiscal 2011, Executive Office for Administration and Finance.
(1) Totals may not add due to rounding.
(2) 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.
(3) Excludes off-budget Medicaid spending in fiscal 2006 and fiscal 2007 estimated at $292 million and $290 million, respectively. Fiscal 2006 through fiscal 2010 include program administration.
(4) Starting in fiscal 2010 Post Employment Benefits include budgeted pension transfers and State Retiree Benefit Trust Fund.
(5) Consists largely of appropriations from previous years, authorized to be expended in current years.

State Taxes

On November 2, 2010, the initiative petition that would have reduced the sales and use tax rates to 3% was defeated by voters. However, the initiative petition to remove the sales tax on alcoholic beverages effective January 1, 2011 was passed by voters. The Department of Revenue estimates the tax revenue loss resulting from this change will be approximately $46 million for fiscal 2011 and between $105 million to $116 million annually thereafter. See the June Information Statement under the heading "COMMONWEALTH REVENUES AND EXPENDITURES – State Taxes; *Sales and Use Tax*."

Federal and Other Non-Tax Revenues

Lottery Revenues. The Lottery's operating revenues for fiscal 2010 were $989.7 million. The result was a surplus of $55.4 million against the assumed $934.3 million budget to fund various commitments appropriated by the Legislature from the State Lottery Fund and Arts Lottery Fund, including Lottery administrative expenses, and $758.8 million in appropriations for local aid to cities and towns, with the balance of $55.4 million to be transferred to the General Fund for the general activities of the Commonwealth.

As enacted, the fiscal 2011 budget assumed total transfers from the Lottery of $1.008 billion to fund various commitments appropriated by the Legislature from the State Lottery Fund and the Arts Lottery Fund, including Lottery administrative expenses, and $812.2 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. This legislative assumption exceeded the revenue projections given by the State Lottery Commission for fiscal 2011 ($986.8 million) by approximately $21 million. This deficiency, along with other budgetary exposures, was addressed by the Governor with vetoes when he signed the fiscal 2011 budget. See "RECENT DEVELOPMENTS – Fiscal 2011." In December, 2010, the State Lottery Commission reduced its projection from $986.8 million to $960.5 million. The current estimated deficiency for budgetary distributions to be funded by lottery proceeds is $27.6 million.

Employee Benefits

Pension. As of January 1, 2010, the Massachusetts State Employees' Retirement System ("MSERS") had 85,839 active members and 52,486 retirees and beneficiaries, the Massachusetts Teachers' Retirement System ("MTRS") had 88,673 active members and 53,951 retired members and beneficiaries, and the Boston Teachers' Retirement System had 5,564 active members and 3,916 retired members and beneficiaries. Legislation approved in 2010 allows the $12,000 base for annual cost-of-living allowance increases to be increased in multiples of $1,000 for local systems by a majority vote of the local retirement board, subject to approval of the local legislative body. See the June Information Statement under the heading "COMMONWEALTH REVENUES AND EXPENDITURES – Employee Benefits; *Pension.*"

Unfunded Actuarial Accrued Liability. On October 1, 2010, pursuant to Chapter 32 of the Massachusetts General Laws, the Public Employee Retirement Administration Commission (PERAC) released its actuarial valuation of the total pension obligation as of January 1, 2010. 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, 2009.

The unfunded actuarial accrued liability as of that date for the total obligation was approximately $19.986 billion, including approximately $5.843 billion for the MSERS, $12.477 billion for the MTRS, $1.364 billion for Boston Teachers and $302 million for cost-of-living increases reimbursable to local systems. The valuation study estimated the total actuarial accrued liability as of January 1, 2010 to be approximately $61.576 billion (comprised of $24.862 billion for MSERS, $33.739 billion for MTRS, $2.672 billion for Boston Teachers and $302 million for cost-of-living increases reimbursable to local systems). Total assets were valued on an actuarial basis at approximately $41.590 billion based on a five-year average valuation method, which equaled 110% of the January 1, 2010 total asset market value. The valuation method was the same as the method used in the 2009 valuation. See the June Information Statement under the heading "COMMONWEALTH REVENUES AND EXPENDITURES – Employee Benefits; *Unfunded Actuarial Accrued Liability.*"

The following table shows the valuation of accrued liabilities and assets from 2006 through 2010:

Pension Fund Valuation and Unfunded Accrued Liabilities (in millions)

			Unfunded Accrued Liabilities	
Valuation Date	Total Actuarial Accrued Liability	Actuarial Value of Assets(1)	Unfunded Actuarial Liability(2)	Market Value of Unfunded Liability
January 1, 2006	$50,865	$36,377	$14,488	$11,844
January 1, 2007	53,761	40,412	13,349	8,859
January 1, 2008	56,637	44,532	12,105	7,402
January 1, 2009	59,142	37,058	22,084	25,453
January 1, 2010	61,576	41,589	19,986	23,767

SOURCE: Public Employee Retirement Administration Commission.
(1) Based on five-year average smoothing methodology.
(2) Based on actuarial valuation.

On January 18, 2011, the Secretary for Administration and Finance filed a new triennial schedule that would extend by 15 years the deadline for amortizing the unfunded liability to zero, from June 30, 2025 to June 30, 2040. The other assumptions underlying the new funding schedule include valuation of assets and liabilities as of January 1, 2010, an annual rate of return on assets of 8.25%, and an amortization growth rate of 5 to 6% during fiscal years 2013 to 2017. The fiscal 2012 transfer included in that schedule is $1.478 billion, a $36 million increase over fiscal 2011. The fiscal 2011 through fiscal 2040 transfers are as follows:

Fiscal Year	Payments	Fiscal Year	Payments
2011	$1,442,000	2026	$2,955,572
2012	1,478,000	2027	3,084,218
2013	1,552,000	2028	3,218,582
2014	1,630,000	2029	3,358,926
2015	1,728,000	2030	3,505,522
2016	1,831,000	2031	3,658,655
2017	1,941,000	2032	3,818,623
2018	2,104,651	2033	3,985,740
2019	2,195,628	2034	4,160,331
2020	2,290,619	2035	4,342,740
2021	2,389,802	2036	4,533,325
2022	2,493,369	2037	4,732,461
2023	2,601,517	2038	4,940,543
2024	2,714,454	2039	5,157,980
2025	2,832,397	2040	5,385,205

SOURCE: Executive Office for Administration and Finance

On the same day, the Governor filed legislation proposing pension reforms in addition to those adopted by the passage of pension reform legislation in June, 2009. The additional reforms include 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. The legislation also incorporates the new pension funding amounts for the next six years rather than the statutorily required three, and requires that any adjustments to these amounts based on the next triennial schedule shall be limited to increases in the schedule amounts for each of the specified years. 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.

Other Post-Retirement Benefit Obligations (OPEB). In October, 2010, a new independent actuarial report on the Commonwealth's Other Post-Employment Benefits (OPEB) was released. See the June Information Statement under the heading "COMMONWEALTH REVENUES AND EXPENDITURES – Employee Benefits; *Other Post-Retirement Benefit Obligations (OPEB)*." The report estimated an actuarial accrued liability for the Commonwealth for OPEB obligations earned through January 1, 2010 of $15.166 billion. This is a slight drop from the January 1, 2009 liability. The decline is largely due to census changes and per-capita adjustments. The Executive Office for Administration and Finance also estimates that the increased retirement ages for new employees proposed by the Governor on January 18, 2011would reduce retiree health benefit costs by $1 billion for the Commonwealth and $1 billion for municipalities over the next 30 years.

