

REFUNDING / NEW MONEY ISSUE - BOOK-ENTRY-ONLY

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



THE COMMONWEALTH OF MASSACHUSETTS

\$935,530,000

**General Obligation Bonds
Consolidated Loan of 2001, Series C**

Dated: August 1, 2001

Due: December 1, as shown on the inside cover hereof

The Bonds will be issued by means of a book-entry-only system evidencing ownership and transfer of the Bonds on the records of The Depository Trust Company ("DTC") and its participants. Details of payment of the Bonds are more fully described in this Official Statement. The Bonds will bear interest from August 1, 2001 and interest will be payable on December 1, 2001 and semiannually thereafter on June 1 and December 1, calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are subject to redemption prior to maturity, as more fully described herein.

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

The Bonds are offered when, as and if issued and received by the Underwriters, and subject to the unqualified approving opinion as to legality of Mintz, Levin, Cohn, Ferris, Glosky and Popeo, P.C., Boston, Massachusetts, Bond Counsel. Certain legal matters will be passed upon for the Commonwealth by Ropes & Gray, Boston, Massachusetts, Disclosure Counsel. Certain matters will be passed upon for the Underwriters by their counsel, Holland & Knight LLP, Boston, Massachusetts. The Bonds are expected to be available for delivery at DTC in New York, New York, on or about August 28, 2001.

Salomon Smith Barney

**Bear, Stearns & Co. Inc.
J.P. Morgan Securities, Inc.**

Lehman Brothers

**Goldman, Sachs & Co.
UBS PaineWebber Inc.**

**Advest, Inc.
Corby North Bridge Securities
First Albany Corporation
Mellon Financial Markets, Inc.
Prudential Securities
Raymond James & Associates, Inc.**

**A.G. Edwards & Sons, Inc.
Dain Rauscher, Inc.
H.C. Wainwright & Co., Inc.
Merrill Lynch & Co.
Quick & Reilly, Inc.
State Street Capital Markets, LLC**

**CIBC World Markets
Fahnestock & Co. Inc
Janney Montgomery Scott Inc.
Morgan Stanley & Co. Incorporated
Ramirez & Co., Inc.
Tucker Anthony Incorporated**

August 15, 2001

THE COMMONWEALTH OF MASSACHUSETTS

\$935,530,000

General Obligation Bonds
Consolidated Loan of 2001, Series C

Dated: August 1, 2001

Due: December 1, as shown below

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
2001	\$ 380,000	2.40%	100%
2002	13,975,000	2.40	2.45
2005	32,725,000	3.20	3.26
2006	16,770,000	3½	3.54
2006	9,295,000	4	3.54
2006	23,820,000	5	3.54
2006	15,280,000	5¼	3.54
2007	11,205,000	3¾	3.71
2007	8,440,000	4¼	3.71
2007	69,265,000	5¼	3.71
2008	9,755,000	3.80	3.89
2008	8,520,000	4½	3.89
2008	63,245,000	5¼	3.89
2009	21,735,000	4	4.03
2009	4,920,000	5	4.03
2009	72,170,000	5½	4.03
2010	21,045,000	4.10	4.14
2010	20,675,000	4¾	4.14
2010	41,035,000	5	4.14
2011	22,990,000	4.20	4.23
2011	7,700,000	4¾	4.23
2011	76,275,000	5½	4.23
2012	10,350,000	4.30	4.35
2012	15,175,000	5½	4.35**
2014	5,610,000	4½	100
2014	18,300,000	5¾	4½**
2014	11,000,000*	5¾	4.47**
2015	3,235,000	4.60	100
2015	33,565,000	5¾	4.60**
2016	2,465,000	4¾	4.66
2016	36,345,000	5¾	4.66**
2017	1,205,000	4.70	4.73
2017	39,735,000	5¾	4.73**
2018	210,000	4.80	4.81
2018	42,990,000	5¾	4.81**
2019	2,350,000	4.80	4.86
2019	43,230,000	5¾	4.86**
2020	3,725,000	4.90	4.95
2020	44,295,000	5¾	4.95**
2021	11,725,000	4.90	4.97
2021	38,800,000	5¾	4.97**

(accrued interest, if any, to be added)

* Insured by Financial Security Assurance Inc. See "BOND INSURANCE".

