

SUPPLEMENT DATED DECEMBER 5, 2000
to
OFFICIAL STATEMENT DATED NOVEMBER 28, 2000
of
THE COMMONWEALTH OF MASSACHUSETTS
with respect to its

GENERAL OBLIGATION BONDS
CENTRAL ARTERY/TED WILLIAMS TUNNEL INFRASTRUCTURE LOAN ACT OF 2000
(VARIABLE RATE DEMAND BONDS)
\$200,000,000 SERIES A
\$75,590,000 SERIES B

Reference is made to the first sentence of the section of the Official Statement entitled "Underwriting." The percentage amounts shown with respect to the aggregate underwriter's discount and compensation are incorrect. The actual amounts are .1053% and .09%, respectively.

December 5, 2000

THE COMMONWEALTH OF MASSACHUSETTS

NEW ISSUE - BOOK-ENTRY-ONLY

In the opinion of Bond Counsel, under existing law and assuming continued compliance by the Commonwealth with the Internal Revenue Code of 1986, as amended, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for the purpose of computing the federal alternative minimum tax imposed on individuals and corporations, although interest on the Bonds will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed upon certain corporations. In the opinion of Bond Counsel, interest on the Bonds is exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. See "TAX EXEMPTION" herein.

\$275,590,000
THE COMMONWEALTH OF MASSACHUSETTS
General Obligation Bonds
Central Artery/Ted Williams Tunnel Infrastructure Loan Act of 2000
(Variable Rate Demand Bonds)

\$200,000,000 Series A	\$75,590,000 Series B
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Dated: Date of Delivery

Due: December 1, 2030

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 ("DTC") and its participants. Details of payment of the Bonds are more fully described in this Official Statement. The Bonds are variable rate bonds that may be in the Daily Mode, Weekly Mode, Flexible Mode, Term Mode or PARS Mode. The Bonds initially will be in the Daily Mode and will bear interest at Daily Rates determined by the Remarketing Agent as described herein. So long as the Bonds are in the Daily Mode, the Interest Payment Dates will be on the first Business Day of each month. Bonds in the Daily Mode may be purchased in Authorized Denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof. All Bonds will bear interest in the same mode. The Bonds are subject to optional redemption, mandatory sinking fund redemption and optional and mandatory tender for purchase 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, see "SECURITY FOR THE BONDS."

The Commonwealth will enter into separate Standby Bond Purchase Agreements with Landesbank Baden-Württemberg, acting through its New York Branch, with respect to the Series A Bonds, and The Toronto-Dominion Bank, acting through its Houston Agency, with respect to the Series B Bonds. See Appendix E hereto for information concerning the banks. Each of the Standby Bond Purchase Agreements is a liquidity facility that requires the applicable bank to pay the principal portion of the purchase price for the related Bonds tendered or deemed tendered to the extent not remarketed, subject to certain funding conditions described herein. The Commonwealth has agreed to pay the portion of the purchase price equal to the accrued but unpaid interest for any Bonds tendered or deemed tendered to the extent not remarketed on the applicable purchase date for such Bonds. The banks are not providing credit support for payment of regularly scheduled principal and interest. See Appendix D hereto under "Standby Bond Purchase Agreements."

The Bonds are offered when, as and if issued and received by the Underwriter, and subject to the unqualified approving opinion as to legality of Palmer & Dodge LLP, Boston, Massachusetts, Bond Counsel. Certain legal matters will be passed upon for the Commonwealth by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Brown, Rudnick, Freed & Gesmer, Boston, Massachusetts. The Bonds are expected to be available for delivery at or through DTC in New York, New York, on or about December 7, 2000.

Price: 100%

Goldman, Sachs & Co.

November 28, 2000

No dealer, broker, salesperson or other person has been authorized by The Commonwealth of Massachusetts or the Underwriter 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 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 Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriters has 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 Underwriter does not guarantee the accuracy or completeness of such information.

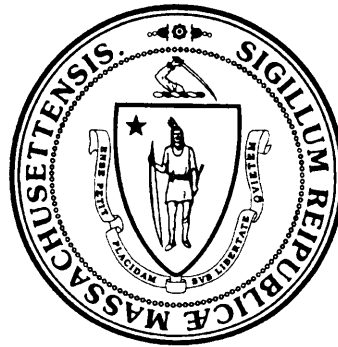
TABLE OF CONTENTS

INTRODUCTION 1
 Purpose and Content of Official Statement..... 1
THE BONDS 2
 General 2
 Additional Information Related to Variable Rate Demand Bonds..... 2
 Redemption 5
 Plan of Finance 6
SECURITY FOR THE BONDS 7
LITIGATION 7
BOOK-ENTRY-ONLY SYSTEM 7
RATINGS 9
UNDERWRITING 9
TAX EXEMPTION 10
OPINIONS OF COUNSEL 10
CONTINUING DISCLOSURE 11
MISCELLANEOUS 11
AVAILABILITY OF OTHER INFORMATION 12

APPENDIX A - Commonwealth Information Statement Supplement A-1
APPENDIX B - Form of Opinion of Bond Counsel B-1
APPENDIX C - Continuing Disclosure Undertaking..... C-1
APPENDIX D - Definitions and Summary of Certain Provisions of the Bonds Relating to Variable Rate Demand Features, the Standby Bond Purchase Agreements and the Remarketing Agreement... D-1
APPENDIX E - Information Concerning Landesbank Baden-Württemberg and The Toronto-Dominion Bank ... E-1

FOR NEW HAMPSHIRE RESIDENTS: THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE COMMONWEALTH OF MASSACHUSETTS



CONSTITUTIONAL OFFICERS

Argeo Paul Cellucci.....Governor
Jane M. SwiftLieutenant Governor
William F. Galvin.....Secretary of the Commonwealth
Thomas F. Reilly Attorney General
Shannon P. O'Brien Treasurer and Receiver-General
A. Joseph DeNucci..... Auditor

LEGISLATIVE OFFICERS

Thomas F. Birmingham.....President of the Senate
Thomas M. FinneranSpeaker of the House

OFFICIAL STATEMENT

\$275,590,000

THE COMMONWEALTH OF MASSACHUSETTS

General Obligation Bonds
Central Artery/Ted Williams Tunnel Infrastructure Loan Act of 2000
(Variable Rate Demand Bonds)

\$200,000,000
Series A

\$75,590,000
Series B

INTRODUCTION

This Official Statement (including the cover pages and Appendices A through E attached hereto) provides certain information in connection with the issuance by The Commonwealth of Massachusetts (the "Commonwealth") of its General Obligation Bonds, Central Artery/Ted Williams Tunnel Infrastructure Loan Act of 2000 (Variable Rate Demand Bonds), Series A in the aggregate principal amount of \$200,000,000 (the "Series A Bonds") and Series B in the aggregate principal amount of \$75,590,000 (the "Series B Bonds" and, together with the Series A Bonds, 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, see "Security for the Bonds" and the Commonwealth Information Statement (described below) under the heading "Commonwealth Revenues - Limitations on Tax Revenues."

The Bonds are being issued to finance a portion of the costs of construction of the Commonwealth's Central Artery/Tunnel Project. 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 E. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document.

Specific reference is made to the Commonwealth's Information Statement dated March 3, 2000 (the "March Information Statement"), as it appears as Appendix A in the Official Statement dated August 9, 2000 of the Route 3 North Transportation Improvements Association with respect to its Commonwealth of Massachusetts Lease Revenue Bonds, Series 2000 (the "Route 3 Official Statement"). A copy of the Route 3 Official Statement has been filed with each Nationally Recognized Municipal Securities Information Repository currently recognized by the Securities and Exchange Commission and with the Municipal Securities Rulemaking Board. The information contained in the March Information Statement has been supplemented by the Commonwealth Information Statement Supplement dated November 27, 2000 (the "Supplement"), which is attached hereto as Appendix A. The March Information Statement, as supplemented by the Supplement, contains certain fiscal, budgetary, financial and other general information concerning the Commonwealth.

Appendix B attached hereto contains the proposed form of legal opinion of Bond Counsel with respect to the Bonds. Appendix C attached hereto contains the proposed form of the Commonwealth's continuing disclosure undertaking to be included in the form of the Bonds. Appendix D attached hereto contains definitions used in this Official Statement and a summary of certain provisions of the Bonds relating to their variable rate demand features, the Standby Bond Purchase Agreements and the Remarketing Agreement. Appendix E attached hereto contains information concerning Landesbank Baden-Württemberg and The Toronto-Dominion Bank, which are each entering into a separate Standby Bond Purchase Agreement with the Commonwealth.

THE BONDS

General

The Bonds will be issued initially in the Daily Mode, will be dated the date of delivery thereof and will bear interest from their date of delivery at Daily Rates payable on each Interest Payment Date until maturity, earlier redemption or conversion to a different mode, all as described below under “Additional Information Related to Variable Rate Demand Bonds.” Interest on Bonds in the Daily Mode will be calculated on the basis of a 365- or 366-day year, as applicable, for the actual number of days elapsed and will be payable on each Interest Payment Date to the registered owner as of the Record Date. The Commonwealth will act as its own paying agent with respect to the Bonds. The Commonwealth reserves the right to appoint from time to time a paying agent or agents or bond registrar for the Bonds. State Street Bank and Trust Company, Boston, Massachusetts, will serve as Tender Agent for the Bonds.

Book-Entry-Only System. The Bonds will be issued by means of a book-entry-only system, with bond certificates immobilized at The Depository Trust Company, New York, New York (“DTC”). Bond certificates will not be available for distribution to the public and will evidence ownership of the Bonds in principal amounts, in the Daily Mode and Weekly Mode of \$100,000 and integral multiples of \$5,000 in excess thereof, in the Flexible Mode of \$100,000 and integral multiples of \$1,000 in excess thereof, in the Term Mode of \$5,000 or integral multiples thereof, and in the PARS Mode of \$25,000 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 to DTC or its nominee as registered owner of the Bonds. The Record Date for payments on account of the Bonds will be the Business Day next preceding an Interest Payment Date. 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 Variable Rate Demand Bonds

The Bonds will be in the Daily Mode, the Weekly Mode, the Flexible Mode, the Term Mode or the PARS Mode. Bonds in the Daily Mode will bear interest at a Daily Rate. Bonds in the Weekly Mode will bear interest at a Weekly Rate. Bonds in the Flexible Mode will bear interest at a Flexible Rate. Bonds in the Term Mode will bear interest at a Term Rate. Bonds in the PARS Mode will bear interest at a PARS Rate. Depending on which mode is then in effect for the Bonds, the Interest Payment Dates, the dates interest rates are effective, the dates on which notices of tender are required to be given, the dates on which Bonds are to be tendered, the dates for notices of conversion to another mode and provisions for mandatory tender for purchase applicable to the Bonds will vary. See the description below and Appendix D for further details, other than with respect to the PARS Mode. In the event of a conversion to the PARS Mode, if any, the details of the Bonds pertaining thereto will be set forth in a supplement to this Official Statement to be prepared at that time.

The information regarding provisions for the tender and purchase of Bonds should be used in conjunction with the information set forth under “BOOK-ENTRY-ONLY SYSTEM” below. As initially issued, the Bonds will be issued in book-entry-only form through the facilities of DTC, and the procedures and practices of DTC will govern the tender and purchase procedures applicable to owners of beneficial interests in the Bonds.

Interest. Bonds shall bear interest at Daily Rates, Weekly Rates, Flexible Rates, Term Rates or PARS Rates. Initially all Bonds will be in the Daily Mode. At the option of the Commonwealth, Bonds in any mode may be changed to any of the other modes, including a conversion from one Term Rate Period to another Term Rate Period of a different duration, as described below and in Appendix D.

Interest on Bonds in the Daily Mode is payable monthly on each Interest Payment Date. For Bonds in the Daily Mode, the Interest Payment Date is the first Business Day of each calendar month. Interest on Bonds in the Daily Mode is computed on the basis of a 365- or 366-day year, as applicable, for the actual number of days elapsed and is payable to the registered owners who are such registered owners on the Record Date, which is the Business Day immediately preceding an Interest Payment Date. As long as the Bonds are registered in the name

of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See "BOOK-ENTRY-ONLY SYSTEM." For a description of interest payments on Bonds in the Weekly Mode, the Flexible Mode and the Term Mode, see Appendix D.

Interest Rate Determination. For Bonds in the Daily Mode, the Daily Rate shall be determined each Business Day (the "Rate Determination Date") by the Remarketing Agent, by 9:30 a.m., Boston time. Daily Rate Periods will consist of each Rate Determination Date. The Daily Rate for each Daily Rate Period will be determined by the Remarketing Agent as that rate of interest which would cause the Bonds to have a market value equal to the principal amount thereof (exclusive of accrued interest), taking into account prevailing market conditions as of the Rate Determination Date. Written, telephonic or electronic notice of Daily Rates will be given by the Remarketing Agent to the Commonwealth by the close of business on each Business Day. If the Remarketing Agent fails to determine a Daily Rate, the Bonds will bear interest at the most recent Interest Index until a new Daily Rate is determined. No Daily Rate on the Bonds may exceed 12% per annum, the Maximum Rate. For a description of the procedures for determining Weekly Rates, Flexible Rates and Term Rates, see Appendix D.

Optional Tender for Purchase. Bonds in the Daily Mode may be tendered for purchase at a Purchase Price equal to 100% of the principal amount thereof, plus accrued interest, if any, payable in immediately available funds upon written, electronic or telephonic notice (promptly confirmed in writing) of tender to the Tender Agent not later than 11:00 a.m., Boston time, on any Business Day. The Purchase Date may be any Business Day prior to conversion of the Bonds to a Weekly Mode, Flexible Mode, Term Mode or PARS Mode. As noted below under "Book-Entry Bonds," for so long as the Bonds are registered in the name of Cede & Co., as nominee for DTC, the procedures for tender of Bonds will be governed by the operational procedures of DTC.

At any time that a Bondholder has a right to tender a Bond in the Daily Mode for purchase (other than by mandatory tender as described herein), the Bondholder shall, in addition to delivering the Bond on or before the appropriate Purchase Date, give to the Tender Agent notice of such tender. Each such notice of tender shall:

(i) be delivered in writing by Electronic Means or by telephone (and promptly confirmed in writing) to the Tender Agent at its corporate trust office by 11:00 a.m., Boston time, on any Business Day, which may be any Business Day prior to conversion of the Bonds to a Weekly Mode, Flexible Mode, Term Mode or PARS Mode, and be in a form satisfactory to the Tender Agent;

(ii) state (A) the principal amount of the Bond to which it relates, (B) that the Bondholder irrevocably demands purchase of such Bond or of a specified portion thereof in an amount which is an authorized denomination and which leaves the retained portion of the Bond in an amount which is an authorized denomination, and (C) payment instructions with respect to the Purchase Price; and

(iii) automatically constitute, whether delivered in writing, by Electronic Means or by telephone, (A) an irrevocable offer to sell the Bond (or portion thereof) to which it relates on the purchase date at a Purchase Price equal to the principal amount of such Bond (or portion thereof) plus any interest thereon accrued and unpaid as of the Purchase Date, (B) an irrevocable authorization and instruction to the Tender Agent to effect transfer of such Bond (or portion thereof) upon payment of the Purchase Price to the Tender Agent on the Purchase Date, (C) an irrevocable authorization and instruction to the Tender Agent to effect the exchange of the Bond to be purchased in whole or in part for other Bonds in an equal aggregate principal amount so as to facilitate the sale of such Bond (or portion thereof), and (D) an acknowledgment that such Bondholder will have no further rights with respect to such Bond (or portion thereof) upon payment of the Purchase Price thereof to the Tender Agent on the Purchase Date, except for the right of such Bondholder to receive such Purchase Price upon surrender of such Bond to the Tender Agent.

The determination of the Tender Agent as to whether a notice of tender has been properly delivered shall be conclusive and binding upon the Bondholder.

Mandatory Tender Upon Conversion to or from the Flexible Mode, Term Mode or PARS Mode. Bonds to be converted from the Daily Mode or the Weekly Mode to the Flexible Mode, Term Mode or PARS Mode or from the Flexible Mode, Term Mode or PARS Mode to any other mode are subject to mandatory tender for

purchase as described below on the Conversion Date at a Purchase Price equal to 100% of the principal amount of the Bonds, plus accrued interest. Bonds are not subject to mandatory tender upon conversion from the Daily Mode to the Weekly Mode or from the Weekly Mode to the Daily Mode.

If Bonds are to be converted to the Flexible Mode, Term Mode or PARS Mode, the Commonwealth must give written notice of such conversion to the Tender Agent, the Banks and the Remarketing Agent at least 35 days prior to the Conversion Date. The Tender Agent must give written notice of such Conversion to the holders of such Bonds by first class mail or, at the Commonwealth's option, certified mail, return receipt requested, at least 15 days prior to the Conversion Date, or in the case of a conversion from a Term Rate Period, 30 days, setting forth, among other things: (a) the proposed Conversion Date; (b) that the Bonds shall be subject to mandatory tender on the Conversion Date; and (c) the conditions to Conversion, if any.

Mandatory Tender Upon Expiration, Substitution or Termination of a Standby Bond Purchase Agreement. The Bonds of each Series are subject to mandatory tender for purchase on the Business Day which is at least five days before (i) the stated expiration date of the Standby Bond Purchase Agreement related to such series; or (ii) the date set forth in a termination notice as the date the applicable Standby Bond Purchase Agreement is to be terminated as a result of the occurrence of certain events of default under such Standby Bond Purchase Agreement. See Appendix D under the heading "Standby Bond Purchase Agreements" for a list of events of default for which a Bank which is party to a Standby Bond Purchase Agreement may elect to give a termination notice. The Bonds of each Series are also subject to mandatory tender for purchase on the date on which an Alternate Liquidity Facility is scheduled to become effective with respect to the Bonds of such series, whether or not the Alternate Liquidity Facility actually becomes effective on such date. The Purchase Price for such tenders shall equal 100% of the principal amount of the Bonds, plus accrued interest. The Tender Agent, at the request of the Commonwealth, shall give written notice to the applicable Bondholders at least 15 days prior to such mandatory tender date. As noted below under "Risk of Termination of Standby Bond Purchase Agreements," the Bonds are not subject to mandatory tender for purchase upon the occurrence of certain events of default under the Standby Bond Purchase Agreements for which immediate termination is permitted without the requirement of a termination notice.

Delivery and Payment for Tendered Bonds. The Tender Agent, on behalf of the Commonwealth, will purchase any Bonds properly tendered for purchase in accordance with the provisions of the Bonds. Except while the Bonds are registered in the name of Cede & Co., as nominee for DTC, delivery to the Tender Agent of Bonds to be tendered for purchase, upon both optional tender and mandatory tender, together with wire payment instructions satisfactory to the Tender Agent, is required to be made by 1:00 p.m., Boston time, on the Business Day which is the Purchase Date. The Tender Agent will pay or cause to be paid tendering Bondholders in immediately available funds by 3:00 p.m., Boston time, on such day. If the Bonds are delivered after 1:00 p.m., Boston time, payment will be made on the next Business Day without any additional accrued interest. Bonds which are required to be tendered for purchase, upon both optional tender and mandatory tender, shall cease bearing interest from and after the date tender is required regardless of whether such Bonds are presented for payment and Bondholders shall have no further rights with respect to such Bonds other than the right to receive payment of the Purchase Price upon surrender of the Bonds.

Book-Entry Bonds. For so long as the Bonds are registered in the name of Cede & Co., as nominee for DTC, the tender option rights of Bondholders described above may be exercised only by a DTC Participant acting directly or indirectly on behalf of a Beneficial Owner of Bonds by giving notice of its election to tender Bonds or portions thereof at the times and in the manner described above. Beneficial Owners will not have any rights to tender Bonds directly to the Tender Agent. Procedures under which a Beneficial Owner may direct a DTC Participant or an Indirect Participant of DTC acting through a DTC Participant to exercise a tender option right in respect of any Bonds or portions thereof shall be governed by standing instructions and customary practices determined by such DTC Participant or Indirect Participant.

For so long as the Bonds are registered in the name of Cede & Co., as nominee for DTC, notices of mandatory tender for purchase of Bonds shall be given to DTC only, and neither the Commonwealth, the Tender Agent nor the Remarketing Agent shall have any responsibility for the delivery of any of such notices by DTC to any DTC Participants, by any DTC Participants to any Indirect Participants of DTC or by any DTC Participants or Indirect Participants to Beneficial Owners of the Bonds.

For so long as the Bonds are registered in the name of Cede & Co., as nominee for DTC, delivery of Bonds required to be tendered for purchase shall be effected by the transfer by a DTC Participant on the applicable Purchase Date of a book entry credit to the account of the Tender Agent of a beneficial interest in such Bonds or portions thereof required to be tendered for purchase on that date.

For so long as the Bonds are registered in the name of Cede & Co., as nominee for DTC, payment of the Purchase Price shall be paid directly to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Remarketing Agreement. The Remarketing Agent is required to use its best efforts to remarket Bonds properly tendered for purchase. Goldman, Sachs & Co. will serve as the initial Remarketing Agent for the Bonds. See Appendix D for a summary of certain provisions of the Remarketing Agreement.

Standby Bond Purchase Agreements. The Standby Bond Purchase Agreements provide that Landesbank Baden-Württemberg, acting through its New York Branch, and The Toronto-Dominion Bank, acting through its Houston Agency (each, a "Bank" and collectively, the "Banks"), agree to pay the principal portion of the Purchase Price for any unremarketed tendered Series A Bonds and Series B Bonds, respectively, other than Bonds in a Term Mode, from time to time, subject to the terms and provisions set forth in the applicable Standby Bond Purchase Agreement. The portion of the Purchase Price equal to the accrued but unpaid interest on any unremarketed tendered Bond will be payable to the Tender Agent by the Commonwealth on the Purchase Date. Neither Bank will have any obligation to pay the portion of the Purchase Price equal to the accrued but unpaid interest on Bonds tendered or deemed tendered but unremarketed. See Appendix D for a summary of certain provisions of the Standby Bond Purchase Agreements and Appendix E for certain information concerning the Banks. All information concerning the Banks has been provided by the Banks, and the Commonwealth is not responsible for its accuracy or completeness.

Risk of Termination of Standby Bond Purchase Agreements. The Standby Bond Purchase Agreements may be terminated prior to their Stated Expiration Dates immediately upon the occurrence of certain events of default specified therein for which no termination notice is required. In the event of such termination, the Bonds are NOT subject to mandatory tender for purchase solely as a result of such termination. The Tender Agent must give notice to the holders of Bonds of a particular series promptly after becoming aware of the early termination of the Standby Bond Purchase Agreement relating to such series. See Appendix D under the heading "Standby Bond Purchase Agreements."

Redemption

Optional Redemption. Bonds in the Daily Mode or the Weekly Mode are subject to optional redemption prior to maturity at the election of the Commonwealth, in whole or in part at any time, and in such amounts as the Commonwealth may determine, 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 but without premium. The Commonwealth also has the right to redeem Bonds which are subject to optional or mandatory tender for purchase without notice on any optional or mandatory tender date. The Commonwealth also has the right to redeem any Bonds held by or for the benefit of the Bank without notice and prior to other Bonds.

Mandatory Sinking Fund Redemption. The Series A Bonds are subject to mandatory sinking fund redemption in part by lot at a redemption price equal to 100% of the principal amount of the Series A Bonds to be redeemed, plus accrued interest thereon to the date specified for redemption on December 1 in each of the years set forth in the following table, in the principal amount specified in each such year:

<u>Year</u>	<u>Amount</u>
2022	\$ 7,865,000
2023	17,435,000
2024	21,640,000
2025	22,690,000
2026	23,775,000

2027	24,910,000
2028	26,085,000
2029	27,335,000
2030	28,265,000*

*Stated Maturity.

The Series B Bonds are subject to mandatory sinking fund redemption in part by lot at a redemption price equal to 100% of the principal amount of the Series B Bonds to be redeemed, plus accrued interest thereon to the date specified for redemption on December 1 of each of the years set forth in the following table, in the principal amount specified in each such year:

<u>Year</u>	<u>Amount</u>
2022	\$ 3,015,000
2023	6,605,000
2024	8,180,000
2025	8,575,000
2026	8,980,000
2027	9,405,000
2028	9,850,000
2029	10,315,000
2030	10,665,000*

*Stated Maturity.