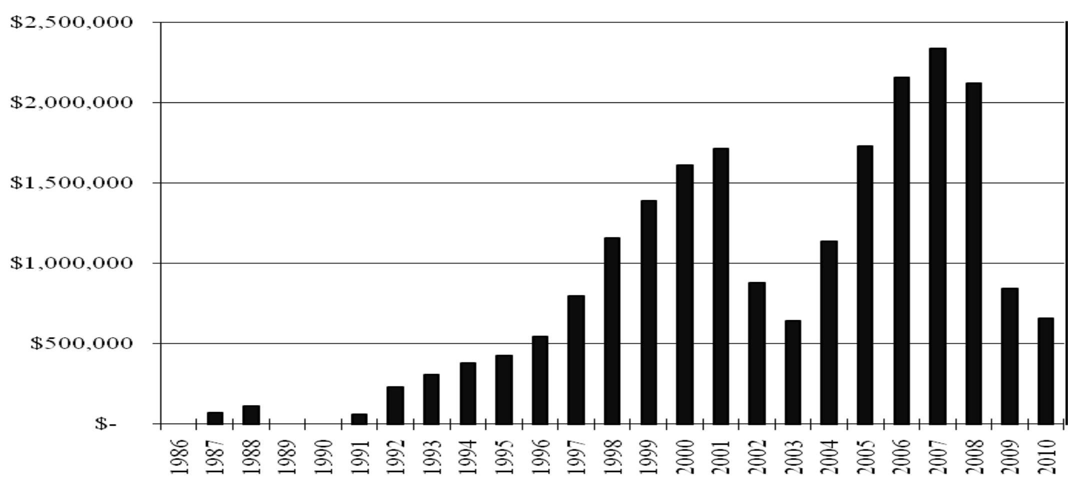
As of November 1, 2009, at the inception of the newly formed Massachusetts Department of Transportation (MassDOT), the employees of the former Massachusetts Turnpike Authority (MTA) became eligible to participate in the Commonwealth's OPEB plan. All other employees of MassDOT were members of the plan prior to the creation of MassDOT and remain so. The MTA OPEB liability for its 1,057 active members and 979 retirees was last valued in June, 2008 at $179.5 million. These liabilities are included in the Commonwealth's liability.

As proposed by the Governor, legislation included in the fiscal 2011 budget amended state finance law to require deposits, on an annual basis, to the State Retiree Benefits Trust Fund in the amount of 5% of any capital gains tax revenues in excess of $1 billion.

SELECTED FINANCIAL DATA

The following chart shows the Stabilization Fund balance from fiscal 1986 through fiscal 2010.

Stabilization Fund Balance (in thousands)



SOURCE: Office of the Comptroller.

The following table shows the sources and uses of the Stabilization Fund during fiscal 2006 through fiscal 2010:

Stabilization Fund Sources and Uses (in thousands)

	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010
Beginning fund balances	$1,728,355	$2,154,664	$2,335,021	$2,119,194	$841,344
Revenues and Other Sources					
Consolidated net surplus	353,990	90,883	-	64,747	11,269
Lottery transfer taxes	4,204	2,680	2,243	2,436	1,982
CA/T project cost recoveries	-	-	-	-	
Investment income	68,115	86,794	96,930	43,967	21,782
Transfers due to fund consolidation	-	-	-	-	-
Excess permissible tax revenue	20,000	-	-	-	-
Transfer from Transitional Escrow Fund	-	-	-	-	-
Total Revenues and Other Sources	446,309	180,357	99,173	111,150	35,033
Total Expenditures and Other Uses	20,000	-	315,000	1,389,000	206,574
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	426,309	180,357	(215,827)	(1,227,850)	(171,541)
Ending fund balances	$2,154,664	$2,335,021	$2,119,194	$841,344	669,803
Allowable Stabilization Fund Balance	**$3,945,820**	**$4,292,382**	**$4,546,976**	**$4,382,687**	**4,546,502**

SOURCE: Office of the Comptroller.

LONG-TERM LIABILITIES

Special Obligation Debt

Commonwealth Transportation Fund. On December 23, 2010 the State Treasurer issued approximately $576.1 million of special obligation bonds secured by a pledge of certain revenues credited to the Commonwealth Transportation Fund (CTF Bonds) to fund a portion of the Commonwealth's accelerated structurally deficient bridge program. The Commonwealth elected to issue such bonds as Build America Bonds (BABs) (approximately $419.8 million) and Recovery Zone Economic Development Bonds (RZEDBs) (approximately $156.4 million) for purposes of the American Recovery and Reinvestment Act of 2009. Such election entitles the Commonwealth to receive cash subsidy payments from the federal government equal to 35% of the debt service payable on the BABs and 45% of the debt service payable on the RZEDBs provided, in both cases, the Commonwealth makes certain required filings in accordance with applicable federal rules. Such subsidy payments are treated under federal law as overpayments of tax and, accordingly, are subject to offset against certain amounts that may be owed by the Commonwealth to the federal government or its agencies. Under current law, such payments received by the Commonwealth are required to be deposited in the General Fund and thus do not secure the CTF Bonds. The Executive Office for Administration and Finance intends to seek legislative authority to provide that such payments will be pledged to secure the CTF Bonds. See the June Information Statement under the heading "LONG-TERM LIABILITIES – Special Obligation Debt; *Commonwealth Transportation Fund*."

Federal Grant Anticipation Notes

On December 23, 2010 the State Treasurer issued approximately $480.5 million of federal grant anticipation notes to refund a portion of the Commonwealth's outstanding federal grant anticipation notes (approximately $380.5 million) and to finance a portion of the Commonwealth's accelerated structurally deficient bridge program ($100 million). The new-money notes were issued as BABs, entitling the Commonwealth to receive cash subsidy payments from the federal government equal to 35% of the debt service payable on such bonds provided the Commonwealth makes certain required filings in accordance with applicable federal rules. Such subsidy payments are treated under federal law as overpayments of tax and, accordingly, are subject to offset against certain amounts that may be owed by the Commonwealth to the federal government or its agencies. Under current law, such payments received by the Commonwealth are required to be deposited in the General Fund and thus do not secure such notes. The Executive Office for Administration and Finance intends to seek legislative authority to provide that such payments will be pledged to secure the notes. The refunding notes are secured by the same senior lien on federal highway receipts and other pledged funds that secures other outstanding federal grant anticipation notes, except that the back-up 10¢-per-gallon gasoline tax pledge is now subordinated to the general pledge of Commonwealth Transportation Fund receipts associated with the CTF Bonds, and that senior lien has been closed to future issuance of debt. The new-money notes are subordinated to the refunding notes and other senior federal grant anticipation notes, but are also secured by a back-up pledge of net amounts in the Commonwealth Transportation Fund after application of such amounts in accordance with the trust agreements securing the CTF Bonds, the senior federal grant anticipation notes and previously issued gasoline tax bonds. See the June Information Statement under the heading "LONG-TERM LIABILITIES – Federal Grant Anticipation Notes."

Debt Service Requirements

The following table sets forth, as of December 31, 2010, 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.