** Priced at the stated yield to the December 1, 2011 optional redemption date at a redemption price of 100%. See "THE BONDS; Redemption; *Optional Redemption*."

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

Other than with respect to information concerning Financial Security Assurance Inc. ("Financial Security") contained under the caption "BOND INSURANCE" and Appendix E - "Specimen Municipal Bond Insurance Policy" herein, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Bonds; or (iii) the tax exempt status of the interest on the Bonds.

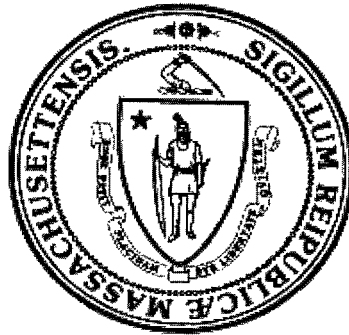
THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT: THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPECTIVE RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO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

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

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THE COMMONWEALTH OF MASSACHUSETTS



CONSTITUTIONAL OFFICERS

Jane Swift..... Acting 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. Finneran..... Speaker of the House

OFFICIAL STATEMENT

\$935,530,000 THE COMMONWEALTH OF MASSACHUSETTS

General Obligation Bonds Consolidated Loan of 2001, Series C

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 \$935,530,000 aggregate principal amount of its General Obligation Bonds, Consolidated Loan of 2001, Series C (the "Bonds"). The Bonds will be general obligations of the Commonwealth, and the full faith and credit of the Commonwealth will be pledged to the payment of the principal of and interest on the Bonds. However, for information regarding certain statutory limits on state tax revenue growth and expenditures for debt service, see "SECURITY FOR THE BONDS" and the April Information Statement (described below) under the headings "COMMONWEALTH REVENUES – Limitations on Tax Revenues" and "COMMONWEALTH CAPITAL SPENDING AND LONG-TERM LIABILITIES – Limit on Debt Service Appropriations."

The Bonds are being issued to finance certain authorized capital projects of the Commonwealth and to currently and advance refund certain bonds of the Commonwealth as set forth in Appendix B – Table of Refunded Bonds. See "THE BONDS – Plan of Finance" and "Application of Proceeds."

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 April 27, 2001 (the "April Information Statement"), as it appears as Appendix A in the Official Statement dated May 9, 2001 of the Commonwealth with respect to the Commonwealth's General Obligation Bonds, Consolidated Loan of 2001, Series B (the "May Official Statement"). A copy of the May 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 April Information Statement has been supplemented by the Commonwealth Information Statement Supplement dated August 15, 2001 (the "Supplement"), which is attached hereto as Appendix A. The April Information Statement, as supplemented by the Supplement, contains certain fiscal, budgetary, financial and other general information concerning the Commonwealth. Exhibit A to the April Information Statement contains certain economic information concerning the Commonwealth. Exhibits B and C to the April Information Statement contain the financial statements of the Commonwealth for the fiscal year ended June 30, 2000, prepared on a statutory basis and a GAAP basis, respectively. 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 at the Comptroller's home page located at www.state.ma.us/osc.

Attached hereto as Appendix B is a listing of the bonds to be refunded with the proceeds of the Bonds. Appendix C attached hereto contains the proposed form of legal opinion of Bond Counsel with respect to the Bonds. Appendix D attached hereto contains the proposed form of the Commonwealth's continuing disclosure undertaking to be included in the form of the Bonds to facilitate compliance by the Underwriters with the requirements of paragraph (b)(5) of Rule 15c2-12 of the Securities and Exchange Commission. Appendix E attached hereto sets forth a specimen municipal bond insurance policy of Financial Security Assurance Inc.