The Commonwealth is entitled to reduce its mandatory sinking fund redemption obligation in any year with respect to the Bonds by the principal amount of any Bonds previously purchased or optionally redeemed by the Commonwealth. To the extent there are Bank Bonds, such Bank Bonds shall be redeemed from mandatory sinking fund payments prior to any other Bonds.

Notice of Redemption. For Bonds in the Daily Mode or Weekly Mode, the Commonwealth shall give notice of redemption to the owners of the Bonds not less than 15 days prior to the date fixed for redemption. So long as the book-entry-only system remains in effect for the Bonds, notices of redemption will be mailed by the Commonwealth only to DTC or its nominee. Any failure on the part of DTC, any DTC Participant or any nominee of a Beneficial Owner of any Bond (having received notice from a DTC Participant or otherwise) to notify the beneficial owner so affected, shall not affect the validity of the redemption.

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

Selection for Redemption. In the event that less than all of the Bonds are to be redeemed, and so long as the book-entry-only system remains in effect for such Bonds, the particular Bonds or portion of any such Bonds to be redeemed will be selected by DTC by lot. If the book-entry-only system no longer remains in effect for the Bonds, selection for redemption of less than all of the Bonds will be made by the Commonwealth by lot in such manner as in its discretion it shall deem appropriate and fair. In no event will any Bond be outstanding in a principal amount that is not an Authorized Denomination.

Plan of Finance

The Bonds are being issued pursuant to the provisions of Section 3 of Chapter 87 of the Massachusetts Acts of 2000, as amended by Section 7 of Chapter 125 of the Massachusetts Acts of 2000 and applicable provisions of the Massachusetts General Laws. The net proceeds of the sale of the Bonds will be applied by the Treasurer and Receiver-General of the Commonwealth to finance or reimburse the Commonwealth for a portion of the costs of construction of the Central Artery/Tunnel Project (“CA/T Project”). The CA/T Project involves the depression of a portion of Interstate 93 in downtown Boston (the Central Artery), which is now an elevated highway, and the construction of a new tunnel under Boston Harbor (the Ted Williams Tunnel), which has been substantially completed and is now open, to link the Boston terminus of the Massachusetts Turnpike (Interstate 90) to Logan International Airport and points north.

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. This statute is subject to amendment or repeal by the Legislature. Currently, actual tax revenue growth is below the statutory limit. See the March Information Statement under the heading “COMMONWEALTH REVENUES—Limitations on Tax Revenues.”

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 his knowledge, threatened which is likely to result, either individually or in the aggregate, in final judgments against the Commonwealth that would affect materially its financial condition. For a description of certain litigation affecting the Commonwealth, see the March Information Statement and “Appendix A – Commonwealth Information Statement Supplement” under the heading “LEGAL MATTERS.”

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the Bonds. The Bonds will initially be issued exclusively in book-entry form, and one or more fully registered Bonds for each Series will be deposited with DTC.

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

holds securities that its participants (the "DTC Participants") deposit with DTC. DTC also facilitates the settlement among DTC Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of the DTC Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as banks, securities brokers and dealers, and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (the "Indirect Participants"). The rules applicable to DTC and the DTC Participants are on file with the Securities and Exchange Commission.

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

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

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

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

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

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

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

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

retained by the Commonwealth, Bonds will be delivered and registered as designated by the Beneficial Owners. The Beneficial Owner, upon registration of Bonds held in the Beneficial Owner's name, will become the Bondowner.

The Commonwealth may determine that continuation of the system of book-entry transfers through DTC (or a successor depository) is not in the best interest of the Beneficial Owners. In such event, Bonds will be delivered and registered as designated by the Beneficial Owners.

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

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

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such Bonds by causing the DTC Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Bond are transferred by the DTC Participants on DTC's records.

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

RATINGS

Application for ratings on the Bonds have been made with Fitch, Moody's Investors Service and Standard & Poor's.

Such ratings, when issued, will 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 Underwriter has agreed, subject to certain conditions, to purchase all of the Bonds from the Commonwealth at a discount from the initial offering price of the Bonds equal to .065% of the aggregate principal amount of the Bonds of which .05% of the aggregate principal amount of the Bonds represents compensation to the Underwriter, with the remainder used to pay certain expenses of the Underwriter. The Underwriter 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 cover page hereof.

TAX EXEMPTION

Bond Counsel is of the opinion that, under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for the purpose of computing the alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code"); it should be noted, however, that the interest on the Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes). Bond Counsel has not opined as to other federal tax consequences, if any, resulting from holding the Bonds.

The Code imposes certain requirements and restrictions on the use, expenditure and investment of proceeds of state and local governmental obligations, including the Bonds, and a requirement for payment to the federal government (called a "rebate") of certain proceeds derived from the investment thereof. Failure to comply with the Code's requirements subsequent to the issuance of the Bonds could cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of their issuance. On or before delivery of the Bonds to the original purchasers, the Commonwealth will provide covenants or certificates evidencing that it will take all lawful action necessary to comply with those provisions of the Code that, except for such compliance, would affect adversely the excludability of interest on the Bonds from gross income for federal income tax purposes. Bond Counsel's opinion with respect to the federal income tax treatment of interest on the Bonds is conditioned upon such compliance.

Prospective purchasers of the Bonds should also be aware that 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, for that portion of the owner's interest expense allocated to interest on the Bonds. Interest on the Bonds earned by insurance companies or allocable to certain dividends received by such companies may increase the taxable income of those companies as calculated under Subchapter L of the Code. In addition, interest on the Bonds earned by certain corporations could be subject to the foreign branch profits tax imposed by Section 884 of the Code, and may be included in passive investment income subject to federal income taxation under Section 1375 of the Code applicable to certain S corporations. The Code also requires recipients of certain social security and railroad retirement benefits to take into account receipts and accruals of interest on the Bonds in determining the portion of such benefits that are included in gross income and receipt of investment income, including interest on the Bonds, may disqualify the recipient thereof from obtaining the earned income credit under Section 32(i) of the Code. No assurance can be given that future legislation will not have adverse tax consequences for owners of the Bonds.

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. 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.

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

OPINIONS OF COUNSEL

The unqualified approving opinion as to the legality of the Bonds will be rendered by Palmer & Dodge LLP of Boston, Massachusetts, Bond Counsel to the State Treasurer. The proposed form of the opinion of Bond Counsel relating to the Bonds is attached as Appendix B. Certain legal matters will be passed upon for the State Treasurer by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. of Boston, Massachusetts, as Disclosure Counsel to the State Treasurer. Certain legal matters will be passed upon for the Underwriter by its counsel, Brown, Rudnick, Freed & Gesmer of Boston, Massachusetts.

CONTINUING DISCLOSURE

Even though Bonds in the Daily Mode are exempt from the provisions of Rule 15c2-12 of the Securities and Exchange Commission, the Commonwealth will undertake in the Bonds to provide annual reports and notices of certain events as if said Rule 15c2-12 applied. A description of this undertaking is set forth in Appendix C attached hereto. The Commonwealth has complied in all material respects with its existing undertakings to provide annual reports and notices of material events in accordance with Rule 15c2-12.

For information concerning the availability of certain other financial information from the Commonwealth, see the March 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.

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 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 Jeffrey S. Stearns, Deputy Treasurer, Office of the Treasurer and Receiver-General, One Ashburton Place, 12th floor, Boston, Massachusetts 02108, telephone 617/367-3900, or Scott A. Jordan, Director of Debt 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 Walter J. St. Onge, III, Palmer & Dodge LLP, One Beacon Street, Boston, Massachusetts 02108, telephone 617/573-0389.

THE COMMONWEALTH OF MASSACHUSETTS

By /s/ Shannon P. O'Brien
Shannon P. O'Brien
Treasurer and Receiver-General

By /s/ Stephen P. Crosby
Stephen P. Crosby
Secretary of Administration and Finance

November 28, 2000

**THE
COMMONWEALTH
OF
MASSACHUSETTS**



INFORMATION STATEMENT

Dated March 3, 2000

INFORMATION STATEMENT SUPPLEMENT

Dated November 27, 2000

TABLE OF CONTENTS

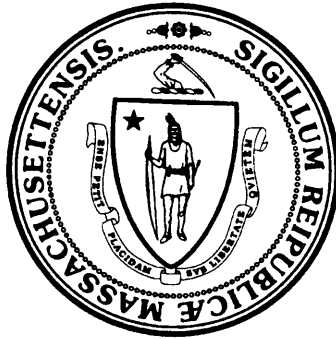
INFORMATION STATEMENT SUPPLEMENT DATED NOVEMBER 27, 2000

	Page
RECENT DEVELOPMENTS	i
Fiscal 2001.....	i
Fiscal 2000.....	ii
State Taxes.....	iii
Cash Flow Projection.....	iv
Medicaid.....	iv
Selected Financial Data - Statutory Basis.....	v
COMMONWEALTH CAPITAL SPENDING	vii
Central Artery/Ted Williams Tunnel Project.....	viii
Update of Proposed Capital Spending Authorizations.....	xi
LEGAL MATTERS	xiii
Update of Existing Litigation.....	xiii
SEC Investigation.....	xiii
COMMONWEALTH BOND AND NOTE LIABILITIES	xiv
Maturities of Short-Term Debt.....	xv
Statutory Debt Limit on Direct Debt.....	xv
Debt Service Requirements on Commonwealth Bonds.....	xv
Commonwealth Supported Debt.....	xvii
Indirect Obligations.....	xvii
Cash Defeasance Transactions.....	xvii
OTHER COMMONWEALTH LIABILITIES	xvii
Pension Funding Schedule and Actuarial Valuations.....	xvii
Unemployment Compensation Trust Fund.....	xviii
AVAILABILITY OF OTHER INFORMATION	xviii
(Exhibits A, B and C are included by reference, and have been filed with Nationally Recognized Municipal Securities Information Repositories)	
A. Economic Information	
B. Fiscal 2000 Statutory Basis Financial Report	
C. Fiscal 1999 Comprehensive Annual Financial Report (GAAP basis)	

COMMONWEALTH INFORMATION STATEMENT DATED MARCH 3, 2000

THE GOVERNMENT	2	COMMONWEALTH CAPITAL SPENDING	39
Executive Branch.....	3	Five-Year Capital Spending Plan.....	40
Legislative Branch.....	4	Federal Highway Funding.....	41
Judicial Branch.....	5	Central Artery/Ted Williams Tunnel Project.....	42
Independent Authorities and Agencies.....	5	Historical Capital Spending.....	47
Local Government.....	5	Proposed Capital Spending Authorizations.....	48
Initiative Petitions.....	6	COMMONWEALTH BOND AND NOTE LIABILITIES	50
COMMONWEALTH BUDGET, FINANCIAL MANAGEMENT AND CONTROLS	6	Overview.....	50
Operating Fund Structure.....	6	General Obligation Debt.....	53
Overview of Budgetary Process.....	7	Special Obligation Debt.....	54
Cash and Budgetary Controls.....	8	Federal Grant Anticipation Notes.....	54
Cash Management Practices of State Treasurer.....	8	Synthetic Fixed Rate Bonds.....	55
Fiscal Control, Accounting and Reporting Practices of Comptroller.....	9	Debt Service Requirements on Commonwealth Bonds.....	55
Overview of Capital Spending Process and Controls.....	10	Cash Defeasance.....	57
Audit Practices of State Auditor.....	11	Statutory Debt Limit on Direct Debt.....	57
FINANCIAL RESULTS	11	Limit on Debt Service Appropriations.....	58
Selected Financial Data - Statutory Basis.....	11	Authorized But Unissued Debt.....	59
Selected Financial Data - GAAP Basis.....	14	Commonwealth-Supported Debt.....	59
2000 FISCAL YEAR	15	Turnpike Authority Contract Assistance.....	61
Cash Flow.....	16	Debt Service Contract Assistance Requirements on Commonwealth-Supported Debt.....	61
2001 FISCAL YEAR	16	Commonwealth-Guaranteed Debt.....	63
COMMONWEALTH REVENUES	18	Indirect Obligations.....	63
Distribution of Revenues.....	18	OTHER COMMONWEALTH LIABILITIES	65
State Taxes.....	20	Retirement Systems and Pension Benefits.....	65
Tax Revenue Forecasting.....	24	Long-Term Operating Leases.....	69
Federal and Other Non-Tax Revenues.....	26	Long-Term Capital Leases.....	69
Limitations on Tax Revenues.....	27	School Building Assistance.....	69
COMMONWEALTH PROGRAMS AND SERVICES	28	Unemployment Compensation Trust Fund.....	70
Local Aid.....	28	INVESTMENT POLICIES	70
Medicaid.....	30	LITIGATION	70
Public Assistance.....	31	MISCELLANEOUS	74
Massachusetts Bay Transportation Authority.....	33	CONTINUING DISCLOSURE	74
Other Programs.....	35	AVAILABILITY OF OTHER FINANCIAL INFORMATION	75
State Workforce.....	35		
Union Organization and Labor Negotiations.....	36		

THE COMMONWEALTH OF MASSACHUSETTS



CONSTITUTIONAL OFFICERS

Argeo Paul Cellucci.....Governor
Jane M. SwiftLieutenant Governor
William F. GalvinSecretary of the Commonwealth
Thomas F. Reilly..... Attorney General
Shannon P. O'Brien Treasurer and Receiver-General
A. Joseph DeNucci..... Auditor

LEGISLATIVE OFFICERS

Thomas F. Birmingham..... President of the Senate
Thomas M. Finneran Speaker of the House

THE COMMONWEALTH OF MASSACHUSETTS

INFORMATION STATEMENT SUPPLEMENT

November 27, 2000

This supplement ("Supplement") to the Information Statement of The Commonwealth of Massachusetts (the "Commonwealth") dated March 3, 2000 (the "March Information Statement") is dated November 27, 2000 and contains information which updates the information contained in the March Information Statement. Exhibit A to this Supplement sets forth certain economic, demographic and statistical information concerning the Commonwealth. Exhibit B to this Supplement is the fiscal 2000 Statutory Basis Financial Report of the Commonwealth. Exhibit C to this Supplement is the fiscal 1999 Comprehensive Annual Financial Report (GAAP basis) of the Commonwealth. Specific reference is made to said Exhibits A, B and C, copies of which have been filed with each Nationally Recognized Municipal Securities Information Repository currently recognized by the Securities and Exchange Commission. The financial statements are also available on the Comptroller's web site located at <http://www.state.ma.us/osc/Reports/reportsfinancial.htm>. This Supplement and the March Information Statement must be read collectively and in their entirety in order to obtain the appropriate fiscal, financial and economic information concerning the Commonwealth through November 27, 2000. All capitalized terms not otherwise defined in this Supplement shall have the meanings ascribed to them in the March Information Statement.

RECENT DEVELOPMENTS

Fiscal 2001

On April 14, 2000 the House of Representatives approved its version of the fiscal 2001 budget. The House budget provided for total appropriations of approximately \$21.8 billion and was based on a tax revenue estimate of \$15.928 billion, including \$645 million of sales tax receipts dedicated to the Massachusetts Bay Transportation Authority as a result of forward funding legislation. See the March Information Statement under the heading "COMMONWEALTH PROGRAMS AND SERVICES – Massachusetts Bay Transportation Authority." The House tax revenue estimate was approximately \$245 million higher than the estimate contained in the Governor's fiscal 2001 budget recommendations, after adjusting for proposed tax cuts in the Governor's budget. The House budget provided for the current expenditure of 30% of tobacco settlement moneys to be received in fiscal 2001 rather than 50% as recommended by the Governor. The House budget included a provision that would have reduced the personal income tax rate starting in tax year 2003 under conditions of continuing growth in the state economy. The House budget also included, with some modifications, the Governor's proposal to revamp the school building assistance program. See the March Information Statement under the heading "2001 FISCAL YEAR."

On May 25, 2000 the Senate approved its version of the fiscal 2001 budget, which provided for total spending of approximately \$21.549 billion and was based on a tax revenue estimate of approximately \$15.849 billion, essentially equivalent to the House estimate after adjusting for proposed tax cuts in the Senate budget. Like the Governor, but unlike the House, the Senate recommended spending 50% of tobacco settlement moneys to be received in fiscal 2001 and thereafter. The Senate budget provided for a personal income tax deduction for charitable contributions. The Senate budget also provided for pay-as-you-go capital spending during fiscal years 2001 through 2005.

Based on tax revenue through April, the Secretary of Administration and Finance did not agree with the Legislature's proposed tax revenue estimate, and consensus was not reached by May 15, 2000 as required by state finance law (see the March Information Statement under the heading "COMMONWEALTH REVENUES - Tax Revenue Forecasting"). On June 12, 2000 the Secretary of Administration and Finance informed the chairmen of the House and Senate Committees on Ways and Means that the administration accepted the legislative consensus tax revenue estimate for fiscal 2001 (\$15.928 billion before any tax cuts), based on higher-than-expected tax collections in May, 2000.

According to estimates by the Executive Office for Administration and Finance, total spending in the House budget was approximately \$370 million more than the Governor's recommendations, as adjusted upward by newly identified appropriation needs of approximately \$70 million since the Governor's budget was filed in January. Total spending in the Senate budget was approximately \$210 million more than the Governor's adjusted recommendations.

On July 17, 2000 the legislative conference committee charged with reconciling the differences between the House and Senate versions of the fiscal 2001 budget released its report, and the compromise budget was enacted by both houses of the Legislature on July 18, 2000. The Governor approved the budget on July 28, 2000 after vetoing approximately \$175 million of appropriations. On July 31, 2000 the Legislature restored approximately \$88.2 million of appropriations by overriding the Governor's vetoes. Taking into account the vetoes and overrides, the fiscal 2001 budget provides for total spending of approximately \$21.464 billion. It provides for charitable contributions to be deductible from personal income taxes, but does not reduce personal income tax rates. See "State Taxes." Assumed tax revenues, including sales tax receipts dedicated to the MBTA and taking into account the charitable contributions deduction, are \$15.849 billion. The budget provides for 30% of tobacco settlement moneys to be expended in fiscal 2001. It also contains the Senate provisions for pay-as-you-go capital spending. "See Update of Proposed Capital Spending Authorizations." As recommended by the Governor, the budget appropriates \$922 million for the state's pension funding schedule and an additional \$100 million related to increased pension liabilities due to the conversion to new actuarial software.

On August 29, 2000 the Governor filed a bill recommending fiscal 2001 supplemental appropriations totaling approximately \$30.9 million, of which approximately \$28.4 million was to correct underfunding in several appropriation items in the fiscal 2001 budget. On October 2, 2000 the House Committee on Ways and Means approved supplemental appropriations totaling approximately \$73 million. On October 4, 2000 the Governor filed a bill recommending fiscal 2001 supplemental appropriations totaling approximately \$32 million for a one-time mitigation of recent increases in fuel costs for low-income families, the elderly and state agencies which pay fuel costs out of their regular operating budgets. On November 2, 2000 the Governor approved fiscal year 2001 supplemental appropriations totaling \$4.5 million for the family shelter program of the Department of Transitional Assistance. On November 9, 2000 the Governor approved fiscal 2001 supplemental appropriations totaling \$17 million, of which \$12 million were for the low-income energy assistance program and \$5 million were to increase heating oil supplies in the Commonwealth.

On October 11, 2000 the Secretary of Administration and Finance announced a revised fiscal 2001 revenue estimate of \$16.209 billion, an increase of \$360 million, or 2.2%, over the prior estimate of \$15.849 billion. Taking into account the reduction in personal income tax rates approved by the voters on November 7, 2000 (see "State Taxes," below), the revised estimate for fiscal 2001 is \$16.074 billion. (Reductions attributable to charitable deductions, also approved by the voters, were included in previous estimates because of the legislative enactment of such deductions as part of the fiscal 2001 budget.) The revised total includes \$645 million of sales tax receipts dedicated to the Massachusetts Bay Transportation Authority. (See the March Information Statement under the heading "COMMONWEALTH PROGRAMS AND SERVICES – Massachusetts Bay Transportation Authority.")

Tax collections in October, 2000 totaled approximately \$1.088 billion, an increase of approximately \$48.9 million, or 4.7%, over October, 1999. The October total includes approximately \$58.3 million of sales tax receipts dedicated to the MBTA. Year-to-date tax collections through October, 2000 totaled approximately \$5.043 billion, an increase of approximately \$488.4 million, or 10.7%, over the comparable period in fiscal 2000. The year-to-date total includes approximately \$221.8 million of sales tax receipts dedicated to the MBTA. The benchmark range for collections through October, 2000, based on the fiscal 2001 tax revenue estimate of \$16.074 billion, was \$4.669 billion to \$4.889 billion.

Fiscal 2000

On a statutory basis, tax collections in fiscal 2000 totaled approximately \$15.702 billion, an increase of approximately \$1.398 billion, or 9.8%, over fiscal 1999, and approximately \$243.6 million higher than the final estimate for fiscal 2000.

The Division of Medical Assistance experienced an estimated deficiency of \$202.1 million in fiscal 2000 resulting from increased caseloads, rate increases and an internal accounting issue relating to the Division's 52-week billing system, which is equipped to pay medical bills from providers for only 364 days per year. Bills for a "53rd week" must be paid on occasion to account for the lost billing days in previous years. Corrective action is planned to prevent future deficiencies related to the Division's billing system. The deficiency was partially offset with \$67.5 million in reversions, resulting in a net deficiency of \$134.6 million. The deficiency was offset further by increased federal reimbursements of \$101.1 million, for a net balance sheet impact of \$33.5 million. On June 23, 2000 the Governor approved supplemental appropriations sufficient to eliminate the deficiency.

On May 5, 2000, the Governor approved a fiscal 2000 supplemental appropriations bill containing approximately \$85.7 million of appropriations to make up deficiencies in certain accounts, including \$25.3 million for the statewide snow and ice removal program. On June 23, 2000 the Governor approved a supplemental appropriations bill containing approximately \$202.3 million of appropriations to make up deficiencies in certain accounts, including the Division of Medical Assistance accounts described above. On July 28, 2000 the Governor approved a supplemental appropriations bill containing approximately \$62.8 million of appropriations, including \$50 million for the Chapter 90 local road and bridge program and funds for the Registry of Motor Vehicles. On August 10, 2000 the Governor approved the final supplemental appropriations bill for fiscal 2000, containing approximately \$342 million of additional fiscal 2000 appropriations after vetoing approximately \$20 million. The bill provided for approximately \$149.5 million of fiscal 2000 appropriations to be available for expenditure in fiscal 2001. The bill provided for an \$87.7 million distribution of lottery proceeds to cities and towns and contained provisions for disposing of additional fiscal 2000 surplus revenues as described below.

On May 17, 2000 the Governor approved legislation providing for \$500 million in surplus fiscal 2000 revenues to be deposited in the Debt Defeasance Trust Fund. See "COMMONWEALTH CAPITAL SPENDING – Central Artery/Ted Williams Tunnel Project." On July 19, 2000 the Governor filed legislation that would have authorized the deposit in the Debt Defeasance Trust Fund of \$150 million in additional fiscal 2000 surplus revenues. As enacted by the Legislature, the final fiscal 2000 supplemental appropriations bill provided for approximately \$86.9 million of fiscal 2000 surplus revenues to be transferred to the Capital Improvement and Investment Trust Fund for specified capital expenditures through fiscal 2003; in approving the bill on August 10, 2000, the Governor reduced this amount by approximately \$20.1 million. The final supplemental appropriations act also provided for \$10 million of fiscal 2000 surplus revenues to be transferred to the Teacher, Principal and Superintendent Quality Endowment Fund (formerly the Teacher Quality Endowment Fund) and approximately \$66.6 million of such revenues to be transferred to a new MBTA Infrastructure Renovation Fund for specified capital expenditures by the Massachusetts Bay Transportation Authority through fiscal 2005 that are not included in the Authority's own capital spending plan. See the March Information Statement under the heading "FINANCIAL RESULTS – Selected Financial Data - Statutory Basis."

In accordance with state finance law, on October 31, 2000, the Comptroller issued the final, audited Statutory Basis Financial Report of the Commonwealth for fiscal 2000. The Comptroller expects to issue the fiscal 2000 Comprehensive Annual Financial Report (GAAP basis) on or before December 31, 2000 and to file it with each Nationally Recognized Municipal Securities Information Repository upon its release.