Debt Service Requirements on Commonwealth Bonds as of December 31, 2010 through Maturity (in thousands) (1)

General Obligation Bonds

Period Ending	Principal	Compounded Interest	Gross Interest	Build America Bonds Subsidies	Net Interest	Debt Service
6/30/2011	$441,960		$419,248	$(17,887)	$401,361	$843,321
6/30/2012	1,136,903	$8,266	808,577	(36,557)	772,019	1,917,188
6/30/2013	1,235,334	9,413	757,144	(36,557)	720,587	1,965,334
6/30/2014	1,101,097	7,735	707,370	(36,557)	670,813	1,779,645
6/30/2015	1,042,773	7,686	658,609	(36,557)	622,052	1,672,511
6/30/2016	1,071,720	6,652	611,164	(36,557)	574,607	1,652,979
6/30/2017	861,153	4,877	564,273	(36,557)	527,716	1,393,746
6/30/2018	768,441	3,868	524,666	(36,557)	488,109	1,260,418
6/30/2019	773,835	3,310	486,123	(36,557)	449,556	1,226,712
6/30/2020	831,562	2,594	447,940	(36,300)	411,640	1,245,796
6/30/2021	1,093,503	2,194	400,519	(35,014)	365,505	1,461,202
6/30/2022	921,884	1,968	351,301	(32,698)	318,603	1,242,455
6/30/2023	673,804	1,782	311,392	(31,412)	279,980	955,566
6/30/2024	624,362	1,446	279,286	(31,295)	247,991	873,799
6/30/2025	574,429	1,246	250,411	(31,295)	219,116	794,791
6/30/2026	503,843	1,121	224,052	(30,776)	193,276	698,240
6/30/2027	445,228	1,067	201,095	(30,203)	170,892	617,188
6/30/2028	400,558	1,116	181,509	(28,953)	152,556	554,230
6/30/2029	550,408	522	159,559	(26,687)	132,872	683,802
6/30/2030	604,494	288	131,111	(22,892)	108,219	713,001
6/30/2031	517,190		97,983	(16,808)	81,175	598,471
6/30/2032	258,715		82,021	(14,776)	67,245	325,960
6/30/2033	187,300		69,908	(12,440)	57,468	244,768
6/30/2034	188,585		60,460	(11,068)	49,392	237,977
6/30/2035	196,755		50,745	(9,647)	41,098	237,853
6/30/2036	205,130		40,643	(8,177)	32,466	237,596
6/30/2037	214,730		30,106	(6,654)	23,452	238,182
6/30/2038	194,135		19,102	(5,077)	14,025	208,160
6/30/2039	123,805		10,940	(3,445)	7,495	131,300
6/30/2040	91,905		4,596	(1,609)	2,988	94,893
TOTAL	**$17,835,542**	**$67,258**	**$8,941,856**	**($737,570)**	**$8,204,286**	**$26,107,087**

Federal Highway Grant Anticipation Notes

Period Ending	Principal	Gross Interest	Build America Bonds Subsidies	Net Interest	Debt Service
6/30/2011	$45,065	$ 16,885	$ (714)	$16,171	$61,236
6/30/2012	156,405	32,257	(1,494)	30,763	187,168
6/30/2013	161,285	26,876	(1,494)	25,382	186,667
6/30/2014	170,710	17,451	(1,494)	15,957	186,668
6/30/2015	178,390	9,773	(1,494)	8,279	186,669
6/30/2016	11,390	4,098	(1,434)	2,664	14,054
6/30/2017	11,635	3,720	(1,302)	2,418	14,053
6/30/2018	11,925	3,277	(1,147)	2,130	14,055
6/30/2019	12,245	2,780	(973)	1,807	14,052
6/30/2020	12,600	2,235	(782)	1,453	14,053
6/30/2021	12,985	1,648	(577)	1,071	14,056
6/30/2022	13,390	1,020	(357)	663	14,053
6/30/2023	13,830	348	(122)	226	14,056
TOTAL	**$811,855**	**$122,368**	**($13,383)**	**$108,983**	**$920,839**

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

	Special Obligation Revenue Bonds (Gas Tax)			Special Obligation Revenue Bonds (Convention Center)			Special Obligation Revenue Bonds (Accelerated Bridge Program)				
Period Ending	**Principal**	**Interest**	**Debt Service**	**Principal**	**Interest**	**Debt Service**	**Principal**	**Gross Interest**	**Build America Bonds Subsidies**	**Net Interest**	**Debt Service**
6/30/2011	$ 37,240	$ 10,846	$ 48,086		$17,243	$17,243		$14,318	$(5,405)	$8,913	$8,913
6/30/2012	39,135	19,804	58,939		34,486	34,486		32,623	(12,314)	20,309	20,309
6/30/2013	41,150	17,772	58,922		34,486	34,486		32,623	(12,314)	20,309	20,309
6/30/2014	37,170	15,534	52,704		34,486	34,486		32,623	(12,314)	20,309	20,309
6/30/2015	39,070	13,631	52,701	$19,995	34,486	54,481		32,623	(12,314)	20,309	20,309
6/30/2016	39,900	11,482	51,382	21,075	33,436	54,511		32,623	(12,314)	20,309	20,309
6/30/2017	42,465	9,287	51,752	22,210	32,330	54,540		32,623	(12,314)	20,309	20,309
6/30/2018	23,040	7,261	30,301	23,310	31,164	54,474		32,623	(12,314)	20,309	20,309
6/30/2019	24,300	5,994	30,294	24,475	30,126	54,601		32,623	(12,314)	20,309	20,309
6/30/2020	25,640	4,658	30,298	23,380	28,842	52,222		32,623	(12,314)	20,309	20,309
6/30/2021	26,905	3,392	30,297	24,610	27,673	52,283		32,623	(12,314)	20,309	20,309
6/30/2022	28,385	1,912	30,297	25,970	26,380	52,350		32,623	(12,314)	20,309	20,309
6/30/2023	9,520	476	9,996	27,440	24,952	52,392		32,623	(12,314)	20,309	20,309
6/30/2024				28,990	23,443	52,433	$21,325	32,623	(12,314)	20,309	41,634
6/30/2025				30,625	21,848	52,473	22,395	31,546	(11,937)	19,609	42,004
6/30/2026				32,360	20,164	52,524	23,550	30,381	(11,529)	18,851	42,401
6/30/2027				34,190	18,384	52,574	24,860	29,054	(11,065)	17,989	42,849
6/30/2028				36,125	16,504	52,629	26,245	27,655	(10,575)	17,079	43,324
6/30/2029				38,170	14,517	52,687	27,710	26,177	(10,058)	16,119	43,829
6/30/2030				40,330	12,418	52,748	29,250	24,616	(9,512)	15,105	44,355
6/30/2031				42,610	10,199	52,809	30,880	22,969	(8,935)	14,034	44,914
6/30/2032				45,020	7,856	52,876	32,635	21,200	(8,316)	12,884	45,519
6/30/2033				47,565	5,380	52,945	34,485	19,329	(7,661)	11,668	46,153
6/30/2034				50,250	2,764	53,014	36,440	17,353	(6,970)	10,383	46,823
6/30/2035							38,505	15,265	(6,239)	9,026	47,531
6/30/2036							40,685	13,058	(5,466)	7,591	48,276
6/30/2037							42,995	10,726	(4,650)	6,076	49,071
6/30/2038							45,430	8,262	(3,718)	4,544	49,974
6/30/2039							48,005	5,659	(2,546)	3,112	51,117
6/30/2040							50,730	2,907	(1,308)	1,599	52,329
TOTAL	**$413,920**	**$122,049**	**$535,969**	**$638,700**	**$543,567**	**$1,182,267**	**$576,125**	**$744,574**	**($285,976)**	**$458,600**	**$1,034,725**