THE BONDS

General

The Bonds will be dated August 1, 2001 and will bear interest from such date payable semiannually on June 1 and December 1 of each year, commencing December 1, 2001 (each an "Interest Payment Date") until the principal amount is paid. The Bonds will mature on December 1 in the years and in the aggregate principal amounts, and shall bear interest at the rates per annum (calculated on the basis of a 360-day year of twelve 30-day months), as set forth on the inside cover page of this Official Statement. The Commonwealth will act as its own paying agent with respect to the Bonds. The Commonwealth reserves the right to appoint from time to time a paying agent or agents or bond registrar for the Bonds.

Book-Entry-Only System. The Bonds will be issued by means of a book-entry-only system, with one bond certificate for each maturity immobilized at The Depository Trust Company, New York, New York ("DTC"). The certificates will not be available for distribution to the public and will evidence ownership of the Bonds in principal amounts of \$5,000 or integral multiples thereof. Transfers of ownership will be effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. Interest and principal due on the Bonds will be paid in clearing house funds 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."

Redemption

The Bonds maturing on or prior to December 1, 2011 will not be subject to redemption prior to their stated maturity dates.

Optional Redemption. The Bonds maturing on and after December 1, 2012 will be subject to redemption prior to their stated maturity dates on and after December 1, 2011 at the option of the Commonwealth from any moneys legally available therefor, in whole or in part at any time, by lot, at 100% of the principal amount thereof, plus accrued interest to the redemption date.

Notice of Redemption. The Commonwealth shall give notice of redemption to the owners of the Bonds not less than 30 days prior to the date fixed for redemption. So long as the book-entry-only system remains in effect for 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 any maturity of the Bonds is to be redeemed, and so long as the book-entry-only system remains in effect for such Bonds, the particular Bonds or portion of any such Bonds of a particular maturity to be redeemed will be selected by DTC by lot. If the book-entry-only system no longer remains in effect for the Bonds, selection for redemption of less than all of any one maturity of the Bonds will be made by the Commonwealth by lot in such manner as in its discretion it shall deem appropriate and fair. For purposes of selection by lot within a maturity, each \$5,000 of principal amount of a Bond will be considered a separate Bond.

Plan of Finance

The Bonds are being issued pursuant to the provisions of Section 49 of Chapter 29 of the Massachusetts General Laws and bond authorizations enacted by the Legislature for the purpose of financing the projects so authorized and pursuant to the provisions of Section 53A of Chapter 29 of the Massachusetts General Laws for the purpose of currently and advance refunding the bonds set forth in Appendix B (the "Refunded Bonds").

The Commonwealth, upon delivery of the Bonds, will enter into a refunding escrow agreement (the "Escrow Agreement") with an escrow agent (the "Escrow Agent") to be selected for the Refunded Bonds. The Escrow Agreement will provide for the deposit of a portion of the net proceeds of the Bonds with the Escrow Agent in a separate account to be applied immediately upon receipt to purchase non-callable direct obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America, obligations of certain federal agencies specified in Section 49 of Chapter 29 of the Massachusetts General Laws or of any agency or corporation which has been created pursuant to an act of Congress of the United States as an agency or instrumentality of the United States of America, bank time deposits or certificates of deposit that are secured by such obligations, repurchase agreements with banks in respect of any such obligations or advance-refunded or defeased bonds that are secured by such obligations (the "Escrow Obligations") and to funding, if needed, a cash deposit in such account. The Escrow Agreement will require that maturing principal of and interest on the Escrow Obligations, plus any initial cash deposit, be held in trust in such account and paid to the Commonwealth solely for the payment of the principal of and redemption premium, if any, and interest on the Refunded Bonds. According to the report described in "VERIFICATION OF MATHEMATICAL COMPUTATIONS," the Escrow Obligations will mature at such times and earn interest in such amounts that, together with any initial cash deposit, will produce sufficient monies to make such payments on the Refunded Bonds to and including their respective maturity or redemption dates, each as set forth in Appendix B.