State Taxes

On November 7, 2000 Massachusetts voters approved two initiative petitions that will reduce personal income taxes. See the March Information Statement under the heading "COMMONWEALTH REVENUES – State Taxes; *Income Tax*." One of the approved petitions sets the Part B income tax rate at 5.6% on January 1, 2001, 5.3% on January 1, 2002 and 5% on January 1, 2003 and thereafter. The Department of Revenue estimates that this change will reduce fiscal 2001 revenues by \$135 million, fiscal 2002 revenues by \$457 million and fiscal 2003 revenues by \$883 million. The annualized value of the reduction, once fully effective in fiscal 2004, is estimated to be approximately \$1.154 billion. The other approved petition provides for a personal income tax deduction for charitable contributions, effective January 1, 2001. The petition essentially re-enacts a provision for such a deduction included in the fiscal 2001 budget. The Department of Revenue estimates the cost of the deduction to be \$70 million to \$90 million in fiscal 2001 and \$157 million to \$192 million annually thereafter. The initiative petition that would have established tax credits for amounts paid as tolls and motor vehicle excise taxes was disapproved by the voters.

Legislation approved by the Governor on July 28, 2000 as part of the fiscal 2001 budget froze the motor fuels excise tax at 21¢ per gallon of fuel, which has been the effective tax rate for many years. Under prior law, the tax per gallon was 19.1% of the weighted average selling price per gallon of fuel, but not less than 21¢. See the March Information Statement under the heading "COMMONWEALTH REVENUES – State Taxes; *Other Taxes.*"

On September 19, 2000 the State Auditor issued his report calculating whether net state tax revenues in fiscal 2000 exceeded allowable state tax revenues under the limit set by Chapter 62F of the Massachusetts General Laws. See the March Information Statement under the heading "COMMONWEALTH REVENUES – Limitations on Tax Revenues." For fiscal 2000, net state tax revenues, as determined by the State Auditor pursuant to Chapter 62F, were approximately \$15.702 billion and allowable state tax revenues were approximately \$16.694 billion.

On October 11, 2000 the Secretary of Administration and Finance estimated that fiscal 2002 tax revenues will total \$16.551 billion, including \$671 million in sales tax receipts dedicated to the MBTA. This estimate has since been reduced to \$16.090 billion to reflect passage on November 7, 2000 of the initiative petition to reduce personal income tax rates.

Cash Flow Projection

A cash flow projection for fiscal 2001 was released by the State Treasurer and the Secretary of Administration and Finance on August 25, 2000. According to the report, fiscal 2001 is projected to end with a cash balance of \$2.016 billion, excluding any fiscal 2001 activity that will occur after June 30, 2001 and excluding the Stabilization Fund. The corresponding figure for the end of fiscal 2000 was approximately \$1.991 billion, of which \$650 million was set aside for fiscal 2001 cash defeasance transactions, \$160 million was set aside for disbursement to the Massachusetts Bay Transportation Authority and \$230 million represented moneys sequestered for capital projects, leaving approximately \$951 million as general operating cash. It is likewise anticipated that less than half of the cash balance forecast for the end of fiscal 2001 will be available as general operating cash, due primarily to the \$3 billion of Commonwealth bond and note issues forecast for fiscal 2001. The anticipated debt offerings include \$2 billion in general obligation bonds (\$500 million in September, 2000, \$750 million in October, 2000 and \$250 million each in December, 2000, March, 2001 and May, 2001), \$600 million in federal grant anticipation notes (September, 2000) and \$400 million in bond anticipation notes (September, 2000). Of the general obligation bonds, \$1 billion is expected to be issued for the Central Artery/Ted Williams Tunnel project, as are all of the federal grant anticipation notes. See "COMMONWEALTH CAPITAL SPENDING – Central Artery/Ted Williams Tunnel Project." The bond anticipation notes are general obligation notes being issued to finance costs associated with the Boston Convention and Exhibition Center in anticipation of special obligation bonds and other capital costs. See the March Information Statement under the heading "COMMONWEALTH BOND AND NOTE LIABILITIES – Special Obligation Debt; *Boston Convention and Exhibition Center Fund.*" (The Commonwealth did issue \$400 million of bond anticipation notes on September 7, 2000. The Commonwealth issued \$220 million of additional bond anticipation notes through its commercial paper program on September 27, 2000 in anticipation of issuing federal grant anticipation notes in November, 2000. On November 15, 2000 the Commonwealth sold federal grant anticipation notes in the aggregate principal amount of \$577.6 million; such notes are expected to be delivered on November 30, 2000. On November 2, 2000 the Commonwealth issued general obligation bonds in the aggregate principal amount of approximately \$563.7 million. Additional general obligation bonds are now expected to be issued as follows: \$925 million in December, 2000 (including \$275 million as variable rate demand bonds and \$400 million as auction rate securities) and \$250 million each in March and May, 2001.)

The next cash flow projection is expected to be filed shortly.

Medicaid

On June 15, 2000 the federal Health Care Financing Administration (HCFA) sent a letter to nine states, including Massachusetts, New York and Florida, indicating that portions of their Medicaid programs might be funded with impermissible taxes on health care providers, jeopardizing federal reimbursements collected on any Medicaid program expenditures funded with such taxes. In the case of Massachusetts, the letter related to the portion of the Commonwealth's Medicaid program funded by the uncompensated care pool. (The Medicaid program is 50% funded by federal reimbursements. See the March Information Statement under the heading "COMMONWEALTH PROGRAMS AND SERVICES – Medicaid.") HCFA promulgated regulations in 1993 regarding the collection of taxes imposed on health care providers and establishing a process for waiver approval of state taxes subject to the regulations. The state Division of Medical Assistance (DMA), which administers the Medicaid program in the

Commonwealth, filed a waiver request in February, 1993 relating to the permissibility of the Commonwealth's assessment on acute care hospitals to fund the uncompensated care pool in Massachusetts. The waiver request has been resubmitted three times since 1993, with DMA providing additional information each time as requested by HCFA. DMA believes that its pending waiver request addresses the concerns that have been articulated by HCFA and that the Commonwealth's implementation of the uncompensated care pool assessment is within the federal law pertaining to provider taxes. The June 15 HCFA letter requested the Commonwealth to resubmit its waiver request by July 30, 2000. The letter further stated that if HCFA were to make a final determination that the Commonwealth had imposed an impermissible provider tax, HCFA would undertake an audit of the Commonwealth's uncompensated care pool program and seek retroactive repayment of federal Medicaid reimbursements. Under federal regulations, recoupment of federal Medicaid reimbursements is generally accomplished by withholding a portion of future Medicaid reimbursements to the state owing the repayment. States can appeal a request for repayment to an appeals panel within the U. S. Department of Health and Human Services and then to a federal district court. From 1993, when the first waiver request was submitted, through fiscal 1999, the Commonwealth received an estimated \$920 million in federal Medicaid reimbursements related to expenditures associated with the uncompensated care pool, and the Commonwealth has continued to collect approximately \$37 million per fiscal quarter for each quarter following fiscal 1999. On July 28, 2000 HCFA extended the deadline for the submission of DMA's waiver request from July 30, 2000 to August 31, 2000 for collections that occurred from 1993 to the present ("original tax"), and to September 30, 2000 for certain amounts collected from 1998 to the present ("new tax"). DMA filed its "original tax" submission in response to HCFA's letter on August 31, 2000 and its "new tax" submission on September 29, 2000. In addition, HCFA allowed DMA to supplement its "original tax" submission (filed August 31, 2000) so long as it did so by September 30, 2000. Accordingly, DMA filed additional documents on September 29, 2000, which supplemented its response relative to the "original tax." Officials from DMA continue to meet with the Massachusetts Congressional delegation and officials from HCFA to discuss ways of resolving this issue. Clarification of the law surrounding permissible provider taxes is a national issue and resolution could take several years.

Selected Financial Data - Statutory Basis

The revenues and expenditures of the budgeted operating funds presented in the following table are derived from the Commonwealth's audited statutory basis financial statements for fiscal 1996 through 2000 and estimates for fiscal 2001 prepared by the Executive Office for Administration and Finance. The financial information presented includes all budgeted operating funds of the Commonwealth. When the status of a fund has changed during this period, prior years have been restated to conform to the fiscal 2001 budget. See the March Information Statement under the heading "FINANCIAL RESULTS."

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

	<u>Fiscal 1996</u>	<u>Fiscal 1997</u>	<u>Fiscal 1998</u>	<u>Fiscal 1999</u>	<u>Fiscal 2000</u>	<u>Estimated Fiscal 2001</u>
<u>Beginning Fund Balances</u>						
Reserved or Designated	\$ 128.1	\$ 263.4	\$ 225.1	\$ 286.3	\$ 330.2	\$ 278.5
Tax Reduction Fund	--	231.7	91.8	367.7	6.8	7.2
Stabilization Fund	425.4	543.3	799.3	1,159.6	1,388.5	1,608.4
Undesignated	172.5	134.0	277.8	378.5	386.9	391.3
Fund Balance Restatement	<u>--</u>	<u>0.6(2)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total	<u>726.0</u>	<u>1,173.0</u>	<u>1,394.0</u>	<u>2,192.1</u>	<u>2,112.4</u>	<u>2,285.4</u>
<u>Revenues and Other Sources</u>						
Taxes	12,049.2	12,864.5	14,026.3	14,291.5	15,688.6	15,429.0(4)
Federal Reimbursements	3,039.1	3,019.6	3,361.2	3,442.9	3,645.6	3,843.9
Departmental and Other Revenues	1,208.1	1,267.9	1,286.4	1,297.8	1,359.9	1,417.3
Interfund Transfers from Non-budgeted Funds and Other Sources	<u>1,031.1</u>	<u>1,018.0</u>	<u>1,125.9</u>	<u>1,132.8</u>	<u>1,893.0</u>	<u>1,242.4</u>
Budgeted Revenues and Other Sources	<u>17,327.5</u>	<u>18,170.0</u>	<u>19,799.8</u>	<u>20,165.0</u>	<u>22,587.1</u>	<u>21,932.6</u>
Mass Transit Assessments from Municipalities	147.6	151.5	155.6	159.9	15.8	---
Interfund Transfers among Budgeted Funds and Other Sources	<u>896.2</u>	<u>901.8</u>	<u>1,449.2</u>	<u>1,242.0</u>	<u>3,618.2(3)</u>	<u>208.9</u>
Total Revenues and Other Sources	<u>18,371.3</u>	<u>19,223.3</u>	<u>21,404.6</u>	<u>21,566.9</u>	<u>26,221.1</u>	<u>22,141.5</u>
<u>Expenditures and Uses</u>						
Programs and Services	14,650.7	15,218.8	16,238.6	17,341.1	19,330.7	19,611.3
Debt Service	1,183.6	1,275.5	1,213.4	1,173.8	1,193.3	1,370.5
Pensions	1,004.6	1,069.2	1,069.8	990.2	986.3	1,041.5
Interfund Transfers to Non-budgeted Funds And Other Uses	<u>42.2</u>	<u>385.5</u>	<u>479.9</u>	<u>739.6</u>	<u>903.8</u>	<u>87.3</u>
Budgeted Expenditures and Other Uses	<u>16,881.1</u>	<u>17,949.0</u>	<u>19,001.7</u>	<u>20,244.7</u>	<u>22,414.1</u>	<u>22,110.6</u>
Payment of Municipal Mass Transit Assessments to the MBTA and RTA's	147.6	151.5	155.6	159.9	15.8	---
Interfund Transfers among Budgeted Funds and Other Uses	<u>896.2</u>	<u>901.8</u>	<u>1,449.2</u>	<u>1,242.0</u>	<u>3,618.2</u>	<u>208.9</u>
Total Expenditures and Other Uses	<u>17,924.9</u>	<u>19,002.3</u>	<u>20,606.5</u>	<u>21,646.6</u>	<u>26,048.1</u>	<u>22,319.5</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>446.4</u>	<u>221.0</u>	<u>798.1</u>	<u>(79.7)</u>	<u>173.0</u>	<u>(178.0)</u>
Transfer of Excess to Capital Projects Fund	---	---	---	---	---	(6.9)(5)
Net Balance	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>(184.9)</u>
<u>Ending Fund Balances</u>						
Reserved or Designated	263.4	225.1	286.3	330.2	278.5	26.1
Tax Reduction Fund	231.7	91.8	367.7	6.8	7.2	8.0
Stabilization Fund	543.3	799.3	1,159.6	1,388.5	1,608.4	1,693.3
Undesignated	<u>134.0</u>	<u>277.8</u>	<u>378.5</u>	<u>386.9</u>	<u>391.3</u>	<u>373.1</u>
Total	<u>\$ 1,172.4</u>	<u>\$ 1,394.0</u>	<u>\$ 2,192.1</u>	<u>\$ 2,112.4</u>	<u>\$ 2,285.4</u>	<u>\$ 2,100.5</u>

SOURCE: Fiscal 1996-2000, Office of the Comptroller; fiscal 2001, Executive Office for Administration and Finance.

1. Totals may not add due to rounding.
2. The fund balance restatement for fiscal 1997 is the result of the reclassification of the Drug Analysis Fund from a non-budgeted fund to a budgeted fund.
3. Reflects legislation in the final supplemental appropriations act for fiscal 2000 requiring the Comptroller to transfer funds from the General Fund to the Local Aid Fund and Highway Fund at the end of fiscal 2000, eliminating deficits in these funds.
4. Reflects the October 11, 2000 estimate of \$16.209 billion, less \$645 million of sales tax receipts dedicated to the Massachusetts Bay Transportation Authority (see the March Information Statement under the heading "COMMONWEALTH PROGRAMS AND SERVICES - Massachusetts Bay Transportation Authority) and less \$135 million to reflect the passage of the November, 2000 ballot question reducing personal income taxes (see "State Taxes").
5. The amount of any Capital Projects Fund transfer will be determined by the Comptroller when the books are closed for fiscal 2001 on October 31, 2001. After the books are closed, such amount will be treated as an interfund transfer to non-budgeted funds and other uses.

COMMONWEALTH CAPITAL SPENDING

Five-Year Capital Spending Plan

The following table sets forth the Commonwealth's current five-year capital plan. See the March Information Statement under the heading "COMMONWEALTH CAPITAL SPENDING – Five-Year Capital Spending Plan." The table assumes that all Commonwealth bonds related to a particular year's expenditures will be issued in the same year. In practice, Commonwealth capital expenditures usually occur prior to the issuance of the related bonds. Accordingly, it is customary for some Commonwealth bonds to be issued in a subsequent fiscal year to finance capital expenditures made in the prior fiscal year.

The five-year capital plan governs bond-funded expenditures and does not, therefore, include expenditures from the Capital Investment Trust Fund, the Capital Improvement and Investment Trust Fund or the Capital Needs Investment Trust Fund (see "Fiscal 2000," "Update of Proposed and Approved Capital Spending Authorizations" and the March Information Statement under the heading "FINANCIAL RESULTS - Selected Financial Data - Statutory Basis") or capital expenditures from the fiscal 2000 year-end surplus (see "Fiscal 2000" and the March Information Statement under the heading "COMMONWEALTH BUDGET, FINANCIAL MANAGEMENT AND CONTROLS – Operating Fund Structure; *Year-end Surpluses*").

Summary of Five-Year Capital Spending Plan and Plan of Finance (in millions)(1)

USES:	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>Total</u>
Category						
Information Technology	\$ 53	\$ 49	\$ 49	\$ 49	\$ 49	\$ 249
Infrastructure	185	201.5	201.5	202	202	992
Environment	104	104	104	104	105	521
Housing	74.5	72	72	71	71	360.5
Transportation						
Central Artery/Tunnel Project	1,744	1,371	940	658	240	4,953
All Other	<u>718</u>	<u>662</u>	<u>631</u>	<u>487</u>	<u>813</u>	<u>3,311</u>
Transportation Subtotal	2,462	2,033	1,571	1,145	1,053	8,264
Public Safety	19	9	9	9	9	55
Economic Development (2)	295	275	182	61	44	857
Reserve (3)	<u>4</u>	<u>4</u>	<u>95</u>	<u>135</u>	<u>135</u>	<u>373</u>
Total Uses	<u>\$ 3,197</u>	<u>\$ 2,747</u>	<u>\$ 2,284</u>	<u>\$ 1,776</u>	<u>\$ 1,668</u>	<u>\$ 11,672</u>
SOURCES:						
Category						
Commonwealth General Obligation Debt	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 5,000
Commonwealth Special Obligation Debt	248	227	138	16	0	629
Third Party-Supported Expenditures	117	38	11	37	181	384
Federal Grant Anticipation Notes	386	0	0	0	0	386
Federal Aid	781	599	452	387	387	2,606
Transportation Infrastructure Fund (4)	<u>666</u>	<u>883</u>	<u>684</u>	<u>336</u>	<u>100</u>	<u>2,669</u>
Total Sources	<u>\$ 3,197</u>	<u>\$ 2,747</u>	<u>\$ 2,284</u>	<u>\$ 1,776</u>	<u>\$ 1,668</u>	<u>\$ 11,672</u>

SOURCE: Executive Office for Administration and Finance.

- (1) Totals may not add due to rounding.
- (2) Includes amounts formerly labeled "Wastewater Treatment." Also includes approximately \$629 million for convention centers in Boston, Worcester and Springfield that are expected to be funded by special obligation bonds.
- (3) Reserve for unanticipated capital spending needs within a given fiscal year, to be allocated as needed among the listed categories.
- (4) Sources include up to \$1.35 billion of Commonwealth bonds; uses include \$100 million annually for the statewide road and bridge program. See "Central Artery/Ted Williams Tunnel Project."

Central Artery/Ted Williams Tunnel Project

On March 15, 2000 the Massachusetts Turnpike Authority filed with the Federal Highway Administration a finance plan update for the Central Artery/Ted Williams Tunnel project describing the components of the additional project cash needs of \$1.398 billion, expected total cash outlays of \$13.064 billion and the Governor's proposed funding plan. See the March Information Statement under the heading "COMMONWEALTH CAPITAL SPENDING – Central Artery/Ted Williams Tunnel Project." The plan contained the same cash flow projections set forth in the March Information Statement. The plan included as an appendix an interim cost validation report by the consultants that had been retained by the Turnpike Authority to undertake an independent assessment of its findings. The consultants analyzed only the estimates related to design and construction costs, which amounted to \$975 million of the \$1.398 billion total. The consultants reported that the \$975 million assessment was realistic but also indicated that they had identified risk areas of potential additional costs totaling approximately \$300 million.

On April 11, 2000 the U. S. Secretary of Transportation released a report dated March 31, 2000 that had been prepared by a task force of federal officials pursuant to the action plan that the Secretary had announced on February 17, 2000. The task force report stated that senior management of the Central Artery/Ted Williams Tunnel project had deliberately withheld information about cost overruns from the Federal Highway Administration and recommended a change in project leadership, as well as an evaluation of whether the Turnpike Authority should continue to be responsible for the management of the project. The report validated the methodology used by the Turnpike Authority to identify the potential \$1.4 billion cost overrun as realistic and consistent with normal industry practice, but stated that there were risks that could lead to cost exposures in addition to those identified in the March 15, 2000 finance plan update in the range of \$300 million to \$480 million. The task force estimated that a realistic total cost estimate for the project was \$13.4 billion to \$13.6 billion. The report stated that the Commonwealth appeared to have adequate resources to finance the additional costs but had not yet identified precisely how it would do so, noting that several of the elements in the Governor's proposed funding plan did not appear to have state legislative support. Upon receiving the report, the Governor requested and received the resignation of the chairman of the Turnpike Authority and appointed a new chairman.

On May 8, 2000 the Turnpike Authority received a letter from the Federal Highway Administration stating that it could not accept the March 15, 2000 finance plan update as filed. The letter indicated that the most critical issue to resolve was the identification of new funding resources and said that if sufficient new funding sources were not made available by the approval of appropriate legislation by May 19, 2000, the federal government would withhold additional "obligation authority" for the project. See the March Information Statement under the heading "COMMONWEALTH CAPITAL SPENDING – Federal Highway Funding." The letter further stated that prior to May 19, 2000 any use of obligation authority would be available only for work that could not be deferred without cost increases. (Obligation authority has since been reinstated.) In addition, the letter stated that a completely revised finance plan update had to be submitted by June 16, 2000. Finally, the letter provided that total obligation authority for the project would be limited to the amount described in the March 15, 2000 finance plan update (\$7.049 billion plus grant anticipation notes of \$1.5 billion), and "advance construction" authorizations for the project would be limited to the amount specified in previously accepted finance plan updates (the existing balance, which was approximately \$2.864 billion at the end of fiscal 1999, plus \$222 million). Under federal highway funding statutes, the "advance construction" approach allows states, with Federal Highway Administration approval, to begin a project before amassing all of the obligation authority needed to cover the federal share of that project, and the Commonwealth has used this approach extensively for the Central Artery/Ted Williams Tunnel project. The limits on obligation authority and advance construction authorizations contained in the letter are consistent with the amount of federal funding contemplated in connection with a total project cost of \$11.667 billion, meaning that all additional costs will have to be met with non-federal funds. According to the May 8, 2000 letter, the revised finance plan update must provide for funding resources consistent with total project costs in excess of \$13.1 billion, as indicated by the higher estimates described in the March 31, 2000 federal task force report and the independent cost validation report appended to the March 15, 2000 finance plan, and must provide for full funding of a balanced statewide road and bridge program.

On May 17, 2000 the Governor approved legislation to provide financing for the additional costs of the Central Artery/Ted Williams Tunnel project and for the statewide road and bridge program. The legislation authorizes approximately \$1.520 billion of Commonwealth bonds, which may be issued as general obligations or as special obligations payable from the gasoline tax. The legislation reinstates certain fees collected by the Registry of Motor Vehicles which will be credited to the Highway Fund and which are expected to generate approximately \$100 million per year to offset debt service costs associated with the foregoing bonds and to provide direct funding for the project. (Legislation clarifying that such fees may be pledged to secure special obligation bonds was approved by the Governor on June 30, 2000.) The legislation also provides for the sale of a highway exit ramp by the Commonwealth to the Massachusetts Port Authority in exchange for \$65 million (by December 31, 2000 with a possible six-month extension) and for the additional payment to the Commonwealth by the Massachusetts Turnpike Authority of \$200 million by September 1, 2000. (This amount was paid on September 1, 2000.) Such moneys have been or will be deposited in a new Central Artery and Statewide Road and Bridge Infrastructure Fund and used to pay additional costs of the Central Artery/Ted Williams Tunnel project and to fund the statewide road and bridge program to the extent of at least \$100 million per year for each of fiscal years 2001 through 2005. In addition the legislation authorizes up to \$650 million to be deposited in the Debt Defeasance Trust Fund (up to \$500 million from surplus fiscal 2000 revenues and up to \$150 million from accumulated surpluses from fiscal years 1997, 1998 and 1999 which were originally credited to the Capital Projects Fund), where such moneys are to be used by December 31, 2000 to establish a sinking fund to retire certain Commonwealth bonds, or bonds issued prior to June 30, 2000 by other state agencies or authorities, at maturity. See the March Information Statement under the heading "COMMONWEALTH BOND AND NOTE LIABILITIES – Cash Defeasance." During each of the next five fiscal years, an amount equal to the amount that would otherwise have been appropriated for debt service on the defeased Commonwealth bonds is to be transferred by the Comptroller from the applicable budgetary operating funds to the Central Artery and Statewide Road and Bridge Infrastructure Fund. In the case of defeased bonds issued by other state agencies or authorities, such agencies or authorities are required to pay over to the Commonwealth, for transfer to the Fund, the amounts that they would have otherwise paid for debt service.

On June 16, 2000 the Massachusetts Turnpike Authority filed with the Federal Highway Administration a finance plan update identifying total project costs, expressed as cash needs through completion in fiscal 2005, of \$13.513 billion. This cost figure was based upon the previously identified project cash requirement of \$11.667 billion, plus \$1.846 billion in additional costs (including \$53 million for a garage and surface restoration work to be funded out of Turnpike Authority resources that had previously been excluded from the project budget). The estimate of additional costs was \$448 million higher than the revised estimates released on February 1, 2000 but was consistent with the range of estimated additional costs contained in the March 31, 2000 federal task force report. The June 16, 2000 finance plan update included a \$130 million contingency for Central Artery/Ted William Tunnel project needs.