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

Contingent Liabilities

Massachusetts Development Finance Agency. Under legislation approved by the Governor in August, 2010, the Massachusetts Development Finance Agency (MassDevelopment) is authorized to issue bonds for the benefit of nonprofit community hospitals and nonprofit community health centers. Such bonds are to be secured by capital reserve funds funded at the time of bond issuance in an amount equal to the maximum annual debt service on the bonds. The legislation provides that MassDevelopment is to notify the Governor if any such capital reserve fund needs to be replenished, and that the Legislature is to appropriate the amount necessary to restore the fund to its required level. The legislation contains no limit on the amount of such bonds that may be issued. Any project to be financed by such bonds must be approved by the Secretary of Health and Human Services, and any loan to a community hospital or community health center (and the issuance and terms of the related bonds) must be approved by the Secretary of Administration and Finance. If any such institution defaults on a loan, any moneys in the custody of the Commonwealth that are payable to the institution may be withheld by the Commonwealth and used to pay debt service or to replenish the applicable capital reserve fund. If, following a Commonwealth transfer to replenish a capital reserve fund, the applicable institution fails to reimburse the Commonwealth within six months, the Commonwealth may withhold funds payable to the institution, and all contracts issued by the Group Insurance Commission, the Commonwealth Health Insurance Connector Authority and MassHealth to a third party for the purposes of providing health care insurance paid for by the Commonwealth are to provide that the third party is to withhold payments to the institution and transfer the withheld amounts to the Commonwealth. If, following a Commonwealth transfer to replenish a capital reserve fund, the Commonwealth has not been fully reimbursed within one year, MassDevelopment would be required to reimburse the Commonwealth according to a schedule to be determined by the Secretary of Administration and Finance.

COMMONWEALTH CAPITAL INVESTMENT PLAN

The Executive Office for Administration and Finance annually updates its five-year capital investment plan, including its debt affordability analysis. The five-year plan coordinates capital expenditures by state agencies and authorities that are funded primarily by Commonwealth debt and federal reimbursements. Beginning in fiscal 2009 and expected through fiscal 2013, capital funds are also provided pursuant to the American Recovery and Reinvestment Act of 2009.

The Executive Office for Administration and Finance sets an annual administrative limit on the amount of bond-funded capital expenditures. The purpose of the administrative limit, known as the "bond cap," is to keep Commonwealth debt within affordable levels.

In October 2010, the Governor released a five-year capital investment plan for fiscal 2011 through fiscal 2015, totaling nearly $18 billion. With the release of the five-year capital investment plan, the Governor announced that the bond cap will be $1.625 billion for fiscal 2011, plus $140 million in unused bond cap from fiscal 2010 which has been carried forward to support spending in fiscal 2011. The bond cap for fiscal 2012 is projected to be $1.750 billion, and is projected to increase by $125 million in each subsequent fiscal year through fiscal 2015.

The bond cap determination is based on the debt affordability policy described in the updated debt affordability analysis. Under this policy, the Executive Office for Administration and Finance will set the annual borrowing limit at a level designed to keep debt service within 8% of budgeted revenues. For this purpose, debt service includes principal and interest payments on all general obligation debt, special obligation gas tax debt, interest on federal grant anticipation notes, general obligation contract assistance payment obligations and budgetary contract assistant payment obligations on certain capital lease financings. In addition, while the accelerated bridge program will be funded outside of the bond cap, the related debt service costs of the program have been fully accounted for under the debt affordability policy in setting the bond cap at the designated levels. However, when a project financed with debt payable by the Commonwealth directly or indirectly generates new state revenue that is applied to the payment of such debt, the Executive Office for Administration and Finance will exclude the debt, the related debt service payment obligations and the new revenue used to pay such obligations from the debt affordability analysis. For example, bonds issued by MassDevelopment and payable by the Commonwealth pursuant to the I-Cubed program or for the parkway at the former South Weymouth naval base are excluded from the bond cap, as the Commonwealth's payment liability with respect to such bonds is expected to be limited to the new state tax revenues generated from the private development supported by the infrastructure improvements financed by the such bonds.

For the purpose of the debt affordability analysis, budgeted revenue includes all Commonwealth taxes and other revenues available to pay Commonwealth operating expenses, including debt service, pensions and other budgetary obligations. It does not include off-budget revenues dedicated to the Massachusetts Bay Transportation Authority, the Massachusetts School Building Authority and the Massachusetts Convention Center Authority. The fiscal 2011 estimate was based on the adopted fiscal 2011 budget. For purposes of projecting budgeted revenue in future fiscal years, the compound annual growth rate in budgeted revenues from fiscal 2001 through 2011 of 2.75% was applied to fiscal 2012 revenues and to each year thereafter. This is consistent with the debt affordability policy, which states that projected increases to budgeted revenues will be the lesser of 3% or the actual compound annual growth rate over the last ten fiscal years.

In addition to keeping debt service within 8% of budgeted revenues, the debt management policy limits future annual growth in the bond cap for the regular capital program to not more than $125 million. This additional constraint is designed to ensure that projected growth in the bond cap will be held to stable and sustainable levels. As noted above, the bond cap is expected to grow by $125 million annually from fiscal 2012 through fiscal 2015.

The Executive Office for Administration and Finance will revisit the debt capacity and affordability analysis periodically, and at least every year, to revise estimates for future years by taking into account fluctuations in interest rates, budgeted revenues and other changes affecting the Commonwealth's debt capacity. In addition, the Executive Office for Administration and Finance will annually assess the appropriateness of the methodology and constraints for establishing the bond cap.

The following table shows the annual bond cap, the resulting estimated total annual debt service payment obligations and the estimated debt service as a percentage of estimated budgeted revenues, all as presented in the debt affordability analysis released in October 2010.

Bond Cap (in thousands)

	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
Bond Cap (1)	$ 1,765,000	$ 1,750,000	$ 1,875,000	$ 2,000,000	$ 2,125,000
Total Debt Service Obligations	1,947,612	2,278,939	2,441,053	2,517,892	2,623,161
Estimated Budgeted Revenue	29,989,511	30,804,986	31,642,776	32,503,722	33,388,838
Debt Service as % of Budgeted Revenues	6.49%	7.40%	7.71%	7.75%	7.86%

SOURCE: Executive Office for Administration and Finance, Debt Affordability Analysis released October, 2010.
(1) Includes $140 million of fiscal 2010 unused bond cap that has been carried forward to fiscal 2011.

Reflecting changed economic conditions, the total bond cap projected in the fiscal 2011 through fiscal 2015 five-year plan is $1.045 billion less than the total bond cap projected in the fiscal 2008 through fiscal 2012 five-year capital plan.