Application of Proceeds

The portion of the net proceeds of the sale of the Bonds remaining after the funding of the Escrow Agreement will be applied by the Treasurer and Receiver-General of the Commonwealth (the "State Treasurer") to the various purposes for which the issuance of bonds has been authorized by the Legislature or to the payment of bond anticipation notes previously issued for such purposes, or to reimburse the state treasury for expenditures previously made pursuant to such laws. Any accrued interest payable upon original delivery of the Bonds will be credited ratably to the funds from which debt service on the Bonds is paid and will be used to pay interest on the Bonds. Any premium received by the Commonwealth upon original delivery of the Bonds will be treated as net proceeds of the issue except to the extent that the State Treasurer may determine to apply all or a portion of such net premium to the costs of issuance thereof and other financing costs related thereto or to the payment of the principal of or sinking fund installments with respect to the Bonds.

The purposes for which the Bonds will be issued have been authorized by the legislature under various bond authorizations. The portion of the net proceeds remaining after the funding of the Escrow Agreement will be used to finance or reimburse the Commonwealth for a variety of capital expenditures that are included within the current five-year capital spending plan established by the Executive Office for Administration and Finance. The plan, which is an administrative guideline and is subject to amendment at any time, sets forth capital spending allocations over the next five fiscal years and establishes annual capital spending limits. See the April Information Statement and the Supplement under the heading "COMMONWEALTH CAPITAL SPENDING AND LONG-TERM LIABILITIES."

SECURITY FOR THE BONDS

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

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

BOND INSURANCE

The following has been provided by Financial Security with respect to the Bonds of such maturities as indicated on the inside cover of this Official Statement, to be insured by Financial Security Assurance Inc. ("Financial Security") (the "Insured Bonds"):

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Financial Security will issue its Municipal Bond Insurance Policy (the "Policy") for the Insured Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement. See Appendix E - "Specimen Municipal Bond Insurance Policy."

Financial Security Assurance Inc.

Financial Security is a New York domiciled insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At June 30, 2001, Financial Security's total policyholders' surplus and contingency reserves were approximately \$1,481,333,000 and its total unearned premium reserve was approximately \$766,018,000 in accordance with statutory accounting principles. At June 30, 2001, Financial Security's total shareholders' equity was approximately \$1,589,409,000 and its total net unearned premium reserve was approximately \$632,823,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Bonds. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Bonds or the advisability of investing in the Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Issuer the information presented under this caption for inclusion in the Official Statement.

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 April Information Statement and the 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 fully registered Bond for each maturity set forth on the inside cover page hereof, each in the aggregate principal amount of such maturity, 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.

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 Bond owner.

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 and premium, if any, 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. Payments by DTC Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such DTC Participant or Indirect Participant and not DTC or the Commonwealth, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of the principal of and interest and premium, if any, on the Bonds to DTC is the responsibility of the Commonwealth; disbursement of such payments to DTC Participants and Indirect Participants shall be the responsibility of DTC; and disbursement of such payments to Beneficial Owners shall be the responsibility of the DTC Participants and the Indirect Participants.

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

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

RATINGS

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

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

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

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase all of the Bonds from the Commonwealth at a purchase price of \$979,256,799.85, consisting of a par amount of \$935,530,000, plus a net premium of \$48,670,299.95, minus underwriters' discount of \$4,943,500.10, excluding accrued interest. The Underwriters may offer and sell the Bonds to certain dealers and others (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices (or yields higher than the offering yields) stated on the inside cover page hereof. The principal offering prices (or yields) set forth on the inside cover page hereof may be changed from time to time after the initial offering by the Underwriters.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Demgen & Moore Inc., a firm of independent public accountants will deliver to the Commonwealth, on or before the settlement date of the Bonds, its verification report indicating that it has verified, in accordance with standards established by the American Institute of Certified Public Accountants, the information and assertions provided by the Commonwealth and its representatives. Included in the scope of the report will be a verification of the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on, the Escrow Obligations to pay, when due, the maturing principal of, interest on and related call premium requirements of the Refunded Bonds being refunded from proceeds of the Bonds and (b) the mathematical computations supporting the conclusion of Bond Counsel that the Bonds are not "arbitrage bonds" under the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

TAX EXEMPTION

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

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

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

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.