By letter dated June 15, 2000, the Federal Highway Administration informed the Massachusetts Turnpike Authority that it had been designated a "high-risk grantee" with respect to activities related to the Central Artery/Ted Williams Tunnel project. The letter indicated that such designation will remain in effect until the completion of the project. According to the letter, the designation means that more detailed financial reports and additional project monitoring will be required on the project. On June 22, 2000, the Federal Highway Administration, the Executive Office of Transportation and Construction, the Massachusetts Turnpike Authority and the Massachusetts Highway Department signed a project partnership agreement setting out the federal reporting and monitoring requirements for the project and stipulating that federal funding for the project will not exceed \$8.549 billion, as contemplated by the May 8, 2000 Federal Highway Administration letter.

In March, 2000, the Executive Office for Administration and Finance engaged the services of an independent consulting and accounting firm to review costs associated with the Central Artery/Ted Williams Tunnel project. On August 7, 2000 the Executive Office received the firm's report. The report recommended that project officials should budget for \$2.140 billion in additional costs, an increase of \$294 million over the amount provided for in the June 16, 2000 finance plan update. The consultant's report also detailed other scenarios and suggested a range of further potential budget exposures of up to an additional \$280 million.

On August 8, 2000 the Turnpike Authority received a letter from the Federal Highway Administration stating that it would defer action on the June 16, 2000 finance plan update in view of the consultant's report released on August 7, 2000 and would instead await the filing of the next scheduled finance plan on October 1, 2000.

On September 29, 2000 the Turnpike Authority filed with the Federal Highway Administration a new finance plan dated October 1, 2000. The October 1, 2000 finance plan is based on information as of June 30, 2000 and the results of a comprehensive cost and schedule evaluation. The finance plan estimates total project costs to be \$14.075 billion, an increase of \$562 million over the estimates contained in the June 16, 2000 finance plan update. Most of the increase is contained in a \$203 million increase in estimated construction costs and the addition of a project contingency budget of \$258 million.

The project cost estimates contained in the October 1, 2000 finance plan are \$2.408 billion higher than the \$11.667 billion project budget in place prior to the announcement of additional costs on February 1, 2000. Excluding the \$53 million for a garage and surface restoration work that had been added to the project budget in the June 16, 2000 update (and which is being financed from Turnpike Authority resources), the difference between the October 1, 2000 estimate and the pre-February 1, 2000 estimate is \$2.355 billion. The finance plan contemplates that \$2.168 billion of this amount will be defrayed by amounts in the Central Artery and Statewide Road and Bridge Infrastructure Fund established by the legislation approved on May 17, 2000. The balance of the increase, \$185 million, is budgeted to come from the proceeds of the sale of certain real estate assets by the Turnpike Authority (approximately \$152 million was received on July 14, 2000) and investment earnings thereon (\$40 million anticipated, \$33 million budgeted). The \$2.168 billion figure to be provided by the Central Artery and Statewide Road and Bridge Infrastructure Fund consists of \$1.35 billion of Commonwealth bond proceeds, \$231 million of license and registration fees not used for debt service, \$664 million from avoided debt service related to debt defeasance transactions, \$200 million from the Turnpike Authority, \$65 million from the Port Authority and \$159 million in interest earnings through fiscal year 2005 on the balances in the Central Artery and Statewide Road and Bridge Infrastructure Fund itself, less \$500 million that is budgeted to be spent on highway and bridge projects not related to the Central Artery/Ted Williams Tunnel project.

The October 1, 2000 finance plan also identifies additional funding sources that could be utilized as a contingency if there were to be growth in the project cost estimate. One potential source of funds is additional sales of Turnpike Authority real estate assets, including assets made available after completion of the project (estimated range of values -- \$142 million to \$309 million). Other sources include up to \$150 million of proceeds of additional revenue bonds that could be supported by the currently projected Metropolitan Highway System tolls and \$50 million expected to be withdrawn from the owner-controlled insurance program trust fund for the project.

Internal project cost estimates prepared by the Massachusetts Division of the Federal Highway Administration as of September 27, 2000 totalled \$13.8 billion. The Division indicated at that time that the estimates used by the Turnpike Authority in preparing the October 1, 2000 finance plan constituted a reasonable representation of expected costs to be used as a basis for budgetary planning. The Turnpike Authority is still awaiting final Federal Highway Administration approval of the October 1, 2000 finance plan.

On October 23, 2000 the President of the United States approved legislation providing for appropriations for the U. S. Department of Transportation and related agencies for the federal fiscal year ending September 30, 2001. The legislation provides that the U. S. Secretary of Transportation is to withhold obligation of federal funds and all project approvals for the Central Artery/Ted Williams Tunnel project in federal fiscal year 2001 and thereafter unless the Secretary has approved the annual update of the project finance plan (approval of the October 1, 2000 finance plan need not occur until December 1, 2000) and has determined that the Commonwealth is in full compliance with the June 22, 2000 project partnership agreement described above and is maintaining a balanced statewide transportation program, including spending at least \$400 million each year for construction activities and transportation projects other than the Central Artery/Ted Williams Tunnel project. In addition, the legislation limits total federal funding to \$8.549 billion, as previously contemplated by the Federal Highway Administration's May 8, 2000 letter described above. This limit is consistent with the October 1, 2000 finance plan. Finally, the legislation ties future federal funding for the project to an annual finding by the Inspector General of the U. S. Department of Transportation that the annual update of the project finance plan is consistent with Federal Highway Administration financial plan guidance. Should any federal assistance be withheld from the project pursuant to such legislation, such funding would nonetheless be available to the Commonwealth for projects other than the Central Artery/Ted Williams Tunnel project. Moreover, the legislation provides that federal funds will not be withheld if the Secretary of Administration and Finance certifies that such funds are required to pay all or any portion of the principal of federal grant anticipation notes issued for the project.

The table below provides cash flow estimates that are consistent with the revised project cost estimates (as of June 30, 2000) that are contained in the October 1, 2000 finance plan and that extend to fiscal 2005, when the project is expected to be completed. The Turnpike Authority and the Executive Office for Administration and Finance believe that such estimates of future costs are realistic and that the assumptions underlying the October 1, 2000 finance plan are reasonable and appropriate. In light of the risks involved in large construction projects such as the Central Artery/Ted Williams Tunnel Project, however, including the risks that change orders and contract bids might exceed projections, that schedule slippages might occur due to unanticipated conditions or circumstances, that change order and right-of-way disputes might be resolved on terms that are less favorable to the project than currently projected and that certain engineering designs might require modification, the actual amount and timing of construction costs may differ significantly from current estimates. The Turnpike Authority has identified certain schedule exposures in connection with the completion of various segments of the project. Based on the information currently available, the Turnpike Authority does not anticipate that budgeted contingency funds will be needed to fund such schedule exposures.

Central Artery Construction Cash Flow
(in thousands)(1)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>Totals</u>
Project Construction Uses:	<u>\$ 1,744,100</u>	<u>\$ 1,370,600</u>	<u>\$ 940,200</u>	<u>\$ 657,500</u>	<u>\$ 240,400</u>	<u>\$ 4,952,800</u>
Project Construction Sources:						
Federal highway reimbursements (2)	455,700	374,800	283,700	341,400	27,900	1,483,500
Commonwealth GO Bonds/Notes (3)	220,000	175,000	62,000	44,000	31,200	532,200
Third Party Contributions (4)	116,500	38,000	10,700	36,600	181,400	383,200
GANs	385,700	0	0	0	0	385,700
Transportation Infrastructure Fund	<u>566,200</u>	<u>782,800</u>	<u>583,900</u>	<u>235,500</u>	<u>0</u>	<u>2,168,400</u>
Total Sources	<u>\$ 1,744,100</u>	<u>\$ 1,370,600</u>	<u>\$ 940,300</u>	<u>\$ 657,500</u>	<u>\$ 240,500</u>	<u>\$ 4,953,000</u>

SOURCE: Executive Office for Administration and Finance and Massachusetts Turnpike Authority.

1. Totals may not add due to rounding. The companion table included in the March Information Statement under the caption "Interim Debt Schedule" has not been updated and should be disregarded. It has been the Commonwealth's practice to finance the cash needs of the project out of general revenues when necessary in anticipation of federal and other third-party payments, and such practice is expected to continue. If necessary, the Commonwealth retains the legal authority to issue bond anticipation notes for such purpose.
2. Assumes TEA-21 apportionment. See the March Information Statement under the heading "COMMONWEALTH CAPITAL SPENDING - Federal Highway Funding."
3. Does not include bonds or notes authorized by legislation approved May 17, 2000, which are included in the Transportation Infrastructure Fund line. Fiscal 2001 figure includes \$45 million in anticipated pay-as-you-go funding and interest earnings thereon.
4. Reflects payments to be received from the Turnpike Authority and the Port Authority, including an additional \$53 million to be received from the Turnpike Authority for a garage and surface restoration work, but excludes payments to be deposited in the Central Artery and Statewide Road and Bridge Infrastructure Fund, which are included in the Transportation Infrastructure Fund line. The fiscal year amounts assume that the Commonwealth will finance costs in anticipation of such receipts through cash advances funded by general revenues or through the issuance of interim debt, if necessary.

Update of Proposed Capital Spending Authorizations

The fiscal 2001 budget approved by the Governor on July 28, 2000 established a new Capital Needs Investment Trust Fund, in which \$45 million of income tax receipts is to be deposited in each of fiscal years 2001 through 2005 for pay-as-you-go capital spending. Of the \$45 million, \$20 million is to be deposited each year in a new Affordable Housing Trust Fund, where it will be available for expenditure by the Massachusetts Housing Finance Agency to assist in the creation and preservation of affordable housing, \$11 million is to be used by the Department of Education for statewide technology systems and grants to local school districts for educational technology, \$9 million is to be used by the Division of Capital Asset Management and Maintenance for scheduled and deferred maintenance of state property and \$5 million is to be used by the Division for the redevelopment of state facilities formerly operated by human service agencies.

On June 28, 2000 the House of Representatives approved legislation that would authorize \$123 million of Commonwealth general obligation bonds to provide for compliance with life safety codes, remediation of environmental hazards and preservation and management of the Commonwealth's real property assets. On July 29, 2000 the Senate approved similar legislation authorizing \$117 million of Commonwealth general obligation bonds. Compromise legislation that would authorize \$117 million of Commonwealth general obligation bonds was enacted on July 31, 2000 and approved by the Governor on August 10, 2000.

On June 28, 2000 the House of Representatives approved legislation that would authorize \$116.8 million of Commonwealth general obligation bonds to provide for emergency maintenance of environmental assets of the Commonwealth. The legislation was approved with amendments by the Senate on July 27, 2000. The compromise version enacted by the Legislature on July 31, 2000 authorizes \$145.1 million of general obligation bonds, including \$19 million for matching capitalization grants for the state revolving fund program. See the March Information Statement under the heading "COMMONWEALTH BOND AND NOTE LIABILITIES – Commonwealth-Supported Debt; *Massachusetts Water Pollution Abatement Trust*. The legislation also de-authorizes \$106.7 million of authorized but unissued general obligation bonds. The legislation was approved by the Governor on August 10, 2000.

On July 19, 2000, in response to responses received from various development teams to redevelop the Saltonstall State Office Building, the Governor filed legislation that would authorize the Massachusetts Development Finance Agency to undertake such redevelopment. See the March Information Statement under the heading "COMMONWEALTH CAPITAL SPENDING – Proposed Capital Spending Authorizations." The provisions of the Governor's bill were added to the bond authorization legislation approved August 10, 2000 relating to preservation and management of the Commonwealth's real property assets. Under the provisions relating to the Saltonstall Building, the building is to be leased to the Massachusetts Development Finance Agency (for a lease term of up to 50 years, with extension terms permitted for an aggregate of 30 more years), which is to renovate it and lease half of it back to the Commonwealth for office space and related parking (for a comparable lease term). The remainder of the building is to be redeveloped as private office space, as well as private housing units and retail establishments.

On July 27, 2000 the Governor filed legislation to authorize the acquisition and financing by the city of Boston of a designated site in Boston for a new open air ballpark for major league baseball. Such legislation was enacted by the Legislature with minor amendments on July 29, 2000 and approved by the Governor on August 10, 2000. The legislation authorizes \$100 million of Commonwealth general obligation bonds for transportation-related infrastructure improvements near the site. The legislation also provides that state sales tax receipts from establishments in and around the ballpark in excess of those received during fiscal 2001 (but not more than \$1.5 million per year) are to be paid over to the city of Boston.

On July 31, 2000 the legislative conference committee considering the transportation bond bill released its report. See the March Information Statement under the heading "COMMONWEALTH CAPITAL SPENDING – Proposed Capital Spending Authorizations." Later that same day, the report was accepted and the transportation bond bill was enacted by both houses of the Legislature. The bill was approved by the Governor on August 10, 2000. The legislation authorizes approximately \$3.014 billion of transportation-related capital spending to occur over several years, with approximately \$1.616 billion to be funded by Commonwealth general obligation bonds and approximately \$1.397 billion to be funded by federal reimbursements. The legislation also authorizes an additional \$150 million in spending for the Central Artery/Ted Williams Tunnel project to be funded by federal grant anticipation notes, completing the legislative authorization for the \$1.5 billion federal grant anticipation note program contemplated by the project finance plan. See the March Information Statement under the heading "COMMONWEALTH BOND AND NOTE LIABILITIES – Federal Grant Anticipation Notes."

The final fiscal 2000 supplemental appropriations bill approved by the Governor on August 10, 2000 provides for approximately \$66.7 million of fiscal 2000 surplus revenues to be transferred to the Capital Improvement and Investment Trust Fund for specified capital expenditures through fiscal 2003 and approximately \$66.6 million of such fiscal 2000 surplus revenues to be transferred to a new MBTA Infrastructure Renovation Fund for specified capital expenditures by the Massachusetts Bay Transportation Authority through fiscal 2005 that are not included in the Authority's own capital spending plan. See "Fiscal 2000."

LEGAL MATTERS

Update of Existing Litigation

In *Lopez v. Board of Education, et al.* the Supreme Judicial Court for Suffolk County on March 21, 2000 declared that the Legislature had taken appropriate steps within a reasonable time to implement education reform. The plaintiffs have voluntarily dismissed their appeal to the full Supreme Judicial Court.

In *The First National Bank of Boston v. Commissioner of Revenue*, the Department of Revenue refunded \$35.3 million in April, 2000 to the First National Bank of Boston for tax year 1993 for reasons unrelated to the claims against the Department of Revenue. The bank has accordingly withdrawn all of its claims for tax year 1993. The Commissioner and the bank entered into a settlement on August 31, 2000 pursuant to which \$27.5 million has been refunded to the bank for tax years 1992 and 1994.

In *General Mills, Inc. v. Commissioner of Revenue* (Appellate Tax Board No. F223398), the taxpayer challenges a corporate excise tax, including the proper treatment of the sale of two of its subsidiaries. The total exposure to the Commonwealth, including tax, interest and penalties, is approximately \$36 million. The Appellate Tax Board issued a decision awarding an abatement of \$634,077. The Board has not yet issued its findings of fact and report.

In *Tenneco, Inc. v. Commissioner of Revenue* (Appellate Tax Board Nos. F162137-F162140), the taxpayer seeks \$34.3 million in excise taxes and interest. On September 6, 2000, the Appellate Tax Board issued findings of fact and a report in support of its 1998 decision in favor of the Commissioner. On October 31, 2000, the taxpayer filed a notice of appeal.

In *EG&G, Inc. v. Commissioner of Revenue* (Appellate Tax Board Nos. F245459, F245460, F245461, F253131, F233126), the taxpayer seeks \$21.2 million in excise taxes and interest.

In *United States v. MWRA*, the court ruled on May 5, 2000 that the MWRA does not need to build a filtration system based on a finding that ozonation treatment and improvement of the Wachusett watershed are sufficient actions at this time. On June 2, 2000, the U.S. District Court entered a judgment in accordance with its ruling of May 5, 2000, denying the United States' motion for injunctive relief. The United States filed a notice of appeal on July 3, 2000.

In *Valerie Anderson v. Cellucci* (now re-captioned *Boulet v. Cellucci*), the court granted plaintiffs' motion for partial summary judgment and issued an order requiring the defendant agencies to provide services to all eligible individuals on the waiting list within 90 days. However, the court invited the Commonwealth to propose alternative relief by August 15, 2000, which the Commonwealth did. The Department of Mental Retardation currently estimates the potential exposure to the Commonwealth to be a total of \$85 million over fiscal years 2002-2006.

Shea v. Commonwealth has been settled for \$5,750,000.

In *Boston & Maine Railroad v. Commonwealth* (C.A. No. 99-3928E), pending in Middlesex Superior Court, the plaintiff may seek \$40 million for a taking of land in Cambridge for the Central Artery/ Ted Williams Tunnel project.

SEC Investigation

On May 8, 2000 the State Treasurer's office was advised that the staff of the Securities and Exchange Commission is conducting a formal investigation in the matter of "Certain Municipal Securities/Massachusetts Central Artery (B-1610)," pursuant to a formal order of private investigation issued by the Commission.

COMMONWEALTH BOND AND NOTE LIABILITIES

The following table sets forth the Commonwealth bond and note liabilities outstanding as of October 1, 2000.

Commonwealth Bond and Note Liabilities		
October 1, 2000		
(in thousands)		
	<u>Long-Term (1)</u>	<u>Short-Term</u>
COMMONWEALTH DEBT		
General Obligation Debt	\$ 10,413,932(2)	\$ 620,000(5)
Special Obligation Debt	564,485	0
Federal Grant Anticipation Notes	<u>921,720(3)</u>	<u>0</u>
Subtotal Commonwealth Debt	11,900,137	620,000
COMMONWEALTH-SUPPORTED DEBT		
Massachusetts Bay Transportation Authority	3,602,360(4)	\$ 0
Massachusetts Convention Center Authority	57,981	0
Massachusetts Development Finance Agency	71,765	0
Boston Metropolitan District	33,471	0
Foxborough Industrial Development Financing Authority	69,810	0
Steamship Authority	44,039	0
Regional Transit Authorities	<u>0</u>	<u>81,207</u>
Subtotal Supported Debt	3,879,426	81,207
COMMONWEALTH-GUARANTEED DEBT		
Higher Education Building Authorities	<u>212,451</u>	<u>0</u>
Subtotal Guaranteed Debt	212,451	0
TOTAL COMMONWEALTH BOND AND NOTE LIABILITIES	<u>\$ 15,992,014</u>	<u>\$ 701,207</u>

SOURCE: Office of the State Treasurer, Office of the Comptroller and respective authorities and agencies.

1. Long-term debt includes discount and costs of issuance. Does not include long-term capital lease obligations. See the March Information Statement under the heading "COMMONWEALTH BOND AND NOTE LIABILITIES – Indirect Obligations; *Plymouth County Certificates of Participation*" and "OTHER COMMONWEALTH LIABILITIES – Long-Term Capital Leases."
2. Includes interest on Commonwealth general obligation capital appreciation bonds to be accrued from October 1, 2000 through their maturity in the amount of \$217.6 million. On November 2, 2000 the Commonwealth issued additional general obligation bonds in the aggregate principal amount of approximately \$563.7 million.
3. Includes capital appreciation interest accrued from October 1, 2000 through their maturity in the amount of \$45.0 million. On November 15, 2000 the Commonwealth sold additional federal grant anticipation notes in the aggregate principal amount of \$577.6 million. Such notes are expected to be delivered on November 30, 2000.
4. Includes bonds and refunding bonds, excluding such bonds that have been refunded. Does not include certificates of participation and other long-term lease obligations. Because of legislation enacted in November, 1999 that restructured the finances of the Massachusetts Bay Transportation Authority, the Commonwealth no longer makes direct debt service payments on the MBTA's bonds, but the Commonwealth remains obligated to pay the debt service on MBTA bonds issued prior to July 1, 2000 if the MBTA cannot. See the March Information Statement under the heading "COMMONWEALTH PROGRAMS AND SERVICES – Massachusetts Bay Transportation Authority."
5. Includes \$400 million of general obligation bond anticipation notes to finance costs associated with the construction of the Boston Convention and Exhibition Center and other capital projects (see the March Information Statement under the heading "COMMONWEALTH BOND AND NOTE LIABILITIES – Special Obligation Debt: *Boston Convention and Exhibition Center Fund*") and \$220 million of interim notes issued as commercial paper in anticipation of federal grant anticipation notes, which were sold on November 15, 2000, as described in note 4.

Maturities of Short-Term Debt

The following table sets forth the maturities of the Commonwealth's short-term liabilities as described in the previous table.

Maturities of Short-Term Liabilities (in thousands)

<u>Year Due</u>	<u>Commonwealth</u>	<u>Regional Transit Authorities</u>	<u>Total</u>
Commercial paper	\$220,000	0	\$220,000
Fiscal 2001	0	\$ 19,305	19,305
Fiscal 2002	400,000	61,602	461,602
Total	<u>\$620,000</u>	<u>\$ 80,907</u>	<u>\$700,907</u>

SOURCE: Office of the State Treasurer and respective authorities and agencies.

Statutory Debt Limit on Direct Debt

The statutory limit on "direct" bonds during fiscal year 2001 is \$11,076,483,462. As noted in the March Information Statement under the heading "COMMONWEALTH BOND AND NOTE LIABILITIES – Statutory Debt Limit on Direct Debt," the statutory limit on direct bonds excludes certain categories of Commonwealth bonds. In addition to the bonds described in the March Information Statement, the \$1.35 billion of bonds to be issued pursuant to Chapter 87 of the Acts of 2000, as amended, payable from the Central Artery and Statewide Road and Bridge Infrastructure Fund are not to be counted in computing the amount of bonds subject to the statutory limit on direct bonds. See "COMMONWEALTH CAPITAL SPENDING – Central Artery/Ted Williams Tunnel Project." The outstanding Commonwealth debt amounts excluded from the limit as of October 1, 2000 are shown in the table below (see the March Information Statement under the heading "COMMONWEALTH BOND AND NOTE LIABILITIES – Statutory Debt Limit on Direct Debt"):

Calculation of the Debt Limit (amount in thousands)

	<u>Bonds Outstanding</u>
Balance as of October 1, 2000	\$11,900,137
Less amounts excluded:	
Discount and issuance costs	(348,137)
Federal grant anticipation notes	(899,991)
Assumed county debt	(1,675)
Chapter 5 of the Acts of 1991 refunding bonds	(98,519)
Special obligation bonds	(561,335)
Bonds to retire MBTA notes	<u>(325,000)</u>
Outstanding Direct Debt	<u>\$ 9,665,480</u>

SOURCE: Office of the Comptroller.

Debt Service Requirements on Commonwealth Bonds

The following table sets forth, as of October 1, 2000, 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 exchange agreement, the debt service schedule assumes payment of the fixed rate due under such agreement. See the March Information Statement under the heading "COMMONWEALTH BOND AND NOTE LIABILITIES – Synthetic Fixed Rate Bonds." (This table does not include the \$563.7 million general obligation bonds issued on November 2, 2000 or the \$577.6 million federal grant anticipation notes sold on November 15, 2000.)