In the past, the Commonwealth aggregated its capital expenditures into eight major categories based primarily on the agencies responsible for spending and carrying out capital projects: information technology, infrastructure and facilities, environment, housing, public safety, transportation, convention centers, other and school building assistance. The following table sets forth historical capital spending in fiscal 2006 through fiscal 2010 according to these categories.

Commonwealth Historical Capital Spending (in millions)

Investment Category:	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009	Fiscal 2010
Information technology	$ 88	$ 53	$ 65	$ 97	$ 100
Infrastructure/facilities	283	271	186	333	391
Environment	142	153	188	246	158
Housing	129	140	172	252	318
Public safety	19	18	19	21	11
Transportation	1,189	1,120	1,109	1,388	1,694
Convention centers	12	2	-	-	5
Other	30	29	43	96	108
School building assistance	435	-	-	-	-
Total (1)	$2,327	$1,786	$1,782	$2,432	$2,785

SOURCE: Executive Office for Administration and Finance.
(1) Totals may not add due to rounding.

Beginning in fiscal 2008, the Executive Office for Administration and Finance re-characterized capital spending into 12 categories based on spending purpose, rather than spending agency: community investments, corrections, courts, economic development, energy and environment, health and human services, higher education, housing, information technology, public safety, state office buildings and facilities, and transportation. This presentation of capital investment categories results in certain expenditures appearing in categories that are different from those in which they had been categorized in the historical capital spending table above. For example, Chapter 90 local aid for municipal transportation projects appears in the community investment category, rather than the transportation category, because these funds are invested in municipally-owned assets.

The capital investment plan for fiscal 2011 through fiscal 2015 is designed to allocate resources strategically to invest in the Commonwealth's public facilities and programs and represents the Governor's vision for public infrastructure. The following tables show the allocation of bond cap spending by major investment category and the allocation of total capital spending from all sources of funding by major investment category for fiscal 2011 through fiscal 2015.

Capital Investment Plan – Total Bond Cap (in millions)

Investment Category:	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	5-Year Total	% of 5-Year Total
Community Investments	$ 235	$ 238	$ 239	$ 240	$ 240	$ 1,192	13%
Corrections	17	31	52	75	81	256	3%
Courts	75	51	53	107	131	417	4%
Economic Development	118	119	131	133	135	635	7%
Energy/Environment	110	101	104	106	108	528	6%
Health/Human Services	100	86	47	59	63	354	4%
Higher Education	134	166	262	259	259	1,080	11%
Housing	168	168	171	173	178	858	9%
Information Technology	97	83	84	87	89	441	5%
Public Safety	19	20	27	44	50	160	2%
State Buildings/Facilities	102	112	67	50	56	387	4%
Transportation	589	574	638	669	736	3,206	34%
Total (1)	$1,765	$1,750	$1,875	$2,000	$2,125	$9,515	100%

SOURCE: Executive Office for Administration and Finance, Five-Year Capital Investment Plan released October, 2010.
(1) Totals may not add due to rounding.

Capital Investment Plan – All Sources of Funding (in millions)

Investment Category:	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	5-Year Total	% of 5-Year Total
Community Investments	$ 299	$ 284	$ 278	$ 277	$ 276	$ 1,414	8%
Corrections	17	31	52	75	81	256	1%
Courts	75	51	71	123	144	464	3%
Economic Development	204	194	191	183	185	956	5%
Energy/Environment	215	201	204	206	208	1,034	6%
Health/Human Services	100	88	54	64	68	373	2%
Higher Education	191	241	277	259	259	1,227	7%
Housing	323	240	171	173	178	1,085	6%
Information Technology	101	83	84	87	89	444	2%
Public Safety	33	30	38	49	50	201	1%
State Buildings/Facilities	102	112	67	50	56	387	2%
Transportation	1,763	2,023	2,172	2,123	2,068	10,148	56%
Total(1)	$3,423	$3,578	$3,660	$3,667	$3,661	$17,990	100%

SOURCE: Executive Office for Administration and Finance, Five-Year Capital Investment Plan released October, 2010.
(1) Totals may not add due to rounding.

The different sources of funding for the capital program, as reflected in the table above, include:

- Bond cap – Commonwealth borrowing to support the regular capital program;
- Federal – federal reimbursements for capital expenditures, primarily for transportation projects;
- Third-party – contributions made by third parties to capital projects being carried out by the Commonwealth;
- Project-financed bonds – self-supporting bonds payable by the Commonwealth from project-related revenue;
- Accelerated Bridge Program – Commonwealth special obligation bonds secured by revenues credited to the Commonwealth Transportation Fund or federal grant anticipation notes issued to fund the accelerated bridge program;
- American Recovery and Reinvestment Act of 2009 (ARRA) – funds provided by the federal stimulus bill directly to the Commonwealth for targeted capital investments; and
- Energy Efficiency – self-supporting Commonwealth general obligation bonds payable with savings to be achieved as a result of energy efficiencies.

The following table shows the sources of capital funds for fiscal 2010 and the estimated sources of funds for the next five fiscal years.

Capital Investment Plan – Sources of Funds (in millions)

Fiscal Year	Bond Cap	Federal	Third Party	Project Financed	Accelerated Bridge Program	ARRA	Energy Efficiency	Total (1)
2010	$1,589	$ 708	$ 58	$ 12	$ 206	$ 212	$ -	$ 2,785
2011	1,775	704	193	68	210	380	154	3,332
2012	1,750	725	243	152	294	192	83	3,354
2013	1,875	743	116	156	493	89	71	3,470
2014	2,000	752	49	193	605	-	-	3,599
2015	2,125	715	50	189	565	-	-	3,644

SOURCE: Executive Office for Administration and Finance.
(1) Totals may not add due to rounding.

LEGAL MATTERS

Matters described in the June Information Statement under the heading "LEGAL MATTERS" are updated as follows:

Health Care for All v. Romney, et al., United States District Court. Crucial aspects of the plan, including certain regulatory changes and the retention of a third-party administrator for the MassHealth dental plan, have already been implemented, but it is anticipated that ongoing compliance with the judgment will result in additional costs which cannot accurately be estimated at this time. Court oversight of the remediation plan is scheduled to end February 2011, but could be extended.

Rosie D., et al. v. The Governor, United States District Court, Western Division. In a memorandum of decision dated January 26, 2006, the District Court ruled in favor of a class of Medicaid-recipient children that the Commonwealth fails to provide the home- and community-based services required under the Early and Periodic Screening, Diagnosis and Treatment ("EPSDT") provisions of the Medicaid Act. In February, 2007, the District Court adopted the defendants' proposed remedial plan, with some modifications, and, in July, 2007, entered judgment in accordance with that plan, as modified. The Commonwealth did not appeal from that judgment and has begun implementation of its remedial plan. The plan originally contemplated full implementation by June 30, 2009, but, on the Commonwealth's motion, the court modified the judgment to extend the date for full implementation to November 30, 2009. In January, 2009, the Court allowed plaintiffs' motion for $7 million in legal fees. The cost of implementation is likely to exceed $20 million annually beginning in fiscal 2009. Although in fiscal 2009 the Commonwealth paid the plaintiffs' attorneys approximately $7.1 million in court-approved fees, plaintiffs are entitled to submit additional petitions for recovery of attorneys' fees incurred post-judgment (*e.g.*, for monitoring activity), through the end of the remedial plan implementation period (July, 2012). In late May, 2010, plaintiffs moved the court for payment of approximately $1.48 million in attorneys' fees for monitoring the implementation of the judgment during the period from January 1, 2007, through June 30, 2009. Defendants' counsel has filed an objection to approximately $250,000 of the fees requested. The court issued an order reducing defendants' attorney fees by $50,000. The defendants are considering whether to appeal the court's order with respect to the remainder of the disputed fees.