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

On the date of delivery of the Bonds, the Underwriters will be furnished with an opinion of Bond Counsel substantially in the form attached hereto as Appendix C – “Proposed Form of Opinion of Bond Counsel.”

OPINIONS OF COUNSEL

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

CONTINUING DISCLOSURE

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

For information concerning the availability of certain other financial information from the Commonwealth, see the April 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 Laura Guadagno, Assistant Secretary for Capital Resources and Chief Development Officer, Executive Office for Administration and Finance, State House, Room 373, Boston, Massachusetts 02133, telephone 617/727-2040. Questions regarding legal matters relating to this Official Statement and the Bonds should be directed to John R. Regier, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, Massachusetts 02111, telephone 617/542-6000.

THE COMMONWEALTH OF MASSACHUSETTS

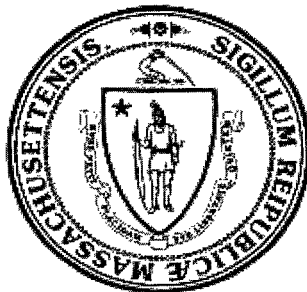
By /s/ Shannon P. O'Brien
Shannon P. O'Brien
Treasurer and Receiver-General

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

August 15, 2001

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**THE
COMMONWEALTH
OF
MASSACHUSETTS**



INFORMATION STATEMENT SUPPLEMENT

Dated August 15, 2001

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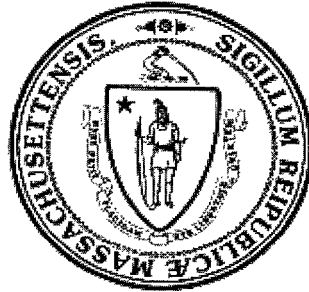
(Exhibits A, B and C are included by reference, and have been filed with Nationally Recognized Municipal Securities Information Repositories)

A. Economic Information

B. Statutory Basis Financial Report for the year ended June 30, 2000

C. Comprehensive Annual Financial Report (GAAP basis) for the year ended June 30, 2000

THE COMMONWEALTH OF MASSACHUSETTS



CONSTITUTIONAL OFFICERS

Jane Swift **Acting 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. Finneran **Speaker of the House**

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THE COMMONWEALTH OF MASSACHUSETTS

INFORMATION STATEMENT SUPPLEMENT

August 15, 2001

This supplement ("Supplement") to the Information Statement of The Commonwealth of Massachusetts (the "Commonwealth") dated April 27, 2001 (the "April Information Statement") is dated August 15, 2001 and contains information which updates the information contained in the April Information Statement. Exhibit A to this Supplement sets forth certain economic, demographic and statistical information concerning the Commonwealth. Specific reference is made to Exhibit A as it appears in the Commonwealth's Official Statement dated May 9, 2001 with respect to its \$250,000,000 Consolidated Loan of 2001, Series B Bonds, a copy of which has been filed with each Nationally Recognized Municipal Securities Information Repository currently recognized by the Securities and Exchange Commission and with the Municipal Securities Rulemaking Board. This Supplement and the April Information Statement must be read collectively and in their entirety in order to obtain the appropriate fiscal, financial and economic information concerning the Commonwealth through August 15, 2001. All capitalized terms not otherwise defined in this Supplement shall have the meanings ascribed to them in the April Information Statement.