**Debt Service Requirements on Commonwealth Bonds
October 1, 2000
(in thousands)(1)**

Fiscal Year	General Obligation Bonds			Federal Grant Anticipation Notes			Special Obligation Bonds			Total Debt Service Commonwealth Bonds
	Principal	Interest on C/ABS at Maturity	Sub Total	Principal	Interest	Sub Total	Principal	Interest	Sub Total	
2001	204,458	346,235	563,623	-	42,570	42,570	22,290	29,830	52,120	658,313
2002	638,275	496,611	1,180,302	-	42,570	42,570	23,415	28,708	52,123	1,274,994
2003	650,346	465,667	1,164,664	-	42,570	42,570	24,865	27,258	52,123	1,259,357
2004	637,069	434,934	1,140,024	-	42,570	42,570	26,070	26,051	52,121	1,234,714
2005	705,503	403,235	1,118,077	-	42,570	42,570	27,370	24,758	52,128	1,212,775
2006	728,766	367,690	1,100,992	\$ 73,165	41,733	114,898	28,805	23,315	52,120	1,268,010
2007	743,610	329,828	1,078,273	76,785	38,114	114,899	30,350	21,774	52,124	1,245,296
2008	737,400	293,331	1,035,901	80,580	34,319	114,899	31,995	20,126	52,121	1,202,921
2009	730,784	253,559	990,369	84,840	30,061	114,901	33,675	18,444	52,119	1,157,389
2010	665,811	215,575	887,069	89,160	25,741	114,901	35,335	16,791	52,126	1,054,096
2011	671,502	179,919	857,612	93,715	21,180	114,895	37,300	14,829	52,129	1,024,636
2012	521,112	143,629	671,038	98,640	16,260	114,900	39,320	12,813	52,133	838,070
2013	525,560	116,108	648,779	102,985	11,913	114,898	41,470	10,650	52,120	815,797
2014	416,324	93,374	514,746	108,495	6,405	114,900	37,530	8,369	45,899	675,545
2015	417,459	71,524	493,316	113,355	1,544	114,899	39,455	6,440	45,895	654,110
2016	372,985	2,978	427,967	-	-	-	41,530	4,368	45,898	473,865
2017	294,003	36,434	332,110	-	-	-	43,710	2,186	45,896	378,006
2018	221,327	23,479	245,750	-	-	-	-	-	-	245,750
2019	178,203	13,554	192,175	-	-	-	-	-	-	192,175
2020 and thereafter	107,700	6,108	113,946	-	-	-	-	-	-	113,946
TOTAL	\$10,168,197	\$4,342,798	\$14,756,733	\$921,720	\$440,119	\$1,361,839	\$564,485	\$296,708	\$861,193	\$16,979,765

SOURCE: Office of the State Treasurer and Office of the Comptroller.

(1) Totals may not add due to rounding.

Commonwealth-Supported Debt

On June 29, 2000 the Town of Foxborough, acting by and through the Foxborough Industrial Development Financing Authority, issued \$69,810,000 of its Foxboro Stadium Infrastructure Improvement Bonds payable from Commonwealth contract assistance. See the March Information Statement under the heading "COMMONWEALTH BOND AND NOTE LIABILITIES – Commonwealth-Supported Debt; *Foxborough Industrial Development Financing Authority.*"

Indirect Obligations

On August 17, 2000 the Route 3 North Transportation Improvements Association issued its Commonwealth of Massachusetts Lease Revenue Bonds, Series 2000, in the aggregate principal amount of \$394,305,000, payable from lease payments to be appropriated annually by the Commonwealth through fiscal 2033. See the March Information Statement under the heading "COMMONWEALTH BOND AND NOTE LIABILITIES – Indirect Obligations; *Route 3 North.*"

Cash Defeasance Transactions

On July 28, 2000, the State Treasurer expended approximately \$182.1 million from the Debt Defeasance Trust Fund to purchase securities and establish a sinking fund to provide for the payment of certain Commonwealth general obligation bonds maturing on August 1, 2000. On August 9, 2000, the State Treasurer expended approximately \$217.7 million from the Debt Defeasance Trust Fund to purchase securities and establish a sinking fund to provide for the payment of additional Commonwealth general obligation bonds maturing on various dates to and including February 1, 2001. The securities purchased on August 9, 2000 consisted of certain obligations issued by the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association which are being held by a third-party trustee in an irrevocable trust fund held by a third-party trustee. The approximate principal amount of Commonwealth general obligation bonds defeased pursuant to the July 28, 2000 and August 9, 2000 transactions is \$392.3 million. The amounts that would have been expended for debt service on such bonds in fiscal 2001 (approximately \$403.0 million) will be deposited in the Central Artery and Statewide Road and Bridge Infrastructure Fund. See "COMMONWEALTH CAPITAL SPENDING – Central Artery/Ted Williams Tunnel Project."

OTHER COMMONWEALTH LIABILITIES

Pension Funding Schedule and Actuarial Valuations

The funding schedule filed by the Secretary of Administration and Finance on March 1, 2000 has been deemed approved by the Legislature, although the House Committee on Ways and Means has indicated to the Secretary that it has concerns about some of the assumptions and is awaiting the results of the experience study referred to below. See the March Information Statement under the heading "OTHER COMMONWEALTH LIABILITIES – Retirement Systems and Pension Benefits; *Current Funding Schedule and Actuarial Valuations.*"

On May 18, 2000 the Pension Reserves Investment Management (PRIM) Board informed the Public Employee Retirement Administration Commission (PERAC) that the PRIM Board consultants, based on discussions with PERAC's actuary, had substantially revised their estimates contained in the report presented to the PRIM Board on November 23, 1999. See the March Information Statement under the heading "OTHER COMMONWEALTH LIABILITIES – Retirement Systems and Pension Benefits; *Current Funding Schedule and Actuarial Valuations.*" In November, 1999 the consultants had indicated that the impact of their preliminary experience study could be as much as \$2 billion in additional unfunded actuarial liability; the revised estimate is \$200 million.

On September 15, 2000 PERAC released an actuarial valuation of the state employees' and teachers' retirement systems and the State-Boston retirement system for teachers as of January 1, 2000. The unfunded actuarial accrued liability based on this valuation is approximately \$773.4 million for state employees, approximately \$2.739 billion for state teachers, approximately \$521 million for Boston teachers and \$803 million for cost-of-living increases granted for local systems prior to July, 1997, for a total unfunded liability of

approximately \$4.837 billion. The valuation as of January 1, 2000 is based on actuarial assumptions including future investment earnings at a rate of 8.25% per year, annual salary increases of 6% and annual cost-of-living increases for pensioners at the rate of 3% on the first \$12,000 of benefits. The valuation continues the phase-in of an actuarial valuation of assets methodology that was begun with the valuation as of January 1, 1998; in the valuation as of January 1, 2000 assets are valued at 91% of market value. See the March Information Statement under the heading "OTHER COMMONWEALTH LIABILITIES – Retirement Systems and Pension Benefits; *Current Funding Schedule and Actuarial Valuations.*"

On October 18, 2000 PERAC released an experience study of the state employees' retirement system for calendar years 1995 through 1999. An experience study for the teachers' retirement system is expected to be completed later in 2000. The study of the state employees' system indicated that active and retired employees are living longer than previously assumed, are not becoming disabled as often as assumed, are not receiving the forecasted salary increases and are not withdrawing from the pension system as often as previously assumed. The net effect of the revised assumptions on the amount of the state's unfunded actuarial accrued liability for the system as of January 1, 2000 is estimated to be an increase of approximately \$33.3 million, from approximately \$773.4 million to approximately \$806.8 million.

Unemployment Compensation Trust Fund

The assets and liabilities of the Commonwealth Unemployment Compensation Trust Fund are not assets and liabilities of the Commonwealth. As of October 31, 2000 the private contributory sector of the Massachusetts Unemployment Trust Fund had a surplus of \$2.014 billion. The Division of Employment and Training's October, 2000 quarterly report indicated that the contributions provided by current law should increase reserves in the system to \$2.537 billion by the end of 2004. See Exhibit A, "Economic Information," under the heading "Employment – Unemployment Compensation Trust Fund."

AVAILABILITY OF OTHER INFORMATION

Questions regarding this Supplement or the March Information Statement or requests for additional financial information concerning the Commonwealth should be directed to Jeffrey S. Stearns, Deputy Treasurer, Office of the Treasurer-Receiver General, One Ashburton Place, 12th floor, Boston, Massachusetts 02108, telephone 617/367-3900 (x 564), or Scott A. Jordan, Director of Debt 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 Supplement or the March Information Statement should be directed to John R. Regier, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, Massachusetts 02111, telephone 617/542-6000.

THE COMMONWEALTH OF MASSACHUSETTS

By /s/ Shannon P. O'Brien
Shannon P. O'Brien
Treasurer and Receiver-General

By /s/ Stephen P. Crosby
Stephen P. Crosby
Secretary of Administration and Finance

November 27, 2000

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FORM OF OPINION OF BOND COUNSEL

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

PALMER & DODGE LLP

One Beacon Street, Boston, MA 02108-3190

TELEPHONE: (617) 573-0100

FACSIMILE: (617) 227-4420

[Date of Delivery]

The Honorable Shannon P. O'Brien
Treasurer and Receiver-General
The Commonwealth of Massachusetts
State House - Room 227
Boston, Massachusetts 02133

(The Commonwealth of Massachusetts
General Obligation Bonds,
Central Artery/Ted Williams Tunnel Infrastructure Loan Act of 2000,
Series A and Series B (Variable Rate Demand Bonds))

We have acted as Bond Counsel to The Commonwealth of Massachusetts in connection with the issuance by the Commonwealth of \$200,000,000 aggregate principal amount of General Obligation Bonds, Central Artery/Ted Williams Tunnel Infrastructure Loan Act of 2000, Series A (Variable Rate Demand Bonds), and \$75,590,000 aggregate principal amount of General Obligation Bonds, Central Artery/Ted Williams Tunnel Infrastructure Loan Act of 2000, Series B (Variable Rate Demand Bonds), each dated _____, 2000 (collectively, the "Bonds").

The Bonds mature and bear interest and are subject to tender and redemption at such times, in such amounts, at such prices and upon such terms and conditions as are set forth in the Bonds. The Bonds are immobilized in the custody of The Depository Trust Company and a book entry system is being used to evidence ownership and transfer on the records of The Depository Trust Company and its participants.

We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion. On the basis of this examination, we are of the opinion, under existing law, as follows:

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

2. Interest on the Bonds is 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.

3. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of computing the alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code"); it should be noted, however, that interest on the Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes). The opinions set forth in the preceding sentence are subject to the condition that the Commonwealth comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Commonwealth has covenanted to comply with these requirements. Failure to comply with certain of these requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding any other tax consequences arising with respect to the Bonds.

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

Yours faithfully,

The Commonwealth of Massachusetts

General Obligation Bonds
 Central Artery/Ted Williams Tunnel Infrastructure Loan Act of 2000,
 Series A and Series B
 (Variable Rate Demand Bonds)

Form of Continuing Disclosure Undertaking

On behalf of The Commonwealth of Massachusetts (the "Commonwealth"), the Treasurer and Receiver-General of the Commonwealth hereby undertakes for the benefit of the owners of the Series [A] [B] Bonds to provide to each nationally recognized municipal securities information repository (each, a "NRMSIR") within the meaning of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule") and to the state information depository for the Commonwealth, if any (the "SID"), within the meaning of the Rule, no later than 270 days after the end of each fiscal year of the Commonwealth, (i) the annual financial information described below relating to such fiscal year, together with audited financial statements of the Commonwealth for such fiscal year if audited financial statements are then available, provided, however, that if audited financial statements of the Commonwealth are not then available, such audited financial statements shall be delivered to each NRMSIR and the SID when they become available (but in no event later than 350 days after the end of such fiscal year) or (ii) notice of the Commonwealth's failure, if any, to provide any such information. The annual financial information to be provided as aforesaid shall include financial information and operating data, in each case updated through the last day of such fiscal year unless otherwise noted, relating to the following information contained in the Commonwealth's Information Statement dated March 3, 2000 as supplemented by the Information Statement Supplement dated November 27, 2000 (as so supplemented, the "Information Statement"), as it appears in the Official Statement dated November 28, 2000 relating to the Commonwealth's General Obligation Bonds, Central Artery/Ted Williams Tunnel Infrastructure Loan Act of 2000, Series A and Series B (Variable Rate Demand Bonds), and substantially in the same level of detail as is found in the referenced section of the Information Statement:

Financial Information and Operating Data Category	Reference to Information Statement for Level of Detail
1. Summary presentation on statutory accounting and five-year comparative basis of selected budgeted operating funds operations, concluding with prior fiscal year, plus estimates for current fiscal year.	"FINANCIAL RESULTS – Selected Financial Data – Statutory Basis"
2. Summary presentation on GAAP and five-year comparative basis of selected budgeted operating funds operations, concluding with prior fiscal year.	"FINANCIAL RESULTS – Selected Financial Data – GAAP Basis"
3. Summary presentation of actual revenues in budgeted operating funds on five-year comparative basis, concluding with prior fiscal year, plus estimates for current fiscal year.	"COMMONWEALTH REVENUES – Distribution of Revenues"

4. So long as Commonwealth statutes impose limits on tax revenues, information as to compliance therewith in the prior fiscal year.	"COMMONWEALTH REVENUES – Limitations on Tax Revenues"
5. Summary presentation of budgeted expenditures by selected, then-current major categories on five-year comparative basis and estimated expenditures for current fiscal year.	"COMMONWEALTH PROGRAMS AND SERVICES"
6. If and to the extent otherwise updated in the prior fiscal year, summary presentation of the size of the state workforce.	"COMMONWEALTH PROGRAMS AND SERVICES – State Workforce"
7. Five-year summary presentation of actual capital project expenditures.	"COMMONWEALTH CAPITAL SPENDING – Historical Capital Spending"
8. Statement of Commonwealth bond and note liabilities as of the end of the prior fiscal year.	"COMMONWEALTH BOND AND NOTE LIABILITIES – Overview – Outstanding Bond and Note Liabilities"
9. Five-year comparative presentation of long term Commonwealth debt and selected Commonwealth-supported debt as of the end of the prior fiscal year.	"COMMONWEALTH BOND AND NOTE LIABILITIES – Overview – Long Term Bond Liabilities"
10. Annual fiscal year debt service requirements for Commonwealth general obligation and special obligation bonds, beginning with the current fiscal year.	"COMMONWEALTH BOND AND NOTE LIABILITIES – Debt Service Requirements on Commonwealth Bonds"
11. 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.	"COMMONWEALTH BOND AND NOTE LIABILITIES – Statutory Debt Limit on Direct Bonds"
12. Five-year summary presentation of authorized but unissued general obligation debt.	"COMMONWEALTH BOND AND NOTE LIABILITIES – Authorized But Unissued Debt"
13. Annual fiscal year debt service contract assistance requirements for Commonwealth-supported debt, beginning with the current fiscal year.	"COMMONWEALTH BOND AND NOTE LIABILITIES – Debt Service Contract Assistance Requirements on Commonwealth-Supported Debt"
14. Summary presentation of the then-current, statutorily imposed funding schedule for future Commonwealth pension liabilities, if any.	"OTHER COMMONWEALTH LIABILITIES – Retirement Systems and Pension Benefits"
15. Summary presentation of operating lease commitments for future fiscal years as of the end of the prior fiscal year.	"OTHER COMMONWEALTH LIABILITIES – Long Term Operating Leases"
16. Summary presentation of long-term capital leases for future fiscal years as of the end of the prior fiscal year.	"OTHER COMMONWEALTH LIABILITIES – Long Term Capital Leases"
17. Summary presentation of school building assistance program commitments for future fiscal years as of the end of the prior fiscal year.	"OTHER COMMONWEALTH LIABILITIES – School Building Assistance"

Any or all of the items listed above may be included by reference to other documents, including official statements pertaining to debt issued by the Commonwealth, which have been submitted to each NRMSIR. If the document incorporated by reference is a Final Official Statement within the meaning of the Rule, it will also be available from the Municipal Securities Rulemaking Board (“MSRB”). The Commonwealth’s annual financial statements for each fiscal year shall consist of (i) combined financial statements prepared in accordance with a basis of accounting that demonstrates compliance with the Massachusetts General Laws and other applicable state finance laws, if any, in effect from time to time and (ii) general purpose financial statements prepared in accordance with generally accepted accounting principles in effect from time to time. Such financial statements shall be audited by a firm of certified public accountants appointed by the Commonwealth.

On behalf of the Commonwealth, the Treasurer and Receiver-General of the Commonwealth hereby further undertakes for the benefit of the owners of the Series [A] [B] Bonds to provide in a timely manner to the MSRB and to the SID notice of any of the following events with respect to the Series [A] [B] Bonds (numbered in accordance with the provisions of the Rule), if material:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties¹;
- (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 or events affecting the tax-exempt status of the security;
- (vii) modifications to the rights of security holders;
- (viii) bond calls;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the securities²; and
- (xi) rating changes.

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

¹ Not applicable to the Series [A] [B] Bonds, since there is no debt service reserve fund securing the Series [A] [B] Bonds.

² Not applicable to the Series [A] [B] Bonds, since there is no property securing repayment of the Series [A] [B] Bonds that could be released, substituted or sold.

To the extent permitted by law, the foregoing provisions of this Series [A] [B] 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 Series [A] [B] 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 Series [A] [B] 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 Series [A] [B] 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 Series [A] [B] 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 Series [A] [B] 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 necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Commonwealth for the benefit of the owners of Series [A] [B] Bonds, (d) to modify the contents, presentation and format of the annual financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the undertakings in a manner consistent with the provisions of state legislation establishing the SID or otherwise responding to the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Series [A] [B] 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 Series [A] [B] 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 Series [A] [B] Bonds affected thereby at or prior to the time of such amendment.

**DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS
OF THE BONDS RELATING TO VARIABLE RATE DEMAND BONDS,
THE STANDBY BOND PURCHASE AGREEMENTS AND THE REMARKETING AGREEMENT**

The following is a summary of certain provisions of the Bonds relating to the variable rate demand features and the Standby Bond Purchase Agreements. The summary is not to be regarded as a full statement of the terms of the Bonds or the Standby Bond Purchase Agreements and, accordingly, is qualified by reference to the Bonds and the Standby Bond Purchase Agreements and is subject to the full text thereof.

See also “THE BONDS—Additional Information Related to Variable Rate Demand Bonds” in the Official Statement for a description of certain other provisions relating to variable rate demand bonds.

Pursuant to the Bonds, the Tender Agent and the Commonwealth are entitled to treat the Owner of each Bond (including Cede & Co. or any other nominee of DTC as to any such Bond registered in the name thereof) as the owner of such Bond, for all purposes. Neither the Tender Agent nor the Commonwealth shall have any duty or responsibility to recognize the beneficial ownership interest of a Beneficial Owner who has acquired such an interest in Bonds registered in the name of Cede & Co. or any other nominee of DTC. The procedures established by DTC, the Tender Agent and the Remarketing Agent for trading, exchanging and registering beneficial ownership interests in Bonds shall be implemented by such persons consistent with the terms of the relevant agreements.

DEFINITIONS

“*Agreement Expiration Date*” means the stated expiration date set forth in a Standby Bond Purchase Agreement, initially 5:00 p.m., Boston time, on December 7, 2005, or the next preceding Business Day.

“*Agreement Termination Event*” means an event of default set forth in a Standby Bond Purchase Agreement which would result in the immediate termination of the Standby Bond Purchase Agreement prior to the Agreement Expiration Date without at least thirty days’ prior notice from the Bank to the Tender Agent, other than a termination upon the substitution of an Alternate Liquidity Facility.

“*Alternate Liquidity Facility*” means any liquidity facility, insurance policy, line of credit, standby bond purchase agreement or other liquidity support or mechanism obtained, delivered, made, entered into or otherwise obtained for the purpose of securing the purchase of tendered Bonds and as a replacement for or in substitution of a Standby Bond Purchase Agreement.

“*Authorized Denominations*” means, for Bonds in the Daily Mode or in the Weekly Mode, \$100,000 or any integral multiple of \$5,000 in excess thereof, for Bonds in the Flexible Mode, \$100,000 or any integral multiple of \$1,000 in excess thereof, for Bonds in the Term Mode, \$5,000 or any integral multiple thereof and for Bonds in the PARS Mode, \$25,000 or any integral multiple thereof.

“*Bank*” means the issuer of a Standby Bond Purchase Agreement or Alternate Liquidity Facility pursuant to which the issuer thereof agrees to purchase Bonds tendered for purchase in accordance with the optional or mandatory tender provisions thereof, but not remarketed, initially Landesbank Baden-Württemberg, acting through its New York Branch, with respect to the Series A Bonds, and The Toronto-Dominion Bank, acting through its Houston Agency, with respect to the Series B Bonds, and their successors or assigns.

“*Bank Bonds*” means Bonds which are purchased and held by or for the benefit of the Bank pursuant to a Standby Bond Purchase Agreement.

“*Bank Interest Rate*” means the per annum rate of interest on Bank Bonds pursuant to a Standby Bond Purchase Agreement, initially for each period specified below, the interest rate specified with respect to such period which interest rates shall be computed on the basis of the actual number of days elapsed and a 365 or 366 day year, as applicable:

Period	Rate
Date of advance to and including the 30th day thereafter	Base Rate
The 31st day after the date of advance to and including the 90th day after the date of advance	Base Rate plus 0.50%
Thereafter	Base Rate plus 1.00%

Notwithstanding anything in the applicable Standby Bond Purchase Agreement to the contrary, from and after an event of default thereunder, the Bank Interest Rate shall equal the Default Rate.

“*Base Rate*” means as of any day the higher of (a) the Prime Rate or (b) the sum of the Federal Funds Rate plus 1.00%.

“*Bondholder*” or “*Bondowner*” means a registered owner of any of the Bonds.

“*Bonds*” means any of the \$200,000,000 Commonwealth of Massachusetts General Obligation Bonds, Central Artery/Ted Williams Tunnel Infrastructure Loan Act of 2000, Series A (Variable Rate Demand Bonds) and \$75,590,000 Commonwealth of Massachusetts General Obligation Bonds, Central Artery/Ted Williams Tunnel Infrastructure Loan Act of 2000, Series B (Variable Rate Demand Bonds).

“*Business Day*” means a day except a Saturday, Sunday, any holiday or other day on which the business offices of the Commonwealth are closed, any other day on which banks in New York, New York, or Boston, Massachusetts, are required or authorized to remain closed or on which the New York Stock Exchange or the payment system of the Federal Reserve System is closed.

“*Commonwealth*” means The Commonwealth of Massachusetts.

“*Conversion*” means the conversion of the interest rate on the Bonds at the option of the Commonwealth, from time to time, to a Daily, Weekly, Flexible, Term or PARS Rate, as provided in the Bonds.

“*Conversion Date*” means for any Bond the date upon which Conversion of the interest rate on such Bond takes effect.

“*Daily Mode*” means the Mode in which the Bonds bear interest at a Daily Rate.

“*Daily Rate*” means, for or on any Bond in a Daily Mode, the rate of interest thereon determined in accordance with the provisions of the Bonds.

“*Default Rate*” means the default rate of interest on Bank Bonds pursuant to a Standby Bond Purchase Agreement, initially the rate per annum equal to the Base Rate plus 2.00%.

“*Delivery Date*” means the date of initial delivery of the Bonds.

“*DTC*” means The Depository Trust Company, New York, New York, or any substitute securities depository appointed by the Commonwealth.

“*Electronic Means*” means telecopy, telegraph, telex, facsimile transmission, e-mail transmission or other similar electronic means of communication providing a confirmation of receipt, including a telephonic communication confirmed by writing or written transmission.

“*Federal Funds Rate*” means, for any day, the rate of interest per annum as determined by the Bank at which overnight federal funds are offered to the Bank for such day by major banks in the interbank market, with any change in such rate to become effective as to the Commonwealth on the date of any change in such rate. Each determination of the Federal Funds Rate by the Bank shall be conclusive and binding on the Commonwealth absent manifest error.

“*Flexible Mode*” means the Mode in which the Bonds bear interest at a Flexible Rate.

“*Flexible Rate*” means, when used with respect to any particular Bonds, the interest rate determined for each Flexible Rate Period applicable thereto pursuant to the provisions of the Bonds.

“*Flexible Rate Period*” means a period during which a Bonds bears interest at a Flexible Rate.

“*Interest Index*” means the interest rate or rates determined by the Remarketing Agent to be equal to (a) the BMA Municipal Swap Index formerly, the PSA Municipal Swap Index (as such term is defined in the 1992 ISDA U.S. Municipal Counterparty Definitions) (the “BMA Municipal Swap Index”) or (b) if the BMA Municipal Swap Index is no longer published, the Kenny Index (as such term is defined in the 1992 ISDA U.S. Municipal Counterparty Definitions) or (c) if neither of the BMA Municipal Swap Index nor the Kenny Index are published, the index determined to equal the prevailing rate determined by the Remarketing Agent for tax-exempt state and local government bonds meeting criteria determined in good faith by the Remarketing Agent to be comparable under the circumstances to the criteria used by the Bond Market Association to determine the BMA Municipal Swap Index just prior to when the Bond Market Association stopped publishing the BMA Municipal Swap Index. The Tender Agent shall make the determinations required by this definition, upon notification from the Commonwealth, if there is no Remarketing Agent or if the Remarketing Agent fails to make any such determination.