Harper et al. v. Massachusetts Department of Transitional Assistance, United States District Court. As the result of an August 2010 court order, the case is stayed while the parties engage in mediation.

Kristy Didonato, et al. v. Department of Transitional Assistance, et al, (*Didonato I* and *Didonato II*), Massachusetts Housing Court Western Division. A hearing on the motion to amend was held on June 17, 2010. On December 13, 2010 the court allowed the plaintiffs' motion to amend their complaint.

Finch, et al. v. Health Insurance Connector Authority, et al., Supreme Judicial Court for Suffolk County. This lawsuit, filed directly in the Supreme Judicial Court single justice session, challenges, under the state Equal Protection Clause, a statute enacted in August 2009 that excludes from the Commonwealth Care program, run by the Connector Authority, those individuals who are alien residents with special status (AWSS). Many members of the AWSS population are otherwise eligible for subsidized insurance through the Commonwealth Care program. Because the Commonwealth does not receive federal Medicaid funds for these individuals (unlike other members of Commonwealth Care), the Legislature effectively reduced the Connector Authority's budget by excluding this group of members. The Commonwealth then established a less expensive program to cover much of the AWSS population with health insurance. The lawsuit does not ask for retroactive relief, but seeks to have the individuals reinstated to the Commonwealth Care program. While no opinion on the likelihood of loss is expressed, if plaintiffs succeed on their claims, and the Legislature makes no other changes to eligibility requirements, the Commonwealth could incur more than $100 million in additional costs for covering special status immigrants through Commonwealth Care per fiscal year. This is a conservative estimate based on projected average program costs and will be refined as updated cost and enrollment information for special status immigrants becomes available.

In re: Centers for Medicare and Medicaid Services regulations (Uncompensated Care Pool/Health Safety Net Trust Fund). By the end of pool fiscal year 2011, the Commonwealth will have collected an estimated $4.997 billion in acute hospital assessments since 1990 and an estimated $1.877 billion in surcharge payments since 1998. Clarification of the law surrounding permissible provider taxes is a national issue involving a number of states.

In re: Deferral of 2005 MassHealth acute hospital supplemental payments. In March, 2006, CMS deferred payment of claims for federal financial participation ("FFP") totaling almost $52.5 million. This amount represents the federal share of the portion of MassHealth supplemental payments to Boston Medical Center ("BMC"), Cambridge Health Alliance ("CHA") and UMass Memorial Health Care, Inc. ("UMMHC") hospitals attributable to dates of service on or before fiscal 2003. CMS released $16.4 million in FFP for payments to BMC and CHA and is holding $27 million in FFP for payments to UMMHC. EOHHS returned $9 million in FFP based on its own update of projected payment limits.

In re: Disallowance by the U. S. Department of Health and Human Services Centers of Medicare and Medicaid Services (Targeted Case Management). On March 20, 2008, the Centers for Medicare and Medicaid Services (CMS) issued a notice of disallowance of $86,645,347 in Federal Financial Participation (FFP) for fiscal 2002 and fiscal 2003. As the basis for the disallowance, CMS cited the final findings of an audit conducted by the Office of the Inspector General of the U. S. Department of Health and Human Services regarding Medicaid targeted case management claims for children in the target group of abused or neglected children involved with the Department of Social Services. The Commonwealth appealed the CMS disallowance to the Departmental Appeal Board of the U. S. Department of Health and Human Services. On December 31, 2008, the Departmental Appeals Board affirmed the disallowance. The Commonwealth filed an appeal of the disallowance in federal district court on February 25, 2009. The parties entered into a settlement agreement which provides that CMS retain the approximately $86.6 million FFP and forgo any further disallowance actions for other similar FFP claims. (See *Commonwealth v. Sebelius* below.)

Commonwealth v. Sebelius, United States District Court (referred to as *Commonwealth v. Johnson* in the June Information Statement). The Attorney General filed this action seeking judicial review of the decision by the federal Centers for Medicare and Medicaid Services (CMS) to deny approximately $86.6 million FFP for targeted case management (TCM) services provided by the Department of Children and Families (formerly the Department of Social Services). On March 24, 2010, the District Court entered judgment for the United States. On May 20, 2010, the Commonwealth filed its appeal with the United States Court of Appeals for the First Circuit. The parties entered into a settlement agreement which provides that CMS retain the approximately $86.6 million FFP and forgo any further disallowance actions for other similar FFP claims.

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 filed suit in July 2009 claiming that they are owed at least $127.6 million, plus interest, for fiscal 2009. First, plaintiffs allege that the Commonwealth was obligated to set higher Medicaid reimbursement rates for services provided to Medicaid clients by the Boston Medical Center ("BMC") hospital and managed care organization entities and that, if the rates for that year were increased to levels that BMC seeks, it would be entitled to an additional $120.9 million for fiscal 2009. Second, BMC also alleges that it is entitled to an additional $6.7 million in net supplemental payments for fiscal 2009 under St. 2006, c. 58, § 122, the so-called Health Care Reform Act. Defendant filed an Answer denying all claims. On December 20, 2010 the court granted the defendant's motion to dismiss all of the plaintiffs' claims.

Holyoke Medical Center, Inc., et al. v. Secretary of the Executive Office of Health & Human Services, Suffolk Superior Court. Six community hospitals that mainly serve patients covered by state and federal public insurance plans filed suit in December 2009 claiming that they are owed at least $115.9 million by the Commonwealth's Medicaid program. Plaintiffs allege that the Commonwealth was obligated to set higher Medicaid reimbursement rates for services provided to Medicaid clients by the six plaintiff hospitals. On December 20, 2010 the court granted the defendant's motion to dismiss all of the plaintiffs' claims.

Sandra Murphy, et al. v. Massachusetts Turnpike Authority, Middlesex Superior Court. Plaintiffs filed suit against the Turnpike Authority on behalf of a purported class consisting of all toll payers within the Metropolitan Highway System ("MHS"). The plaintiffs claim that the use of toll money collected in some parts of the MHS to fund operations, maintenance and debt service for other parts of the MHS (specifically, the Central Artery) is an unconstitutional tax. Plaintiffs' class action complaint does not specify claimed damages but does allege that from July 2006 through June 2009 the Authority charged users of the toll roads $440 million more than the toll roads actually cost. The Turnpike Authority filed a motion to dismiss seeking to dismiss all counts of the Third Amended Complaint. On January 18, 2011, the Superior Court granted the Authority's motion to dismiss all counts of the Third Amended Complaint, but reported the case to the Appeals Court for determination of the correctness of its decision.