RECENT DEVELOPMENTS

Fiscal 2002

The House of Representatives approved its version of the fiscal 2002 budget on May 7, 2001, and the Senate approved its version on June 13, 2001. See the April Information Statement under the heading "FISCAL 2002." The House budget provides for appropriations of approximately \$22.833 billion, and the Senate budget provides for appropriations of approximately \$22.868 billion. Both versions are based on a tax revenue estimate of approximately \$15.907 billion, excluding approximately \$678.1 million in sales tax receipts dedicated to the MBTA. The differences between the House and Senate versions are being reconciled by a legislative conference committee. Although the revenue and expenditure totals are comparable, there are substantial differences between the two versions in spending priorities and various political issues to resolve. The House budget appropriates approximately \$986.4 million for the pension funding schedule, in accordance with the schedule approved on March 7, 2001 by the House Ways and Means Committee; the Senate budget appropriates approximately \$912.4 million, in keeping with one of the three alternative schedules filed with the Legislature on March 1, 2001 by the Secretary of Administration and Finance, but not the one approved by the House Committee on Ways and Means, which under state law has the power to determine the official schedule. The House budget appropriates 30% of the annual payments expected to be received in fiscal 2002 from the national settlement with the tobacco industry; the Senate budget appropriates approximately 60% of such payments. The House budget appropriates approximately \$3.192 billion for direct local school aid and changes the distribution formula; the Senate budget appropriates approximately \$3.211 billion, but leaves the current distribution formula in place.

No consensus tax revenue forecast for fiscal 2002 was agreed to by the Legislature and the Secretary of Administration and Finance by May 15, 2001, as required by state finance law. See the April Information Statement under the heading "COMMONWEALTH REVENUES - Tax Revenue Forecasting." The Secretary of Administration and Finance disagrees with the legislative consensus estimate of \$15.907 billion and stands by the \$15.672 billion estimate included in the Governor's fiscal 2002 budget recommendations. See the April Information Statement under the heading "FISCAL 2002."

On June 20, 2001 Acting Governor Swift filed an interim two-week budget proposal to allow state services to continue for the first two weeks of fiscal 2002. On June 26, 2001, the interim two-week budget was enacted. On July 3, 2001, the Acting Governor filed an interim two-week budget proposal to allow state services to continue for an additional two weeks. That proposal was enacted on July 13, 2001. On July 19, 2001, the Acting Governor filed an interim two-week budget proposal to allow state services to continue for an additional two weeks, ending August 10, 2001. That proposal was enacted on July 27, 2001. On August 3, 2001, the Acting Governor filed another interim two-week budget proposal. The proposal is currently before the House Ways and Means Committee.

Tax collections in July 2001 totaled approximately \$1.024 billion, a decrease of approximately \$40 million, or 3.8%, from July 2000 tax receipts. The July total includes approximately \$56.1 million of sales tax receipts dedicated to the MBTA. Due to the absence of an enacted fiscal 2002 budget, there is currently no official fiscal 2002 revenue estimate, and therefore no monthly tax revenue benchmark estimate. However, it is possible to construct an approximate July benchmark estimate based on the differing estimates incorporated into the Governor's and Legislature's budget proposals. Based on the tax revenue estimate incorporated into the Governor's budget submission, tax revenue collections through July 2001 were approximately \$40 million below the July benchmark estimate. Based on the higher tax revenue estimate incorporated into the House and Senate budgets, tax collections through July 2001 were approximately \$50 million below the July benchmark estimate.

Fiscal 2001

Since July 2000, supplemental appropriations for fiscal 2001 have been approved totaling approximately \$606.3 million, including approximately \$259 million for Medicaid, approximately \$74 million for collective bargaining agreements, approximately \$51.0 million in additional state lottery distributions and approximately \$65.7 million for snow and ice removal programs. The Executive Office for Administration and Finance currently projects total spending for fiscal 2001 at approximately \$22.6 billion.

On June 13, 2001, the Senate approved legislation that would provide for approximately \$177.5 million of one-time and capital expenditures and transfers to be funded by fiscal 2001 supplemental appropriations, including \$50 million for local roads and bridges and \$44 million for the uncompensated care trust fund.