“*Interest Payment Date*” means (a) when used with respect to Bonds in the Daily Mode or the Weekly Mode, the first Business Day of each calendar month to which interest at such rate has accrued; (b) when used with respect to any particular Bond bearing interest at a Flexible Rate, the first Business Day following the last day of each Flexible Rate Period applicable thereto; (c) when used with respect to Bonds in the Term Mode, the first day of the sixth calendar month following the month in which the Term Rate Period begins and the first day of each sixth calendar month thereafter to which interest at such rate has accrued, except that the last Interest Payment Date for any Term Rate Period which is followed by a conversion to a Daily, Weekly, Flexible or PARS Mode (but not a conversion to a Term Rate Period of a different duration) shall be the first Business Day of the sixth calendar month following the month in which the immediately preceding Interest Payment Date occurs; and (d) when used with

respect to Bonds in the PARS Mode, as defined in the form of the Bonds. In any case, the final Interest Payment Date shall be the Maturity Date.

“*Maximum Rate*” means 12% per annum.

“*Mode*” means the Daily Mode, the Weekly Mode, the Flexible Mode, the PARS Mode or the Term Mode, as the context may require.

“*Mode Change Date*” means the date one Mode terminates and another Mode begins.

“*PARS Mode*” means the Mode in which the Bonds bear interest at the PARS Rate in accordance with the provisions of the Bonds.

“*PARS Rate*” means the rate of interest to be borne by the Bonds while in the PARS Mode, as determined in accordance with the Bonds.

“*Prime Rate*” means for any day the rate of interest announced by the Bank from time to time as its prime commercial rate for U.S. dollar loans, or equivalent, as in effect on such day, with any change in the Prime Rate resulting from a change in said prime commercial rate to be effective as of the date of the relevant change in said prime commercial rate.

“*Purchase Date*” means, for any Bond required to be purchased pursuant to the terms thereof, the date on which the Purchase Price is required to be paid pursuant to the Bonds.

“*Purchase Price*” means, for any Bond required to be purchased pursuant to the terms thereof, an amount equal to 100% of the principal amount thereof, plus accrued interest, if any, thereon, to the Purchase Date.

“*Rate Determination Date*” means the date on which the interest rate on a Bond shall be determined, which, (i) in the case of the Daily Mode, shall be each Business Day, (ii) in the case of the Weekly Mode, shall be each Wednesday, or the preceding Business Day if Wednesday is not a Business Day, (iii) in the case of the Flexible Mode, shall be the first day of a Flexible Rate Period, and (iv) in the case of the Term Mode, shall be a Business Day determined by the Remarketing Agent which shall be at least one Business Day prior to the Mode Change Date.

“*Rate Period*” means a period during which a particular rate of interest determined for Bonds is to remain in effect until a subsequently determined rate of interest becomes effective pursuant to the terms hereof. In any case, the final Rate Period shall end on (and include) the date immediately preceding the Maturity Date.

“*Rating Agency*” means Fitch, Moody’s Investors Service, Inc. or Standard & Poor’s, their successors and assigns, and if any such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Commonwealth.

“*Record Date*” means 5:00 p.m., Boston time, on (a) the fifteenth day of the month preceding each Interest Payment Date in the case of Bonds bearing interest at a Term Rate; (b) the Business Day immediately preceding the Interest Payment Date in the case of Bonds bearing interest at a Daily Rate or Weekly Rate; and (c) the last day of the Flexible Rate Period applicable to Bonds bearing interest at a Flexible Rate.

“*Remarketing Agent*” means any firm or firms designated by the Commonwealth to remarket tendered Bonds pursuant to a Remarketing Agreement, initially Goldman, Sachs & Co., its successors and assigns.

“Remarketing Agreement” means an agreement entered into by the Commonwealth and a Remarketing Agent setting forth the provisions pursuant to which tendered Bonds are to be remarketed, as the same may be amended from time to time.

“Standby Bond Purchase Agreements” means the Standby Bond Purchase Agreement dated as of December 1, 2000 between the Commonwealth and Landesbank Baden-Württemberg, acting through its New York Branch, which secures the purchase of the principal amount of tendered Series A Bonds, and the Standby Bond Purchase Agreement dated as of December 1, 2000 between the Commonwealth and The Toronto-Dominion Bank, acting through its Houston Agency, which secures the purchase of the principal amount of tendered Series B Bonds, each as amended from time to time, and any Alternate Liquidity Facility.

“Tender Agent” means the bank or banks, if any, designated by the Commonwealth to perform the duties of tender agent pursuant to the Bonds, initially State Street Bank and Trust Company, its successors or assigns.

“Tender Agent Agreement” means the Tender Agent Agreement dated as of December 1, 2000 between the Commonwealth and State Street Bank and Trust Company, as amended from time to time, and any substitute Tender Agent Agreement hereafter provided.

“Term Mode” means the Mode in which the Bonds bear interest at a Term Rate.

“Term Rate” means, for or on any Bond in a Term Mode, the rate of interest thereon for a term of one or more whole years or for a term to maturity determined in accordance with the provisions of the Bonds.

“Term Rate Period” means a period during which the Bonds bear interest at a particular Term Rate.

“Term Rate Period of a different duration” means a conversion to a Term Rate Period of a different duration than the then current Term Rate Period and, if the conversion is occurring on a date other than that originally scheduled as the last Interest Payment Date of the then current Term Rate Period, a conversion to a Term Rate Period of the same duration as the then current Term Rate Period.

“Variable Rate” means, as the context requires, the Daily, Weekly, Flexible, Term or PARS Rate applicable from time to time to the Bonds.

“Weekly Rate” means, for or on any Bond in a Weekly Mode, the rate of interest thereon determined weekly in accordance with the provisions of the Bonds.

“Weekly Mode” means the period during which the Bonds bear interest at a Weekly Rate.

PROVISIONS OF THE BONDS

Interest Rates

Initial Period - Interest Rate Modes

The Bonds shall initially bear interest from the Delivery Date in the Daily Mode, unless and until converted to the Weekly Mode, Flexible Mode, Term Mode or PARS Mode. Bonds in the Daily Mode shall bear interest at a Daily Rate until maturity or earlier redemption or the Conversion Date. Bonds in the Weekly Mode shall bear interest at a Weekly Rate until maturity or earlier redemption or the Conversion Date. Bonds in the Flexible Mode shall bear interest at a Flexible Rate for the Flexible Rate Period selected for that Bond by the Remarketing Agent

until maturity or the Conversion Date. Bonds in the Term Mode shall bear interest at a Term Rate until maturity or earlier redemption or Conversion from one Term Rate Period to a Term Rate Period of a different duration or to a Daily Mode, Weekly Mode, Flexible Mode or PARS Mode. Bonds in the PARS Mode shall bear interest at the PARS Rate until maturity or earlier redemption or the Conversion Date.

Daily Mode

Determination of Rate. Bonds in the Daily Mode bear interest at the Daily Rate payable on each Interest Payment Date. Interest is computed on the basis of a 365- or 366-day year, as applicable, for the actual number of days elapsed. Interest is payable to the Bondowners who are such registered owners on the Record Date. The Daily Rate shall be determined each day by the Remarketing Agent by 9:30 a.m., Boston time, on each Rate Determination Date, shall take effect on such date and shall be in effect to, but not including, the next succeeding Business Day (the “Daily Rate Period”). The Daily Rate for each Daily Rate Period shall be the current interest rate which, in the judgment of the Remarketing Agent, would cause the Bonds to have a market value equal to 100% of the principal amount thereof (exclusive of accrued interest), taking into account prevailing market conditions as of the Rate Determination Date. However, in no event shall the Daily Rate exceed the Maximum Rate.

Notice of Interest Rate. The Remarketing Agent shall give notice of each Daily Rate to the Commonwealth and the Tender Agent by the close of business on each Business Day. Such notice shall be given in writing, by Electronic Means or by telephone; provided that any telephonic notice shall be promptly confirmed in writing. The Tender Agent shall promptly notify the Bank of each Daily Rate.

Weekly Mode

Determination of Rate. Bonds in the Weekly Mode bear interest at the Weekly Rate payable on each Interest Payment Date. Interest is computed on the basis of a 365- or 366-day year, as applicable, for the actual number of days elapsed. Interest is payable to the Bondowners who are such registered owners on the Record Date. The Weekly Rate shall be determined each week by the Remarketing Agent by 4:00 p.m., Boston time, on each Rate Determination Date and shall take effect on each Thursday following such Rate Determination Date, regardless of whether any such Thursday is a Business Day, and be in effect to and including the following Wednesday, regardless of whether such Wednesday is a Business Day (the “Weekly Rate Period”). The Weekly Rate for each Weekly Rate Period shall be the lowest interest rate which, in the judgment of the Remarketing Agent, would cause the Bonds to have a market value equal to 100% of the principal amount thereof (exclusive of accrued interest), taking into account prevailing market conditions as of the Rate Determination Date. However, in no event shall the Weekly Rate exceed the Maximum Rate.

Notice of Interest Rate. The Remarketing Agent shall give notice of each Weekly Rate to the Commonwealth and the Tender Agent by the close of business on each Rate Determination Date. Such notice shall be given in writing, by Electronic Means or by telephone; provided that any telephonic notice shall be promptly confirmed in writing. The Tender Agent shall promptly notify the Bank of each Weekly Rate.

Flexible Mode

Determination of Rate. Bonds in the Flexible Mode bear interest at Flexible Rates payable on each Interest Payment Date. Interest is computed on the basis of a 365- or 366-day year, as applicable, for the actual number of days elapsed. Interest is payable to the Bondowners who are such registered owners on the Record Date. While the Bonds bear interest at Flexible Rates, the interest rate for each particular Bond will be determined by the Remarketing Agent on each Rate Determination Date and will remain in effect for the duration (not exceeding 270 days) of the Flexible Rate Period selected for that Bond by the Remarketing Agent. While the Bonds bear interest at Flexible Rates, Bonds may have successive Flexible Rate Periods of any duration up to 270 days, and any Bond

may bear interest at a Flexible Rate and for a Flexible Rate Period different from any other Bond. While the Bonds bear interest at Flexible Rates, the Remarketing Agent shall offer and accept purchase commitments for Bonds for such Flexible Rate Periods and at such Flexible Rates as it deems to be advisable in order to minimize the net interest cost on Bonds taking into account prevailing market conditions; provided, however, that the foregoing shall not prohibit the Remarketing Agent from accepting purchase commitments for longer Flexible Rate Periods (and at higher Flexible Rates) than are otherwise available at the time of any remarketing if the Remarketing Agent determines that, taking into account prevailing market conditions, a lower net interest cost on Bonds can be achieved over the longer Flexible Rate Period. The Flexible Rate shall be the minimum rate of interest necessary, in the judgment of the Remarketing Agent, to enable the Remarketing Agent to sell such Bond on the commencement date of such Flexible Period at a price equal to 100% of the principal amount thereof (exclusive of accrued interest), taking into account prevailing market conditions as of the Rate Determination Date. However, in no event shall any Flexible Rate exceed the Maximum Rate.

Notice of Interest Rate. The Remarketing Agent shall give notice of each Flexible Rate and applicable Flexible Rate Period to the Commonwealth and the Tender Agent by the close of business on each Rate Determination Date. Such notice shall be given in writing, by Electronic Means or by telephone; provided that any telephonic notice shall be promptly confirmed in writing. The Tender Agent shall promptly notify the Bank of each Flexible Rate and applicable Flexible Rate Period.

Term Mode

Determination of Rate. Bonds in the Term Mode bear interest at the Term Rate payable on the first day of the sixth calendar month following the month in which the Rate Period begins and on the first day of each sixth calendar month thereafter. Interest is computed on the basis of a 360-day year consisting of twelve 30-day months. Interest is payable to the Bondowners who are such registered owners on the Record Date. While the Bonds bear interest at a Term Rate, the interest rate will be determined by the Remarketing Agent to remain in effect for a term of one or more whole years subject to certain exceptions, selected from time to time by the Commonwealth. The duration and beginning and ending dates of any Rate Period may vary in the event conversions occur between Rate Periods. The Term Rate shall be determined by the Remarketing Agent by 4:00 p.m., Boston time, on each Rate Determination Date and shall take effect as described herein. The Term Rate for each Term Rate Period shall be the lowest interest rate which, in the judgment of the Remarketing Agent, would cause the Bonds to have a market value equal to 100% of the principal amount thereof (exclusive of accrued interest), taking into account prevailing market conditions as of the Rate Determination Date. However, in no event shall the Term Rate exceed the Maximum Rate.

A Term Rate shall be determined for each Term Rate Period as follows:

- (i) Term Rate Periods shall (A) commence either on a Conversion Date (including a conversion from a Term Rate Period to a Term Rate Period of a different duration) or, if then in a Term Rate Period, the commencement date of an immediately successive Term Rate Period of the same duration and (B) extend to but not include either the commencement date of an immediately successive Term Rate Period (of whatever duration) or the Conversion Date on which a different Mode shall become effective.
- (ii) The Term Rate for each Term Rate Period shall be effective from and including the commencement date of such period and remain in effect through and including the last day thereof. Each such Term Rate shall be determined by the Remarketing Agent not later than 4:00 p.m., Boston time, on the Business Day immediately preceding the commencement date of such period.

- (iii) The duration of each successive Term Rate Period shall be the same as the then current Term Rate Period until the Commonwealth exercises its option, or is deemed to exercise its option, to effect a Conversion from the Term Rate, or to a Term Rate Period of a different duration, all as provided in the Bonds.

Notice of Interest Rate. The Remarketing Agent shall give notice of each Term Rate to the Commonwealth and the Tender Agent by the close of business on each Rate Determination Date. Such notice shall be given in writing, by Electronic Means or by telephone; provided that any telephonic notice shall be promptly confirmed in writing. The Tender Agent shall promptly notify the Bank of each Term Rate.

Optional Redemption. During a Term Rate Period, the Bonds shall be subject to optional redemption by the Commonwealth, in whole or in part, on any date which occurs on or after the first day of the optional redemption period, and at the redemption prices, plus accrued and unpaid interest, if any, to the redemption date, as follows:

<u>Length of Term Rate Period</u>	<u>First Day of Optional Redemption Period</u>	<u>Redemption Price (Expressed as a Percentage of the Principal Amount Being Redeemed)</u>
More than 15 years	Tenth anniversary of commencement of Term Rate Period	102%, declining by 1% on each succeeding anniversary of the first day of the redemption period until reaching 100% and thereafter at 100%
More than 10, but not more than 15 years	Eighth anniversary of commencement of Term Rate Period	102%, declining by 1% on each succeeding anniversary of the first day of the redemption period until reaching 100% and thereafter at 100%
More than 5, but not more than 10 years	Fifth anniversary of commencement of Term Rate Period	101-1/2%, declining by 1/2% on each succeeding anniversary of the first day of the redemption period until reaching 100% and thereafter at 100%
5 years or less	Non-callable	Non-callable

Prior to the commencement of any Term Rate Period, the Commonwealth may change the redemption provisions applicable to the Bonds, subject to receipt by the Tender Agent of an opinion of Bond Counsel to the effect that a change in the redemption provisions of the Bonds will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Failure to Determine Interest Rate

In the event the Remarketing Agent fails for any reason to determine any interest rate on the Bonds:

- (i) The interest rate then in effect for Bonds in the Daily Mode shall be equal to the most recent Interest Index and will remain in effect from day to day until the Tender Agent is notified of a new Daily Rate determined by the Remarketing Agent;
- (ii) The interest rate then in effect for in the Weekly Mode shall be equal to the most recent Interest Index and will remain in effect from week to week until the Tender Agent is notified of a new Weekly Rate determined by the Remarketing Agent;
- (iii) The interest rate for any Bond in the Flexible Mode and for which a Flexible Rate and Flexible Rate Period is not determined shall be equal to the most recent Interest Index and the Flexible Rate Period for such Bond shall extend through the day preceding the next Business Day, until the Tender Agent is notified of a new Flexible Rate and Flexible Rate Period determined for such Bond by the Remarketing Agent; and
- (iv) The interest rate then in effect for Bonds in the Term Mode will be automatically converted to Flexible Rates with Flexible Rate Periods beginning on each Business Day and extending through the day preceding the next Business Day until the Tender Agent is notified of a new Flexible Rate and Flexible Rate Period determined for such Bond by the Remarketing Agent.

Optional Tender

Bonds in the Daily Mode or in the Weekly Mode may be tendered for purchase at a Purchase Price equal to 100% of the principal amount thereof, plus accrued interest, if any, payable in immediately available funds upon notice (promptly confirmed in writing) of tender to the Tender Agent, as described below. The Purchase Date may be any Business Day prior to conversion of the Bonds to the Flexible Mode, Term Mode or PARS Mode.

Notice of Tender. At any time that a Bondholder has a right to tender a Bond for purchase (other than by mandatory tender as described herein), the Bondholder shall, in addition to delivering the Bond on or before the appropriate Purchase Date, give to the Tender Agent notice of such tender. Each such notice of tender shall:

- (i) be delivered in writing or by Electronic Means, in a form satisfactory to the Tender Agent, or by telephone (and promptly confirmed in writing in such form) to the Tender Agent at its corporate trust office by 11:00 a.m., Boston time, on any Business Day, in the case of a Bond in the Daily Mode, and by 5:00 p.m., Boston time, on a Business Day not fewer than seven days prior to the Purchase Date, in the case of a Bond in the Weekly Mode;
- (ii) state (A) the principal amount of the Bond to which it relates, (B) that the Bondholder irrevocably demands purchase of such Bond or of a specified portion thereof in an amount which is an Authorized Denomination and which leaves the retained portion of the Bond in an amount which is an Authorized Denomination, (C) in the case of Bonds in the Weekly Mode, the date on which such Bond or portion thereof is to be purchased, and (D) payment instructions with respect to the Purchase Price; and
- (iii) automatically constitute, whether delivered in writing, by Electronic Means or by telephone, (A) an irrevocable offer to sell the Bond (or portion thereof) to which it relates on the Purchase Date at a Purchase Price equal to the principal amount of such Bond (or portion thereof) plus any interest thereon accrued and unpaid as of the Purchase Date, (B) an irrevocable authorization and instruction to the Tender Agent to effect transfer of such Bond (or portion thereof) upon payment of the Purchase Price to the Tender Agent on the Purchase Date, (C) an irrevocable authorization and instruction to the Tender Agent to effect the exchange of the Bond to be purchased in whole or in part for other Bonds in an equal aggregate principal amount so as to facilitate the sale of such Bond (or portion thereof), and (D) an acknowledgment that such Bondholder will have no further rights with respect to such

Bond (or portion thereof) upon payment of the Purchase Price thereof to the Tender Agent on the Purchase Date, except for the right of such Bondholder to receive such Purchase Price upon surrender of such Bond to the Tender Agent.

The determination of the Tender Agent as to whether a notice of tender has been properly delivered shall be conclusive and binding upon the Bondholder. The Tender Agent shall promptly notify the Commonwealth, the Bank and the Remarketing Agent upon receipt of a notice of tender.

Tender of Portions of Bonds. In the event a Bondholder files with the Tender Agent a tender notice with respect to a portion of a Bond in an Authorized Denomination, such Bondholder shall be required to deliver such Bond to the Tender Agent along with the tender notice. The Tender Agent shall pay the Purchase Price for such portion as provided herein and the Commonwealth shall issue in the name of such Bondholder a new Bond in the amount not so purchased, which Bond the Tender Agent shall forward to such Bondholder. Notwithstanding anything to the contrary contained in the Bonds, no Bondholder shall be entitled to tender a portion of such Bond for purchase unless the portion of such Bond not to be so purchased shall be in an Authorized Denomination.

Conversion

At the option of the Commonwealth, the Bonds may be converted from one Rate Period to another, including a conversion from one Term Rate Period to another Term Rate Period of a different duration, or to or from the PARS Mode as follows:

The Conversion Date shall be an Interest Payment Date for the Rate Period from which the conversion is to be made; provided, however, that

(A) if the conversion is from a Term Rate Period to another Rate Period, including a Term Rate Period of a different duration, the Conversion Date shall be limited to any Interest Payment Date upon which the Bonds are subject to optional redemption or the last Interest Payment Date of that Term Rate Period, as the case may be;

(B) if the conversion is from a Daily Rate Period to a Weekly Rate Period, or from a Weekly Rate Period to a Daily Rate Period, the Conversion Date also may be any Business Day, regardless of whether the Business Day is an Interest Payment Date;

(C) if the conversion is from a Flexible Rate Period, the Conversion Date shall be the last Interest Payment Date on which interest is payable for any Bond bearing a Flexible Rate theretofore established pursuant to the Bonds; provided, however, that if the conversion is from a Flexible Rate Period to a Daily or Weekly Rate Period, there may be more than one Conversion Date in accordance with the Bonds and in that case, the Conversion Date with respect to each Bond shall be an Interest Payment Date for that Bond; and

(D) if the conversion is from a Daily, Weekly or Flexible Rate Period to a Term Rate Period, the duration of the Term Rate Period shall not be more than one year unless the term to the Maturity Date that would remain following the initial Term Rate Period would be more than one year or that initial Term Rate Period extends to the Maturity Date.

The Commonwealth shall give notice of any proposed Conversion to the Bank, the Remarketing Agent, the Tender Agent and the Bond Registrar not fewer than 35 days before the proposed Conversion Date. Such notice shall specify (A) the proposed Conversion Date, (B) the type of Rate Period to which the conversion will be made, (C) if there will be a Standby Bond Purchase Agreement in effect during the Rate Period commencing on the

Conversion Date and information relating thereto, and (D) in the case of conversion to a Term Rate Period, the length of such Term Rate Period. The Tender Agent shall give written notice of such conversion to Bondholders not less than 15 days or, in case of a conversion from a Term Rate Period, 30 days, before the proposed Conversion Date. Such notice shall state:

- (A) the Mode to which the conversion will be made and the Conversion Date,
- (B) except in the case of a Conversion from the Daily Mode to the Weekly Mode or from the Weekly Mode to the Daily Mode, that the Bonds will be subject to mandatory tender for purchase on the Conversion Date and the purchase price of the Bonds,
- (C) if the Bonds are no longer in book-entry form and are therefore in certificated form, information with respect to required delivery of bond certificates and payment of the purchase price; and
- (D) that the conversion to or from the Term Mode or to or from the PARS Mode will not become effective unless the Commonwealth, the Tender Agent and the Remarketing Agent shall have received, no later than one day before the proposed Conversion Date an opinion of Palmer & Dodge LLP or any other lawyer or firm of lawyers nationally recognized in the field of municipal finance and satisfactory to the Commonwealth ("Bond Counsel") to the effect that the conversion to or from the Term Mode or PARS Mode is permitted under the laws of the Commonwealth and will not adversely affect the exclusion of interest on the Bonds from the gross income of the Bondholders for federal income tax purposes.

If the Bonds bear interest at a Term Rate for a Term Rate Period of a duration of more than one year and the term to the Maturity Date that would remain following a successive Term Rate Period of the same duration would be one year or less, or the term to the Maturity Date that would remain after the then current Term Rate Period is of lesser duration than the current Term Rate Period, unless the Commonwealth shall have given written notice of conversion to a Daily, Weekly or Flexible Rate Period or a successive Term Rate Period of a different duration after which the term to the Maturity Date would be more than one year, all in accordance with the Bonds, the Commonwealth shall be deemed to have exercised its option to convert, on the last Interest Payment Date for the then current Term Rate Period, to a Term Rate Period of a duration from that Interest Payment Date to the Maturity Date, and the Tender Agent shall so notify the Commonwealth, Remarketing Agent, and the applicable Bank, specifying in writing the information described above, and thereafter shall give notice to Holders in accordance with the Bonds.

The following conditions precedent shall be applicable to conversions:

- (i) Any conversion (A) from a Daily, Weekly or Flexible Rate Period to a Term Rate Period or PARS Mode, (B) from a Term Rate Period or PARS Mode to a Daily, Weekly or Flexible Rate Period or, (C) from a Term Rate Period to a Term Rate Period of a different duration or (D) to the PARS Mode, shall be subject to the condition that on or before the Conversion Date, the Commonwealth shall have delivered to the Tender Agent, the Bank and the Remarketing Agent an Opinion of Bond Counsel to the effect that the conversion is authorized under the Bonds and, with respect to conversion of any Bond, to the effect that the conversion will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes.
- (ii) The Standby Bond Purchase Agreement, if any, to be held by the Tender Agent after the Conversion Date must be sufficient to cover the principal of the then outstanding Bonds and, except as otherwise provided herein if a Standby Bond Purchase Agreement is to be held by the

Tender Agent after the conversion of the Bonds to a Term Rate Period, that Standby Bond Purchase Agreement must also extend for the entire Term Rate Period.