Carol Surprenant v. Massachusetts Turnpike Authority, Massachusetts Port Authority, and Massachusetts Department of Transportation. United States District Court. Plaintiff originally sued the Massachusetts Turnpike Authority (MTA) and the Massachusetts Port Authority (MassPort) on behalf of a purported "class" consisting of all toll-payers at the Tobin Memorial Bridge and the Sumner and Ted Williams Tunnels who use E-Z Pass or Fast Lane transponders but do not qualify for the so-called "Resident Discount Programs." The plaintiff claims that the "Resident Discount Programs" are unconstitutional. The MTA and MassPort filed a motion to dismiss the complaint. On March 4, 2010, the court allowed, in part, their motion to dismiss under the federal Privileges and Immunities Clause and denied it, in part, as to the claim under the federal Commerce Clause. The Court authorized a 90 day period for discovery, followed by supplemental briefing. On April 5, 2010, plaintiff filed her first amended complaint, adding the Massachusetts Department of Transportation ("MassDOT") as a defendant. MassDOT answered the amended complaint by denying all claims, and by asserting that the claims against it are barred by the Commonwealth's sovereign immunity, and by the fact that neither the Commonwealth nor MassDOT is subject to suit under 42 U.S.C. § 1983. The court held a hearing on the defendants' motion for judgment on the pleadings on November 23, 2010 and took the matter under advisement.

Wellesley College v. Commonwealth, Suffolk Superior Court. Wellesley College has claimed a right of contribution from the Commonwealth and reserved potential counterclaims for costs related to the clean-up of environmental contamination on the Wellesley College campus and adjacent areas, including Lake Waban (the "Site"). In September, 2001, the Court entered judgment incorporating a partial settlement between the parties, under which the College funded a clean-up of hazardous materials at the campus and the northern shoreline of Lake Waban that is expected to cost approximately $40 million. The judgment has since been amended by agreement of the parties and with approval of the court. Under the terms of the partial settlement and judgment, the Commonwealth has reimbursed the college approximately $1.1 million (approximately 2.5% of total clean-up costs) from an escrow account after the Department of Environmental Protection (DEP) determined that a portion of the Lake Waban shoreline clean-up was properly performed. The Commonwealth and the College have each reserved rights against the other concerning liability for future clean-up costs for portions of the Site not covered by the partial settlement. Other issues that may lead to counterclaims by the College against the Commonwealth or its agencies include (1) groundwater contamination, estimated to cost $2 million or more depending on future decisions by DEP on appropriate clean-up; (2) clean-up of Lake Waban itself, for which DEP has now approved a temporary solution, reviewable every five years; and (3) clean-up of contaminated sediments in Lower Waban Brook. (If a full clean-up of the lake is required in the future, it could cost up to $100 million.)

Perini Corp., Kiewit Constr. Corp., Jay Cashman, Inc., d/b/a Perini - 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 $130 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 $62 million on claims of approximately $92 million. Those decisions are now the subject of further court proceedings. Plaintiffs also still have in excess of $72 million in claims pending.

TJX Companies v. Commissioner of Revenue ("TJX II"), Appeals Court. In *TJX II*, the taxpayer challenged a tax liability of approximately $18 million (including interest) arising from the Commissioner's disallowance of deductions for various royalty payments and interest taken in connection with transactions between several subsidiaries of the taxpayer. The Appellate Tax Board decided *TJX II* in favor of the Commissioner, and the taxpayer appealed. The Appeals Court affirmed the decision of the Appellate Tax Board in an unpublished decision dated July 23, 2010.

Local 589, Amalgamated Transit Union, et al. v. Commonwealth of Massachusetts, et al., Suffolk Superior Court. A Superior Court hearing on the parties' cross-motions for partial summary judgment regarding the health-insurance claims is currently scheduled for February 2, 2011.

Commonwealth of Massachusetts v. Philip Morris Inc., RJ Reynolds Tobacco Company, Lorillard Tobacco Company, et. al. (2003 NPM Adjustment) In early July, 2010, the three judge panel of arbitrators was seated to hear the 2003 NPM Adjustment arbitration between Massachusetts and the other states on one side, and the participating cigarette manufacturers on the other side. On July 20, 2010, the panel conducted its first administrative conference with all parties, and has scheduled resolution of certain preliminary jurisdictional issues raised by other parties. The next hearing has been scheduled for October 5, 2010, with an agenda yet to be determined by the panel. The parties anticipate that the panel will identify, during the October 5, 2010 hearing, other preliminary legal issues that the panel wishes to have briefed for its determination in the coming months.

Connor B., ex rel. Vigurs, et al. v. Patrick, et al., United States District Court, Western Division. On August 20, 2010, defendants filed a motion to dismiss the entire complaint. On January 4, 2011, the court denied the defendants' motion to dismiss in its entirety. A hearing on the defendants' opposition to the plaintiffs' motion for class certification is scheduled for February 4, 2011.

Vodaphone Americas, Inc. v. Commissioner of Revenue, Appellate Tax Board. The trial date is scheduled for January 19, 2011.

OPEIU, Local 6 V. Mulligan. Suffolk Superior Court. On October 18, 2010, the plaintiff union, which won an arbitration award requiring the trial court to pay its clerical and professional employees wage increases totaling approximately $40 million, filed a petition to enforce the arbitration award. The Commonwealth has filed a motion to stay, which the union has opposed. The union has also filed an unfair labor practice charge with the Division of Labor Relations alleging that the Commonwealth's failure to comply with the arbitration award violates G.L. c. 150E and is seeking payment of the award.

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 June 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 June 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 June 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 June 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 June 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 June 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 June Information Statement or this Supplement or requests for additional information concerning the Commonwealth should be directed to Colin MacNaught, Assistant Treasurer for Debt Management, Office of the Treasurer and Receiver-General, One Ashburton Place, 12th floor, Boston, Massachusetts 02108, telephone (617) 367-3900, or to Karol Ostberg, Director of Capital Finance, Executive Office for Administration and Finance, State House, Room 373, Boston, Massachusetts 02133, telephone (617) 727-2040. Questions regarding legal matters relating to the June 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

February 1, 2011

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PROPOSED FORM OF OPINION OF BOND COUNSEL

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

MINTZ LEVIN

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

[Date of Closing]

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

We have acted as bond counsel to The Commonwealth of Massachusetts (the "Commonwealth") in connection with the issuance by the Commonwealth of $___________ General Obligation Refunding Bonds, (SIFMA Index Bonds), 2011 Series A, dated the date of delivery (the "Bonds"). In such capacity, we have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion.

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

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

(a) The Bonds are valid and binding general obligations of the Commonwealth, and the full faith and credit of the Commonwealth are pledged to the payment of the principal of and interest on the Bonds. It should be noted, however, that Chapter 62F of the Massachusetts General Laws establishes a state tax revenue growth limit and does not exclude principal and interest payments on Commonwealth debt obligations from the scope of the limit. It should further be noted that Chapter 29, Section 60B, of the Massachusetts General Laws imposes an annual limitation on the percentage of total appropriations that may be expended for payment of interest and principal on general obligation debt of the Commonwealth.

(b) Interest on the Bonds will not be included in the gross income of the holders of the Bonds for federal income tax purposes. This opinion is rendered subject to the condition that the Commonwealth comply with certain requirements of the Internal Revenue Code of 1986, as amended, which must be satisfied subsequent to the issuance of the Bonds in order that interest thereon is and continues to be excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be included in the gross income of holders of the Bonds retroactive to the date of issuance of the Bonds. While interest on the Bonds will not constitute a preference item for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations, interest on the Bonds will be included in the "adjusted current earnings" of corporate holders of the Bonds and therefore will be taken into account in the computation of the alternative minimum tax applicable to certain corporations. We express no opinion as to other federal tax consequences resulting from holding the Bonds.