On June 28, 2001, the Governor filed two proposed supplemental appropriations for fiscal 2001. The first proposal, totaling \$455 million, includes \$150 million in assistance based upon income guidelines from the federal Earned Income Tax Credit (\$60 million of which would be federally reimbursable through the federal TANF program), \$155 million for deferred maintenance for higher education, public safety, and health and human services facilities, state police cruisers, and forward-funding of the Regional Transit Authorities, and \$150 million for health care, workforce training, and social services programs. The second proposal, totaling \$101.6 million, includes \$59 million to fund required Medicaid payments, \$20 million for computer upgrades for state agencies, \$5 million to recapitalize the Economic Stabilization Trust Fund, and \$9 million for other projects.

On August 2, 2001, the Senate passed a supplemental appropriation bill that proposes spending of \$278 million, including \$100 million for the Future Obligations Reserve Fund, \$108 million for the Capital Needs Investment Trust fund (which was established by section 357 of Chapter 159 of the Acts of 2000), and \$70 million for the New Families Trust Fund. This bill also provides for the establishment of an Open Space Acquisition Fund, which would be funded from a portion of the consolidated net surplus and also proposes increasing the Stabilization Fund cap from 7.5% to 10% of the fiscal year's budgeted revenues. This bill also gives the State Treasurer the option to defease debt by \$208 million if it is in the Commonwealth's best interest to do so.

Tax collections in April 2001 totaled approximately \$1.556 billion, an increase of approximately \$283.4 million, or 22.3%, over April 2000. The April total includes approximately \$48.6 million of sales tax receipts dedicated to the MBTA. Year-to-date tax collections through April 2001 totaled approximately \$13.419 billion, an increase of approximately \$1.144 billion, or 9.3%, over the comparable period in fiscal 2000. The year-to-date total includes approximately \$537.1 million of sales tax receipts dedicated to the MBTA. The benchmark range for collections through April 2001, based on the January 24, 2001 fiscal 2001 tax revenue estimate of \$16.232 billion, was \$12.856 billion to \$13.061 billion.

Tax collections in May 2001 totaled approximately \$1.481 billion, a decrease of approximately \$153.2 million, or 9.4%, from May 2000. The May total includes approximately \$53.6 million of sales tax receipts dedicated to the MBTA. Year-to-date tax collections through May 2001 totaled approximately \$14.900 billion, an increase of approximately \$990.8 million, or 7.1%, over the comparable period in fiscal 2000. The year-to-date total includes approximately \$590.8 million of sales tax receipts dedicated to the MBTA. The benchmark range for collections through May 2001, based on the January 24, 2001 fiscal 2001 tax revenue estimate of \$16.232 billion, was \$14.431 billion to \$14.581 billion.

Tax collections in June 2001 totaled approximately \$1.853 billion, an increase of 3.5% from June 2000. The June total includes approximately \$63 million of sales tax receipts dedicated to the MBTA. Preliminary tax collections for all of fiscal 2001 totaled approximately \$16.730 billion, an increase of approximately \$498 million, or 6.6% actual growth, over fiscal 2000. The total includes approximately \$654.6 million of sales tax receipts dedicated to the MBTA. Based on these preliminary results for fiscal 2001, tax collections are approximately \$498 million higher than the January 24, 2001 annual estimate of \$16.232 billion.

Cash Flow

The cash flow statement due on May 25, 2001 has not been released by the State Treasurer and the Secretary of Administration and Finance. The Commonwealth discovered a minor flaw in one of its revenue reporting programs. The flaw has no impact on actual revenues but has disrupted reporting programs. This program has been fixed, and an updated cash flow will be released. (The borrowings scheduled for March and June in the cash flow projection released on March 21, 2001 did not occur as projected. The Commonwealth issued \$250 million of general obligation bonds in May, 2001.) A cash flow statement is also due on August 25, 2001, but may be delayed pending the enactment of a general appropriation act for fiscal 2002.