- (iii) If a Standby Bond Purchase Agreement is then in effect and the Purchase Price of the Bonds includes any premium, such conversion shall be subject to the condition that the Trustee shall have confirmed prior to mailing notice to the Holders of such conversion that the Tender Agent is entitled to draw on that Standby Bond Purchase Agreement in an aggregate amount at least sufficient to pay the principal portion of the Purchase Price (including such premium).

If for any reason a condition precedent to a conversion of the Bonds is not met, the conversion shall not be effective (although any mandatory tender shall be made on such date if notice has been sent to Holders stating that such Bonds would be subject to mandatory purchase on that date), and the Bonds, (i) shall be converted to a Weekly Rate Period and bear interest at the Weekly Rate determined by the Remarketing Agent as of the date on which the conversion was to occur so long as, in the case of the Bonds, an Opinion of Bond Counsel has been delivered to the Trustee to the effect that the conversion to a Weekly Rate Period will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes; provided, that if such Opinion of Bond Counsel has not been delivered, the Bonds shall automatically be converted to a Weekly Rate, and shall bear interest at a Weekly Rate equal to a Weekly Rate for such period determined by the Remarketing Agent as of the date on which the conversion was to occur, or if in that instance the Remarketing Agent fails to determine that rate, then at a rate of interest equal to 100% of the most recently published Interest Index. The Tender Agent shall promptly notify the Commonwealth, the applicable Bank and each Holder of such fact and shall give all additional notices and take all further actions required pursuant to the Bonds.

The Commonwealth, the Bank, the Tender Agent and the Remarketing Agent shall not be liable to any Holder for failure to give any notice required under the provisions of the Bonds or for failure of any Holders to receive any such notice or to take any other actions under the Bonds.

Mandatory Tender

Agreement to Tender Bonds

Any Bondholder, by its acceptance of the Bonds, agrees to tender its Bonds to the Tender Agent for purchase on dates on which such Bonds are subject to mandatory tender, and upon such transfer, to surrender such Bonds, properly endorsed for transfer in blank.

Any notice mailed as provided in this section shall be conclusively presumed to have been duly given, whether or not the Bondholder receives the notice, and the failure of such Bondholder to receive any such notice shall not affect the validity of the action described in such notice.

Bonds in the Daily Mode and in the Weekly Mode are subject to mandatory tender for purchase as described below. Such Bonds are not subject to mandatory tender upon conversion from the Daily Mode to the Weekly Mode or from the Weekly Mode to the Daily Mode. Such Bonds are also not subject to mandatory tender solely as a result of the occurrence of an Agreement Termination Event resulting in the termination of a Standby Bond Purchase Agreement prior to the Agreement Expiration Date. The Tender Agent shall give notice to the Bondholders promptly after becoming aware of the early termination of the Standby Bond Purchase Agreement. See "Standby Bond Purchase Agreements."

Each Bond bearing interest at a Flexible Rate is subject to mandatory tender for purchase on the Interest Payment Date applicable to such Bond at a purchase price equal to 100% of the principal amount thereof, without premium. No notice of such mandatory tender is required to be given to the Holders of such Bonds.

Each Bond bearing interest at a Term Rate is subject to mandatory tender for purchase on the first day of the succeeding Term Rate Period of the same duration at a purchase price equal to 100% of the principal amount thereof, without premium, provided that the Tender Agent shall give written notice of such mandatory tender to the Bondowners by first class mail, or, at the Commonwealth's option, certified mail, return receipt requested, at least 30 days before the mandatory tender date.

The Bonds are also subject to mandatory tender on the effective date of the conversion (a) from one Rate Period to another or (b) from a Term Rate Period to a Term Rate Period of a different duration, provided that the Tender Agent shall give written notice of such mandatory tender to the Bondholders by first class mail, or, at the Commonwealth's option, certified mail, return receipt requested, at least 30 days before the mandatory tender date.

Bonds shall be purchased on a mandatory tender date (as described herein) at a purchase price equal to 100% of the principal amount thereof, provided that Bonds bearing interest at a Term Rate which are tendered on a day on which those Bonds are subject to optional redemption at a redemption price of more than 100% of the principal amount will be purchased at a price equal to that redemption price.

Mandatory Tender Upon Conversion to or from Flexible Mode, Term Mode or PARS Mode. If Bonds are to be converted from the Weekly Mode or the Daily Mode to the Flexible Mode, a Term Mode or the PARS Mode or from the Flexible Mode, Term Mode or PARS Mode, Bonds to be so converted are subject to mandatory tender for purchase on the Conversion Date at a Purchase Price equal to 100% of the principal amount of the Bonds, plus accrued interest, if any. The Commonwealth shall give written notice of such Conversion to the Tender Agent, the Bank and the Remarketing Agent at least 35 days prior to the Conversion Date. The Tender Agent shall give written notice of such Conversion to the Bondholders by first class mail or, at the Commonwealth's option, certified mail, return receipt requested, at least 30 days prior to the Conversion Date setting forth, among other things: (a) the proposed Conversion Date; (b) that the Bonds shall be subject to mandatory tender on the Conversion Date; and (c) the conditions to Conversion, if any.

Mandatory Tender Upon Expiration, Substitution or Termination of Standby Bond Purchase Agreement. The Bonds are also subject to mandatory tender for purchase on the Business Day which is at least five days before (i) the stated expiration date of the applicable Standby Bond Purchase Agreement or (ii) the date set forth in a termination notice as the date the applicable Standby Bond Purchase Agreement is to be terminated as a result of the occurrence of certain events of default under such Standby Bond Purchase Agreement, which do not constitute Agreement Termination Events. See "Standby Bond Purchase Agreements." Such Bonds are also subject to mandatory tender for purchase on the date on which an Alternate Liquidity Facility is scheduled to become effective with respect to such Bonds, whether or not the Alternate Liquidity Facility actually becomes effective on such date. The Purchase Price for such tenders shall equal 100% of the principal amount of the Bonds, plus accrued interest, if any. The Tender Agent, at the request of the Commonwealth, shall give written notice to affected Bondholders at least 15 days prior to such mandatory tender date.

Delivery and Payment for Tendered Bonds

The Tender Agent, on behalf of the Commonwealth (and solely from amounts provided to it by the Remarketing Agent from the remarketing of the Bonds, amounts derived from a draw under a Standby Bond Purchase Agreement (solely with respect to the principal portion of the Purchase Price) and amounts provided to it by the Commonwealth, shall purchase any Bonds properly tendered for purchase in accordance with the provisions of the Bonds.

Except while the Bonds are registered in the name of Cede & Co., as nominee for DTC, delivery to the Tender Agent of Bonds to be tendered for purchase, upon both optional tender and mandatory tender, together with wire payment instructions satisfactory to the Tender Agent, is required to be made by 1:00 p.m., Boston time, on the

Business Day which is the Purchase Date. The Tender Agent shall pay tendering Bondowners or cause tendering Bondowners to be paid in immediately available funds by 3:00 p.m., Boston time, on such day. If the Bonds are delivered after 1:00 p.m., Boston time, payment will be made on the next Business Day without any additional accrued interest. Bonds which are required to be tendered for purchase, upon both optional tender and mandatory tender, shall cease bearing interest from and after the date tender is required regardless of whether such Bonds are presented for payment and Bondholders shall have no further rights with respect to such Bonds other than the right to receive payment of the Purchase Price upon surrender of the Bonds.

Notwithstanding any provision of the Bonds to the contrary, on each Purchase Date the Commonwealth shall pay to the Tender Agent no later than 2:30 p.m. in immediately available funds, the portion of the Purchase Price that is equal to the accrued interest, if any, due and payable on such Purchase Date.

Book-Entry Bonds

For so long as the Bonds are registered in the name of Cede & Co., as nominee for DTC, the tender option rights of Bondholders described above may be exercised only by a DTC Participant acting directly or indirectly on behalf of a Beneficial Owner of Bonds by giving notice of its election to tender Bonds or portions thereof at the times and in the manner described above. Beneficial Owners will not have any rights to tender Bonds directly to the Tender Agent. Procedures under which a Beneficial Owner may direct a DTC Participant or an Indirect Participant of DTC acting through a DTC Participant to exercise a tender option right in respect of any Bonds or portions thereof shall be governed by standing instructions and customary practices determined by such DTC Participant or Indirect Participant.

For so long as the Bonds are registered in the name of Cede & Co., as nominee for DTC, notices of mandatory tender for purchase of Bonds shall be given to DTC only, and none of the Commonwealth, the Tender Agent or the Remarketing Agent shall have any responsibility for the delivery of any of such notices by DTC to any DTC Participants, by any DTC Participants to any Indirect Participants of DTC or by any DTC Participants or Indirect Participants to Beneficial Owners of the Bonds.

For so long as the Bonds are registered in the name of Cede & Co., as nominee for DTC, delivery of Bonds required to be tendered for purchase shall be effected by the transfer by a DTC Participant on the applicable Purchase Date of a book entry credit to the account of the Tender Agent of a beneficial interest in such Bonds or portions thereof required to be tendered for purchase on that date in accordance with the customary practices and procedures of DTC.

For so long as the Bonds are registered in the name of Cede & Co., Inc. as nominee for DTC, payment of the Purchase Price shall be paid directly to DTC in accordance with any Letter of Representation with DTC.

Remarketing of Tendered Bonds; Bank Bonds

Goldman, Sachs & Co., New York, New York, is appointed the initial Remarketing Agent for the Bonds. The Remarketing Agent shall accept the duties and obligations thereof by execution and delivery of an agreement with the Commonwealth under which the Remarketing Agent will agree, among other things, to perform the duties of Remarketing Agent as provided in the Bonds, to keep records regarding the remarketing of Bonds and determining the interest rates on the Bonds and to make such records available for inspection by the Commonwealth at all reasonable times.

The Remarketing Agent shall be authorized by law to perform all the duties imposed upon it by the Bonds. The Remarketing Agent may resign or may be removed at any time upon written notice as specified in the

Remarketing Agreement. The Remarketing Agent may terminate its duties in certain circumstances upon notice to the Commonwealth as provided in the Remarketing Agreement.

If the Remarketing Agent resigns or is removed, the Commonwealth shall have the power to appoint another Remarketing Agent, and the former Remarketing Agent shall pay over, assign and deliver any moneys and Bonds held by it in such capacity, other than Bonds held for its own account, to its successor.

The Tender Agent, the Banks or the Remarketing Agent, each in its individual capacity, may in good faith and to the extent otherwise permitted by law, buy, sell, own, hold and deal in any of the Bonds, and may join in any action which any Bondholder of the Bonds may be entitled to take with like effect as if it did not act in any capacity under the Bonds. Each Bank, the Tender Agent or the Remarketing Agent, each in its individual capacity, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Commonwealth, and may act as depository, trustee, or agent for any committee or body of Bondholders of any Bonds secured hereby or other obligations of the Commonwealth as freely as if it did not act in any capacity under the Bonds or under the Standby Bond Purchase Agreement.

The Remarketing Agent is required to use its best efforts to remarket Bonds properly tendered for purchase. In the event the Remarketing Agent is unable to remarket tendered Bonds, such Bonds shall be purchased by the applicable Bank in accordance with the Standby Bond Purchase Agreement to which it is a party, which shall provide that such Bank agrees to purchase any such Bonds from time to time in an amount not to exceed the principal amount thereof subject to the terms and provisions set forth in such Standby Bond Purchase Agreement. Bank Bonds shall bear interest at the applicable Bank Rate and shall be payable at the times and in the amounts and may have such other terms as are set forth in the applicable Standby Bond Purchase Agreement. To the extent there are Bank Bonds, such Bank Bonds shall be redeemed from mandatory sinking fund payments prior to any other Bonds.

Alternate Liquidity Facility

A Standby Bond Purchase Agreement may be replaced or substituted with an Alternate Liquidity Facility at the option of the Commonwealth in accordance with the terms of the existing Standby Bond Purchase Agreement. Any Alternate Liquidity Facility may contain such terms as the Commonwealth and the applicable Bank may determine, and the Bonds may be amended without consent of the Bondholders to reflect the terms of an Alternate Liquidity Facility which are applicable to such Bank Bonds.

If, at any time, in accordance with a Standby Bond Purchase Agreement, the Commonwealth obtains an Alternate Liquidity Facility, it shall give notice thereof to the Tender Agent, and the Tender Agent shall then give prompt notice to the Bondholders and any Rating Agency (as defined in such Standby Bond Purchase Agreement) that the Commonwealth has obtained an Alternate Liquidity Facility and that such Standby Bond Purchase Agreement will terminate pursuant to the terms of such Standby Bond Purchase Agreement. The notice shall state: (a) the principal terms of the Alternate Liquidity Facility and (b) that the Bonds shall be subject to mandatory tender on the substitution date and explaining the terms of such mandatory tender.

Any Alternate Liquidity Facility shall meet the following criteria:

(a) Any Alternate Liquidity Facility shall provide that funds may be advanced for the purposes, in the amounts and at the times provided in the Bonds and shall contain administrative provisions satisfactory to the Tender Agent.

(b) At least five Business Days prior to the delivery to the Commonwealth of the Alternate Liquidity Facility, the Commonwealth shall have received an irrevocable commitment to issue or enter into such Alternate Liquidity Facility and on the substitution date the Commonwealth shall have received an opinion of counsel for the provider or providers of the Alternate Liquidity Facility that the Alternate Liquidity Facility and any documents related to it constitute legal, valid and binding obligation(s) of such provider of the Alternate Liquidity Facility enforceable in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, moratorium or insolvency or by equitable principles.

(c) No Alternate Liquidity Facility shall be effective unless the provider of an Alternate Liquidity Facility shall purchase all Bonds held by or for the account of the Bank on the substitution date, and all Bonds held by the Bank shall be paid in full on or prior to the Substitution Date.

If at any time 30 days remain until the Agreement Expiration Date and the applicable Standby Bond Purchase Agreement has not been renewed or replaced or the Commonwealth has not obtained a written commitment for such renewal or replacement, the Tender Agent shall promptly give notice to the Bondholders that (i) the applicable Standby Bond Purchase Agreement is scheduled to expire and stating the date of such expiration, (ii) the Commonwealth has not obtained an Alternate Liquidity Facility, and (iii) the affected Bonds shall be subject to mandatory tender and explaining the terms of such mandatory tender.

Tender Agent

Tender Agent Custody. The Tender Agent shall hold all Bonds (or portions thereof in Authorized Denominations) delivered to it for purchase for the benefit of the respective Bondholder thereof until moneys representing the Purchase Price or redemption price of such Bonds (or portions thereof in Authorized Denominations), as the case may be, shall have been delivered to or for the account of or to the order of the Bondholders thereof.

Procedure for Purchase of Bonds. On the date any Bonds are to be purchased, the Tender Agent shall purchase, but only from the funds and in the order of priority listed below, such Bonds at the Purchase Price thereof:

- (a) Moneys derived from the remarketing of Bonds;
- (b) Any amounts derived from a draw against the Standby Bond Purchase Agreement; and
- (c) Any amounts paid to it by the Commonwealth therefor.

Any amounts held pursuant to paragraph (a) or (b) above shall be held uninvested until applied as provided herein. The Tender Agent shall have no personal obligation to purchase, or to advance its own funds to fund the purchase of, any Bonds.

By the close of business (Boston time) on the Business Day following the date on which Bondholders of Bonds in the Weekly Mode have delivered a tender notice to the Tender Agent (or immediately upon such receipt, in the case of Bonds bearing interest at Daily Rates), the Tender Agent shall provide to the applicable Bank and the Remarketing Agent a notice from the Tender Agent specifying the applicable Purchase Date and the aggregate principal amount of Bonds to be purchased on such Purchase Date.

By 12:00 p.m., Boston time, on the Purchase Date, the Tender Agent shall provide to the applicable Bank (in accordance with the terms of the Standby Bond Purchase Agreement) and the Commonwealth a notice from the Tender Agent indicating the exact amounts that will be required to be paid by such Bank and the Commonwealth,

respectively, in order to pay the Purchase Price of all tendered Bonds that have not been remarketed at or prior to such time.

On the Purchase Date, the Tender Agent shall make provision for the account of the applicable Bank at DTC to be credited such that the Bank becomes the beneficial owner of the tendered Bonds that have not been remarketed and have been purchased by such Bank, in accordance with the standing procedures of DTC.

Notice to Rating Agencies. The Tender Agent shall give notice to each Rating Agency of (i) any change to a Standby Bond Purchase Agreement or the Bonds, (ii) the termination, substitution, expiration or extension of a Standby Bond Purchase Agreement, (iii) any redemption of Bonds and (iv) any change in the identity of the Tender Agent or the Remarketing Agent.

Non-Delivery of Bonds. In the event that any Bonds required to be tendered or with respect to which a tender notice has been sent are not delivered to the Tender Agent at the time, in the manner and at the place required, the undelivered Bonds will be deemed to have been tendered and purchased by the Tender Agent, and interest accruing on such Bonds on and after the applicable Purchase Date shall no longer be payable to the prior Bondholders thereof. Such prior Bondholders shall have recourse solely to the funds held by the Tender Agent for the purchase of the undelivered Bonds, and the Tender Agent and the Commonwealth shall not recognize any further transfer of such undelivered Bonds by such prior Bondholders. The Commonwealth or Tender Agent, as the case may be, shall register the transfer of such Bonds to the purchaser thereof and shall issue a new Bond or Bonds and deliver the same pursuant to the Bonds, notwithstanding such non-delivery.

The Tender Agent shall at the end of the fifth Business Day after each date upon which Bonds are deemed tendered, deposit with the Commonwealth all funds then held by the Tender Agent by virtue of the fact that Bonds deemed tendered on such date were not presented for purchase to the Tender Agent in accordance with the provisions thereof, and thereafter the prior Bondholders of such Bonds shall look only to the Commonwealth for the payment of the Purchase Price of such Bonds.

Other Duties. Any unremarketed Bonds purchased by the Bank by funds advanced to the Tender Agent under a Standby Bond Purchase Agreement shall be registered in the name of the applicable Bank or its designee (as specified in writing by such Bank) and shall be delivered to such Bank or its designee on the applicable Purchase Date. At any time the Bonds are registered in the name of a securities depository, the Bonds shall be deemed purchased under the applicable Standby Bond Purchase Agreement upon the making of appropriate entries on the books of the securities depository showing such Bonds entered in the account of the applicable Bank or its nominee maintained at such securities depository.

The Commonwealth hereby authorizes the Tender Agent to agree to hold such unremarketed Bonds as custodian for the account of the applicable Bank as Bank Bonds, and to deliver such Bank Bonds to or at the direction of the Bank. With respect to such Bank Bonds the Remarketing Agent shall be required, subject to the provisions of the Remarketing Agreement, to offer for sale, and use its best efforts to sell, such Bank Bonds, at the principal amount thereof. The Remarketing Agent may not, however, sell any such Bank Bonds at a discount or a premium. The Remarketing Agent shall remarket such Bank Bonds as if such Bank Bonds were in the same interest Mode, bearing interest at the same interest rate as Bonds not held by the Bank. No Bank Bonds purchased with proceeds from a Standby Bond Purchase Agreement shall be sold unless the commitment of the Bank to purchase Bonds as provided in the Standby Bond Purchase Agreement is immediately reinstated upon each sale. In addition, each Bank has the express right under the applicable Standby Bond Purchase Agreement to sell, at any time, Bank Bonds, subject to the terms of the applicable Standby Bond Purchase Agreement and the Bonds. The proceeds received from the purchaser of any Bank Bonds so remarketed and resold pursuant to the foregoing sentence shall be paid to the Bank.

In the event of a redemption of any Bank Bonds, the Commonwealth shall remit to the applicable Bank the redemption price of such Bank Bonds.

The Tender Agent agrees (subject to the terms of the Tender Agent Agreement) to:

(a) hold all Bonds properly tendered to it for purchase as agent and bailee of, and in escrow for the benefit of, the respective Bondholders which shall have so tendered such Bonds until moneys representing the Purchase Price of such Bonds shall have been delivered to or for the account of or to the order of such Bondholders;

(b) hold all moneys delivered to it for the purchase of Bonds as agent and bailee of, and in escrow for the benefit of, the purchaser which shall have so delivered such moneys, until the Bonds purchased with such moneys shall have been delivered to or for the account of such purchaser;

(c) keep such books and records as shall be consistent with prudent industry practice and make such books and records available for inspection by the other parties;

(d) hold all Bank Bonds delivered to it as agent and bailee of, and for the benefit of, the applicable Bank on behalf of such Bank in accordance with the applicable Standby Bond Purchase Agreement until such Bonds are released by the Bank upon payment therefor or until such Bonds are deemed tendered;

(e) provide to the Commonwealth as soon as practicable after the close of business on each Record Date, but in no case later than 1:00 p.m., Boston time, on the applicable Interest Payment Date, a list of the names and addresses of the Bondholders as of such Record Date; and

(f) give notices as required at the times and in the manner specified in the Bonds.

Upon receipt by the Tender Agent of any tender notice or upon receipt by the Tender Agent of any Bonds delivered pursuant to such tender notice for purchase, the Tender Agent shall, upon request, deliver to the party delivering the tender notice and the Bonds, written evidence of the Tender Agent's receipt of such tender notice or Bonds. The Tender Agent shall promptly return any tender notice (together with the Bonds submitted in connection therewith) that is incomplete or improperly completed or not delivered by the date and time required under the Bonds to the party submitting such notice upon surrender of the receipt, if any, issued therefor. The Tender Agent's determination of whether a tender notice is properly completed or delivered on a timely basis shall be binding on the Commonwealth and the Bondholder of the Bonds submitted therewith.

The Tender Agent shall initially be State Street Bank and Trust Company. Any successor Tender Agent shall be a commercial bank having trust powers or a trust company or a national banking association, having a capital and surplus aggregating at least \$50,000,000 and authorized by law to perform all the duties imposed upon it hereby and shall be rated Baa 3 or higher by Moody's Investors Service, Inc. The Tender Agent may at any time resign and be discharged of the duties and obligations created hereby by giving at least 60 days' notice to the Commonwealth and each Bank. The Tender Agent may be removed at any time by the Commonwealth upon at least seven days' notice. No such resignation or removal shall take effect until the appointment of, and the acceptance of such appointment by, a successor Tender Agent. Successor Tender Agents may be appointed from time to time by the Commonwealth with the consent of the Bank. Upon the resignation or removal of the Tender Agent, the Tender Agent shall deliver any Bonds and moneys held by it in such capacity to its successor.

The Tender Agent upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document furnished to it pursuant to any provision of the Bonds shall examine such instrument to determine whether it conforms to the requirements hereof and shall, in the absence of negligence or

willful misconduct on the part of the Tender Agent, be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. The Tender Agent may consult with counsel and the written opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Bonds in good faith and in accordance therewith.

Whenever the Tender Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Bonds, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of the Commonwealth, and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions hereof upon the faith thereof; but in its discretion the Tender Agent may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable.

In the event that the Tender Agent is required to act pursuant to the terms hereof upon the receipt of telephonic notice, such notice shall be promptly confirmed in writing. If such notice shall not be so confirmed, the Tender Agent shall be entitled to rely upon such telephonic notice for all purposes whatsoever.

In receiving Bonds under the terms of the Bonds, the Tender Agent shall be acting as a conduit and shall not be purchasing such Bonds for its own account. The performance of the Tender Agent's duties is also subject to certain terms and standards set forth in the Tender Agent Agreement.

STANDBY BOND PURCHASE AGREEMENTS

The following summarizes certain provisions of the Standby Bond Purchase Agreements, to which documents, in their entirety, reference is made for the complete provisions thereof. The provisions of any substitute Standby Bond Purchase Agreement may be different from those summarized below.

Each Standby Bond Purchase Agreement will be issued in an amount equal to the original principal amount of the applicable series of Bonds (as adjusted from time to time, the "Available Commitment"). The Tender Agent, upon compliance with the terms of the applicable Standby Bond Purchase Agreement, is authorized and directed to draw up to an amount sufficient to pay the portion of the purchase price of Bonds delivered for purchase pursuant to a demand for purchase by the owner thereof or a mandatory tender for purchase and not remarketed equal to the principal amount of such Bonds. The Commonwealth is obligated to pay the portion of such purchase price equal to the accrued interest, if any, due on the Purchase Date.