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

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

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

The Commonwealth of Massachusetts

$_______________
General Obligation Refunding Bonds
(SIFMA Index Bonds)
2011 Series A

Continuing Disclosure Undertaking
[to be included in bond form]

On behalf of the Commonwealth, the Treasurer and Receiver-General of the Commonwealth hereby undertakes for the benefit of the owners of the Bonds to provide the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") system pursuant to the requirements of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), no later than 270 days after the end of each fiscal year of the Commonwealth, commencing with the fiscal year ending June 30, 2011, (i) the annual financial information described below relating to such fiscal year, together with audited financial statements of the Commonwealth for such fiscal year if audited financial statements are then available; provided, however, that if audited financial statements of the Commonwealth are not then available, such audited financial statements shall be delivered to EMMA when they become available (but in no event later than 350 days after the end of such fiscal year) or (ii) notice of the Commonwealth's failure, if any, to provide any such information. The annual financial information to be provided as aforesaid shall include financial information and operating data, in each case updated through the last day of such fiscal year unless otherwise noted, relating to the following information contained in the Commonwealth's Information Statement dated June 8, 2010 (the "Information Statement"), as it appears as Appendix A in the Official Statement dated June 21, 2010 of the Commonwealth with respect to its $250,000,000 General Obligation Bonds, Consolidated Loan of 2010, Series B, which Official Statement has been filed with EMMA, and substantially in the same level of detail as is found in the referenced section of the Information Statement:

	Financial Information and Operating Data Category	Reference to Information Statement for Level of Detail
1.	Summary presentation on statutory accounting and five-year comparative basis of selected budgeted operating funds operations, revenues and expenditures, concluding with prior fiscal year, plus estimates for current fiscal year	"COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS - Statutory Basis Distribution of Budgetary Revenues and Expenditures"
2.	Summary presentation on GAAP and five-year comparative basis of governmental funds operations, concluding with prior fiscal year	"SELECTED FINANCIAL DATA - GAAP Basis"
3.	So long as Commonwealth statutes impose limits on tax revenues, information as to compliance therewith in the prior fiscal year	"COMMONWEALTH REVENUES AND EXPENDITURES - Limitations on Tax Revenues"
4.	Summary presentation of the then-current, statutorily imposed funding schedule for future Commonwealth pension liabilities, if any	"COMMONWEALTH REVENUES AND EXPENDITURES – Employee Benefits; *Pension*"
5.	If and to the extent otherwise updated in the prior fiscal year, summary presentation of the size of the state workforce	"STATE WORKFORCE"

Financial Information and Operating Data Category		Reference to Information Statement for Level of Detail
6.	Five-year summary presentation of actual capital project expenditures	"COMMONWEALTH CAPITAL INVESTMENT PLAN"
7.	Statement of Commonwealth debt and debt related to general obligation contract liabilities as of the end of the prior fiscal year	"LONG-TERM LIABILITIES – Outstanding Long Term Commonwealth Debt"
8.	Annual fiscal year debt service requirements for Commonwealth general obligation and special obligation bonds, beginning with the current fiscal year	"LONG-TERM LIABILITIES - Debt Service Requirements"
9.	Annual fiscal year contract assistance requirements for Commonwealth general obligation contract assistance, beginning with the current fiscal year	"LONG-TERM LIABILITIES - General Obligation Contract Assistance Liabilities"
10.	Annual fiscal year budgetary contractual assistance liabilities for Commonwealth, beginning with the current fiscal year	"LONG-TERM LIABILITIES - Budgetary Contract Assistance Liabilities"
11.	Five-year summary presentation of authorized but unissued general obligation debt	"LONG-TERM LIABILITIES - Authorized But Unissued Debt"
12.	So long as Commonwealth statutes impose a limit on the amount of outstanding "direct" bonds, information as to compliance therewith as of the end of the prior fiscal year	"LONG-TERM LIABILITIES - General Authority to Borrow"
13.	Summary presentation of the then-current, Commonwealth interest rate swap agreements	"LONG-TERM LIABILITIES - Interest Rate Swaps"

Any or all of the items listed above may be included by reference to other documents, including official statements pertaining to debt issued by the Commonwealth, which have been submitted to EMMA. The Commonwealth's annual financial statements for each fiscal year shall consist of (i) combined financial statements prepared in accordance with a basis of accounting that demonstrates compliance with the Massachusetts General Laws and other applicable state finance laws, if any, in effect from time to time and (ii) general purpose financial statements prepared in accordance with generally accepted accounting principles in effect from time to time and shall be audited by a firm of certified public accountants appointed by the Commonwealth.

On behalf of the Commonwealth, the Treasurer and Receiver-General of the Commonwealth hereby further undertakes for the benefit of the owners of the Bonds to provide in a timely manner, not in excess of ten business days after occurrence of the event, to EMMA notice of any of the following events with respect to the Bonds (numbered in accordance with the provisions of the Rule):

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;[1/]

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to the rights of security holders, if material;

(viii) bond calls, if material;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the Bonds, if material;[2/]

(xi) rating changes;

(xii) tender offers;

(xiii) bankruptcy, insolvency, receivership or similar event of the Commonwealth;[3/]

(xiv) the consummation of a merger, consolidation, or acquisition or the sale of all or substantially all of the assets of the Commonwealth, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xv) appointment of a successor or additional trustee or the change of name of a trustee, if material. [4/]

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

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

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

4/ Not applicable to the Bonds.

Nothing herein shall preclude the Commonwealth from disseminating any information in addition to that required hereunder. If the Commonwealth disseminates any such additional information, nothing herein shall obligate the Commonwealth to update such information or include it in any future materials disseminated.

To the extent permitted by law, the foregoing provisions of this Bond related to the above-described undertakings to provide information shall be enforceable against the Commonwealth in accordance with the terms thereof by any owner of a Bond, including any beneficial owner acting as a third-party beneficiary (upon proof of its status as a beneficial owner reasonably satisfactory to the Treasurer and Receiver-General). To the extent permitted by law, any such owner shall have the right, for the equal benefit and protection of all owners of Bonds, by mandamus or other suit or proceeding at law or in equity, to enforce its rights against the Commonwealth and to compel the Commonwealth and any of its officers, agents or employees to perform and carry out their duties under the foregoing provisions as aforesaid, provided; however, that the sole remedy in connection with such undertakings shall be limited to an action to compel specific performance of the obligations of the Commonwealth in connection with such undertakings and shall not include any rights to monetary damages. The Commonwealth's obligations in respect of such undertakings shall terminate if no Bonds remain outstanding (without regard to an economic defeasance) or if the provisions of the Rule concerning continuing disclosure are no longer effective, whichever occurs first. The provisions of this Bond relating to such undertakings may be amended by the Treasurer and Receiver-General of the Commonwealth, without the consent of, or notice to, any owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Commonwealth for the benefit of the owners of Bonds, (d) to modify the contents, presentation and format of the annual financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the undertakings in a manner consistent with the provisions of state legislation establishing a state information depository or otherwise responding to the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the owners of the Bonds, as determined either by a party unaffiliated with the Commonwealth (such as Commonwealth disclosure counsel or Commonwealth bond counsel) or by the vote or consent of owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment.

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