Each Bank's commitment to fund under its Standby Bond Purchase Agreement will terminate on the earliest of the Bank's close of business on (a) the stated termination date (December 7, 2005, unless renewed or extended); (b) the date on which the Available Commitment is reduced to zero and the Bank shall no longer be obligated to purchase applicable Bonds; (c) the date on which an Alternate Liquidity Facility becomes effective in accordance with the terms of the applicable Bonds; provided that the Bank shall have received notice of the same; (d) the date on which the Bank's obligation to purchase is terminated following an event of default as described below; (e) the Bank's close of business on the date on which the Bank receives notice that all of the applicable Bonds have been converted to a Term Mode with a Term Rate Period which is greater than one year; or (f) the date on which no applicable Bonds are otherwise outstanding, provided that the Bank shall have received notice of the same.

Upon the occurrence of any event of default described in clauses (a)(i), (e), (g) or (i) below, (i) the Bank's obligation to purchase Bonds under its Standby Bond Purchase Agreement shall immediately terminate without notice to or other action on the part of the Bank, and (ii) all accrued fees and other amounts due and outstanding under the Bonds shall be forthwith due and payable without demand, presentment, protest or other notice whatsoever.

If any other event of default under a Standby Bond Purchase Agreement occurs and is continuing, the applicable Bank may, among other things, (i) give written notice of such event of default to the Tender Agent, the Commonwealth and the Remarketing Agent and request the Tender Agent to give notice of mandatory tender for purchase of the affected Bonds, thereby causing the Bank's obligations under such Standby Bond Purchase Agreement to terminate 30 days thereafter, and (ii) take any other action or remedy permitted by law to enforce the rights of the Bank under the Standby Bond Purchase Agreement and any Related Document.

"Events of Default" under each of the Standby Bond Purchase Agreements include the following:

- (a) the Commonwealth shall fail to pay or cause to be paid when due (i) any amounts with respect to the principal of or interest or premium, if any, on the Bonds of either series (including Bank Bonds), (ii) any amounts payable with respect to reimbursing the applicable Bank for any payment made by such Bank under its Standby Bond Purchase Agreement or (iii) any other amount payable pursuant to such Standby Bond Purchase Agreement or the Bonds related to such agreement (including Bank Bonds); or
- (b) the Commonwealth shall fail to observe or perform certain covenants set forth in such Standby Bond Purchase Agreement; or

(c) the Commonwealth shall fail to observe or perform any covenant or agreement contained (or incorporated by reference) in such Standby Bond Purchase Agreement (other than those covered by clauses (a) and (b) above), or in any Related Document to which it is a party or in the Bonds for 30 days after written notice thereof requesting that such default be remedied has been given to it by such Bank; or

(d) any representation, warranty, certification or statement made by the Commonwealth (or incorporated by reference) in such Standby Bond Purchase Agreement or in any Related Document to which it is a party or in any certificate, financial statement or other document delivered pursuant to such Standby Bond Purchase Agreement or any Related Document shall prove to have been incorrect in any material respect when made; or

(e) the Commonwealth shall fail to make payment when due in respect of any general obligation debt of the Commonwealth with an aggregate principal amount in excess of \$5,000,000; or

(f) an event of default or default shall have occurred and shall be continuing under any of the Related Documents; or

(g) any material provision of such Standby Bond Purchase Agreement or any Related Document relating to the payment of any obligations under such Standby Bond Purchase Agreement or under the Bank Bonds related to such agreement or the security therefor shall at any time for any reason cease to be valid and binding on the Commonwealth or shall be declared to be null and void as the result of a final judgment or action by any court or governmental authority or agency having jurisdiction over the Commonwealth, or the Commonwealth repudiates or otherwise denies that it has any further liability or obligation under such Standby Bond Purchase Agreement or with respect to the Bonds related thereto; or

(h) the Commonwealth shall have (i) taken or permitted to be taken any action or duly enacted any statute which would materially adversely affect the enforceability of such Standby Bond Purchase Agreement or (ii) contested the validity or enforceability of any material provision of such Standby Bond Purchase Agreement or any Related Document relating to the payment of any obligations under such Standby Bond Purchase Agreement or under the Bank Bonds related thereto or the security therefor; or

(i) a moratorium shall have been declared or announced (whether or not in writing) with respect to any general obligation debt of the Commonwealth or the Commonwealth shall seek any form of debtor relief affecting its general obligation debt or a receiver shall be appointed with respect to any assets of the Commonwealth or the Commonwealth shall be declared by a court of competent jurisdiction or shall declare itself to be insolvent; or

(j) the Commonwealth's general obligation debt shall be rated below Baa2 by Moody's or BBB by S&P or Fitch or such rating shall be withdrawn or suspended for credit related reasons; or

(k) any final, nonappealable judgment or order for the payment of money in excess of \$50,000,000 shall have been rendered against the Commonwealth and such judgment or order shall not have been satisfied within a period of one year from the date on which it became final and nonappealable.

Bonds purchased with money advanced under a Standby Bond Purchase Agreement become Bank Bonds and may not be remarketed unless or until the applicable Bank has confirmed in writing to the Commonwealth that the available commitment has been reinstated and that the Bonds are no longer considered Bank Bonds. Bank Bonds will bear interest at the applicable Bank Interest Rate or, upon the occurrence of an event of default under the applicable Standby Bond Purchase Agreement, at the Default Rate. Bank Bonds are subject to mandatory redemption on the ninetieth day after the after the purchase thereof by the Bank (the "Remarketing Period End

Date”); provided, however, that if no default or event of default under the applicable Standby Bond Purchase Agreement has occurred, the Commonwealth may elect to cause the Bank Bonds to be redeemed in equal semiannual principal installments, the first such installment being payable on the first Business Day of the month next succeeding the Remarketing Period End Date, so that each Bank Bond is paid in full no later than the earlier of (i) the fifth anniversary of such Remarketing Period End Date with respect to such Bank Bond, or (ii) the seventh anniversary of the date of original issuance of the Bonds.

As consideration for each Bank’s agreement to enter into its Standby Bond Purchase Agreement, the Commonwealth will pay fees to such Bank on a periodic basis and will reimburse the Bank for certain fees and expenses, including increased costs.

DESCRIPTION OF LANDESBANK BADEN-WÜRTTEMBERG

Landesbank Baden-Württemberg ("LBBW") is a public law institution with legal capacity (*rechtsfähige Anstalt des öffentlichen Rechts*) established by virtue of the Landesbank Baden-Württemberg Act (*Gesetz über die Landesbank Baden-Württemberg*) of November 11, 1998 (the "LBBW Act"). LBBW has been formed, with effect from January 1, 1999, by the merger of Südwestdeutsche Landesbank Girozentrale, Landeskreditbank Baden-Württemberg, and Landesgirokasse. Upon merger, the assets and liabilities of Landeskreditbank Baden-Württemberg and Landesgirokasse as of December 31, 1998 have been transferred to Südwestdeutsche Landesbank Girozentrale. The former state development business (*Förderteil*) of Landeskreditbank Baden-Württemberg was separated from the commercial banking business (*Marktteil*) of Landeskreditbank Baden-Württemberg with effect from December 1, 1998 and transferred as of that date to the newly created Landes-kreditbank Baden-Württemberg-Förderbank, an independent public law institution with legal capacity and separate legal personality.

To secure its economic basis at all times and to maintain its ability to perform its functions, LBBW benefits from a maintenance obligation (*Anstaltslast*). In addition, LBBW's obligations are guaranteed by a guarantee obligation (*Gewährträgerhaftung*). Both the maintenance obligation and the guarantee obligation are jointly and severally undertaken by the State of Baden-Württemberg (the "State"), Badischer Sparkassen- und Giroverband ("BSGV"), Württembergischer Sparkassen- und Giroverband ("WSGV" and together with BSGV, the "Associations") and the State Capital Stuttgart (the "State Capital") (together, the "Guarantors"). Under the maintenance obligation, the Guarantors have the public law obligation to LBBW to secure its economic basis at all times and maintain its ability to function during its existence. Under the guarantee obligation, the Guarantors are jointly and severally liable, without any limitation, for the obligations of LBBW; provided however, that creditors of LBBW may assert claims against the Guarantors under the guarantee obligations only if they have not been satisfied from the assets of LBBW.

With a balance sheet total of EUR 257 billion as of December 31, 1999, 230 branches in Baden-Württemberg, offices in all important centers of trade and commerce in Germany, and approximately 9,000 employees, LBBW is the largest bank in the southwest of Germany. LBBW numbers among the ten largest German banks and among the 50 largest credit institutions worldwide.

LBBW is a universal bank and an international commercial bank. It is also the central bank for the savings banks (*Sparkassen*) in Baden-Württemberg. In addition, LBBW performs the duties of a savings bank in the territory of the State Capital, basically in accordance with the Savings Bank Act (*Sparkassengesetz*). The legal seats of LBBW are Stuttgart, Karlsruhe and Mannheim. LBBW may establish and operate branch offices, offices, stock exchange offices and representative offices without regional restrictions. It has full freedom to conduct business. LBBW may engage in all kinds of banking and financial service activities as well as other activities that are useful to it. It is authorized to issue mortgage-backed bonds (*Pfandbriefe*), public debt-backed bonds (*Kommunalobligationen*) and other debt instruments.

Pursuant to section 45 of the Baden-Württemberg law implementing the judiciary law (*Gesetz zur Ausführung des Gerichtsverfassungsgesetzes*), adopted in accordance with German federal law, public law institutions (*Anstalten des öffentlichen Rechts*) are not subject to bankruptcy proceedings. Therefore, bankruptcy proceedings for liquidation or reorganization cannot be instituted by or against LBBW. LBBW can only be dissolved in accordance with its ordinance (*Satzung*) and with the LBBW Act after fulfilment of all its debts and liabilities to third parties.

LBBW has an endowment capital (*Stammkapital*) of EUR 1.28 billion. The following entities participate in the endowment capital: the State with EUR 505.6 million (39.5 per cent); the Associations with EUR 505.6 million (39.5 per cent, of which WSGV holds EUR 347.52 million (27.15 per cent) and BSGV holds EUR 158.08 million (12.35 per cent.); and the State Capital with EUR 268.8 million (21.0 per cent). The endowment capital may be increased by a resolution of the Guarantors' meeting (*Gewährträgerversammlung*). Each Guarantor is entitled to participate in new endowment capital in proportion to its participation in the endowment capital.

LBBW is subject to the supervision of the supervisory authority (being the Ministry of Finance and the Ministry of Internal Affairs of Baden-Württemberg). The supervisory authority has the power to demand that LBBW rescind decisions that violate the law and take action to reverse measures that are taken pursuant to such decisions. The supervisory authority may order LBBW to perform legally required actions. If LBBW does not comply with such demand or order, the supervisory authority itself may take such action. As a bank engaged in banking business as defined under the German Federal Banking Act (*Gesetz über das Kreditwesen*), LBBW is also subject to the supervision of the Federal Banking Supervisory Authority (*Bundesaufsichtsamt für das Kreditwesen*) and the Federal Central Bank (Deutsche Bundesbank).

LBBW's most recent Annual Report is available on its website address at www.lbbw.de, or may be requested by writing to: Landesbank Baden-Württemberg, New York Branch, 535 Madison Avenue, New York, New York 10022, attention: Operations.

THE TORONTO-DOMINION BANK

The Toronto-Dominion Bank, collectively with its subsidiaries referred to as TD Bank Financial Group (the "**Bank**"), is a Canadian chartered bank subject to the provisions of the Bank Act (Canada). The Bank was formed through the amalgamation on February 1, 1955 of The Bank of Toronto (established 1855) and The Dominion Bank (established 1869). As of July 31, 2000, the Bank was the second largest chartered bank in Canada in terms of assets.

TD Bank Financial Group offers a wide range of financial products and services to individuals, corporate and commercial enterprises, financial institutions and governments throughout Canada. Personal banking services include personal and residential mortgage loans, mutual funds, credit card facilities, trust services, automated banking facilities, electronic banking and web banking. The Bank conducts the largest discount brokerage operation in Canada through a wholly-owned subsidiary of TD Waterhouse Group, Inc. ("TD Waterhouse") and is one of the largest retail brokers in Canada. The Bank services the financial needs of Canadian businesses through its domestic divisions and its corporate and investment banking group supported by a wide range of industry and banking specialists. The Bank is active in arranging mergers and acquisitions, securities underwriting, private placements, domestic and international capital markets transactions, mutual fund management, derivative transactions, money markets and foreign exchange.

Internationally, the Bank offers a broad range of credit, non-credit and financial advisory services to businesses, multinational corporations, governments and correspondent banks through offices in the United States and major international financial centers. The Bank offers discount brokerage services in the United States through a wholly-owned subsidiary of Waterhouse.

Net income on a cash basis and excluding special items for the year ended October 31, 2000 was C\$2,018 million, compared to C\$1,472 million for the year ended October 31, 1999. Net income above excludes special gains in fiscal 1999 of C\$1.8 billion on the sale of Knight/Trimark and 11.5% of TD Waterhouse. Fiscal 2000 net income above excludes a one time restructuring cost of C\$475 million in connection with the acquisition of CT Financial Services Inc. ("Canada Trust").

As at October 31, 2000, total assets of the Bank were C\$264.8 billion and total shareholders equity and minority interest was C\$14.0 billion.

Recent Developments

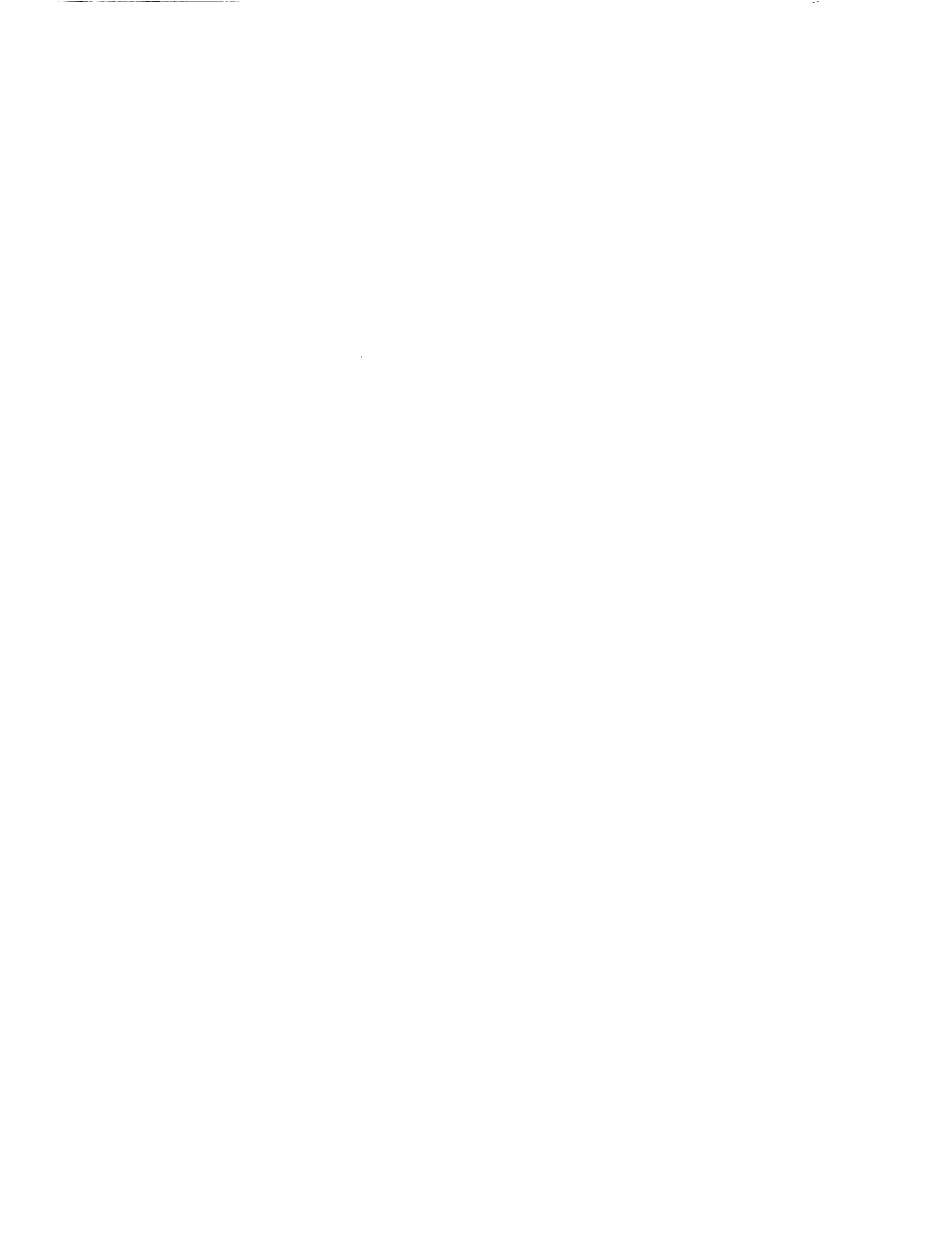
On February 1, 2000, the Bank acquired Canada Trust at a purchase price of approximately C\$8 billion. Canada Trust is one of Canada's most successful and respected retail financial services organizations. As of February 1, 2000, Canada Trust had close to 4 million retail customers, 440 branches, C\$42 billion in deposits, 14,000 employees and annual net income of C\$362 million for fiscal 1999. Canada Trust will be combined with the Bank's existing retail operations under the new name TD Canada Trust. The Bank's 2000 year-end financial statements reflect the acquisition of Canada Trust.

On November 7, 2000, the Bank announced its acquisition of Newcrest Capital Inc. ("**Newcrest**") subject to regulatory approvals. Under the terms of the agreement, the Bank has agreed to acquire the shares of Newcrest for C\$224 million. It is expected that the

purchase price would be met through the issuance of approximately 75% of that amount in Bank common shares to the Newcrest shareholders, with the remainder in cash. The effective date of the transaction is October 31, 2000, and closing will occur upon receipt of all applicable regulatory approvals under bank and securities legislation as well as by the Competition Bureau.

Incorporation by Reference

Copies of the Bank's 2000 Annual Statement are available, without charge, upon request by telephone or mail from The Toronto-Dominion Bank, U.S.A. Division, 31 West 52nd Street, New York, N.Y. 10019-6101, Attention: Comptroller, Telephone (212) 827-7300. The 2000 Annual Statement and additional financial information are available under "Investor Relations" on the Bank's website at www.tdbank.ca.



MSRB

FORM G-36(OS) - FOR OFFICIAL STATEMENT

SECTION I - MATERIALS SUBMITTED

- A. THIS FORM IS SUBMITTED IN CONNECTION WITH (check one):
- 1. A FINAL OFFICIAL STATEMENT RELATING TO A PRIMARY OFFERING OF MUNICIPAL SECURITIES (enclose two (2) copies)
 - (a) DATE RECEIVED FROM ISSUER: 12-5-2000
 - (b) DATE SENT TO MSRB: 12-7-2000
 - 2. AN AMENDED OFFICIAL STATEMENT WITHIN THE MEANING OF RULE G-36(d) (enclose two (2) copies)
 - (a) DATE RECEIVED FROM ISSUER: _____
 - (b) DATE SENT TO MSRB: _____

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- B. IF MATERIALS SUBMITTED WITH THIS FORM CONSIST OF MORE THAN ONE DOCUMENT (e.g., preliminary official statement and final, even if physically attached), PLEASE CHECK HERE:
- IF THIS FORM AMENDS PREVIOUSLY SUBMITTED FORM WITHOUT CHANGING MATERIALS SUBMITTED, PLEASE CHECK HERE (include copy of original Form G-36(OS)):

SECTION II - IDENTIFICATION OF ISSUE(S)

- Each issue must be listed separately. If more space is needed to list additional issues, please include on separate sheet and check here:
- A. NAME OF ISSUER: Commonwealth of Massachusetts G.O. Bd STATE: MA
- DESCRIPTION OF ISSUE: Central Artery/Ted Williams Tunnel Ser A & B DATED DATE: 12-7-00
- B. NAME OF ISSUER: _____ STATE: _____
- DESCRIPTION OF ISSUE: _____ DATED DATE: _____
- C. NAME OF ISSUER: _____ STATE: _____
- DESCRIPTION OF ISSUE: _____ DATED DATE: _____

SECTION III - TRANSACTION INFORMATION

- A. LATEST FINAL MATURITY DATE OF ALL SECURITIES IN OFFERING: December 1, 2030
- B. DATE OF FINAL AGREEMENT TO PURCHASE, OFFER OR SELL SECURITIES (Date of Sale): Dec. 7, 2000
- C. ACTUAL OR EXPECTED DATE OF DELIVERY OF SECURITIES TO UNDERWRITER(S) (Bond Closing): Dec. 7, 2000
- D. IF THESE SECURITIES ADVANCE REFUND ALL OR A PORTION OF ANOTHER ISSUE, PLEASE CHECK HERE:
- A separate Form G-36(ARD) and copies of the advance refunding documents must be submitted for each issue advanced refunded.

SECTION IV - UNDERWRITING ASSESSMENT INFORMATION

This information will be used by the MSRB to complete any rule 4-13 underwriting assessment that may be due on this offering. The managing underwriter will be sent an invoice for a rule 4-13 assessment if due on the offering.

- A. MANAGING UNDERWRITER: Goldman Sachs & Co SEC REG. NUMBER: 8-00129
- B. TOTAL PAR VALUE OF ALL SECURITIES IN OFFERING: \$ 275,590,000.00
- C. PAR AMOUNT OF SECURITIES UNDERWRITTEN (if different from amount shown in item B above): \$ _____
- D. CHECK ALL THAT APPLY

- 1. At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value or more at least as frequently as every one month until maturity, earlier redemption, or purchase by the issuer or its designated agent.
- 2. At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value or more at least as frequently as every two years until maturity, earlier redemption, or purchase by the issuer or its designated agent.
- 3. This offering is exempt from SEC Rule 15c2-12 under section (d)(1)(i) of that rule. Section (d)(1)(i) of SEC Rule 15c2-12 states that an offering is exempt from the requirements of the rule if the securities offered have authorized accommodations of \$100,000 or more and are sold to no more than 35 persons each of whom the particular managing underwriter believes: (1) has the knowledge and expertise necessary to evaluate the merits and risks of the investment; and (2) is not purchasing for more than one account, or with a view toward distributing the securities.

CONTINUED ON OTHER SIDE

SECTION V - CUSIP INFORMATION

MSRB rule G-34 requires that CUSIP numbers be assigned to each new issue of municipal securities unless the issue is ineligible for CUSIP number assignment under the eligibility criteria of the CUSIP Service Bureau.

A. CUSIP-9 NUMBERS OF ISSUE(S)

Maturity Date	CUSIP Number	Maturity Date	CUSIP Number	Maturity Date	CUSIP Number
12-1-30	575827R51				
12-1-30	575827R44				

B IF ANY OF THE ABOVE SECURITIES HAS A "CUSIP-6" BUT NO "CUSIP-9". CHECK HERE AND LIST THEM BELOW:
 (Please see instructions in Form G-36 Manual)

LIST ALL CUSIP-6 NUMBERS ASSIGNED: _____

State the reason why such securities have not been assigned a "CUSIP-9" _____

C IF ANY OF THESE SECURITIES IS INELIGIBLE FOR CUSIP NUMBER ASSIGNMENT. PLEASE CHECK HERE:

State the reason why such securities are ineligible for CUSIP number assignment: _____

SECTION VI - MANAGING UNDERWRITER'S CERTIFICATION AND SIGNATURE

THE UNDERSIGNED CERTIFIES THAT THE MATERIALS ACCOMPANYING THIS FORM ARE AS DESCRIBED IN SECTION I ABOVE AND THAT ALL OTHER INFORMATION CONTAINED HEREIN IS TRUE AND CORRECT. THE UNDERSIGNED ACKNOWLEDGES THAT SAID MATERIALS WILL BE PUBLICLY DISSEMINATED.

RECEIVED
 DEC - 8 2000

ON BEHALF OF THE MANAGING UNDERWRITER
 SECTION IV ABOVE