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, but have been adjusted to reflect the impact of the MBTA forward funding legislation. See April Information Statement under the heading "FINANCIAL RESULTS - Massachusetts Bay Transportation Authority." The estimates for fiscal 2001 have been 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 April 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	--	0.6(2)	--	--	--	--
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	16,075.4(4)
Federal Reimbursements	3,039.1	3,019.6	3,361.2	3,442.9	3,645.6	3,917.3
Departmental and Other Revenues	1,208.1	1,267.9	1,286.4	1,297.8	1,359.9	1,437.2
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>1,238.5</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>22,668.2</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>275.7</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>22,943.90</u>
<u>Expenditures and Uses</u>						
Programs and Services	14,650.7	15,218.8	16,238.6	17,341.1	19,330.7	20,125.7(5)
Debt Service	1,183.6	1,275.5	1,213.4	1,173.8	1,193.3	1,361.3
Pensions	1,004.6	1,069.2	1,069.8	990.2	986.3	1,040.5
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>84.8</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>22,612.3</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>275.7</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>22,888.0</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>55.9</u>
<u>Ending Fund Balances</u>						
Reserved or Designated	263.4	225.1	286.3	330.2	278.5	254.0
Tax Reduction Fund	231.7	91.8	367.7	6.8	7.2	7.7
Stabilization Fund	543.3	799.3	1,159.6	1,388.5	1,608.4	1,692.4
Undesignated	<u>134.0</u>	<u>277.8</u>	<u>378.5</u>	<u>386.9</u>	<u>391.3</u>	<u>387.3</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>\$ 2,341.4</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) Net of a projected \$654.6 million of dedicated sales tax to be transferred to the MBTA.
- (5) \$719.3 million of the Program and Services expenditures represent the amount of outstanding supplemental appropriation proposals that have been filed by the Governor in fiscal 2001, including proposals for disposing of the fiscal 2001 surplus. These supplemental appropriations have not been acted upon by the Legislature as of August 15, 2001.

In the following table, to facilitate comparison, the revenues and expenditures for fiscal years 1996 to 2000, inclusive, have been reduced by the actual amount paid to the MBTA in each of those fiscal years to reflect the transfer off-budget of MBTA subsidies beginning in fiscal 2001.

Budgeted Operating Funds -- Adjusted for MBTA Operations
(in millions)(1)(2)

	Fiscal 1996	Fiscal 1997	Fiscal 1998	Fiscal 1999	Fiscal 2000	Estimated Fiscal 2001
Beginning Fund Balances						
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	—	0.6(3)	—	—	—	—
Total	726.0	1,173.0	1,394.0	2,192.1	2,112.4	2,285.4
Revenues and Other Sources						
Taxes	12,049.2	12,864.5	14,026.3	14,291.5	15,688.6	16,075.4(4)
Federal Reimbursements	3,039.1	3,019.6	3,361.2	3,442.9	3,645.6	3,917.3
Departmental and Other Revenues	1,208.1	1,267.9	1,286.4	1,297.8	1,359.9	1,437.2
Interfund Transfers from Non-budgeted Funds and Other Sources	1,031.1	1,018.0	1,125.9	1,132.8	1,893.0	1,238.5
Budgeted Revenues and Other Sources	17,327.5	18,170.0	19,799.8	20,165.0	22,587.1	22,668.2
MBTA Adjustment (2)	(484.0)	(483.1)	(491.1)	(499.1)	(561.9)	NA
Adjusted Budgeted Revenues and Other Sources	16,843.5	17,686.9	19,308.7	19,665.9	22,025.2	22,668.2
Expenditures and Uses						
Programs and Services	14,650.7	15,218.8	16,238.6	17,341.1	19,330.7	20,125.7(5)
Debt Service	1,183.6	1,275.5	1,213.4	1,173.8	1,193.3	1,361.3
Pensions	1,004.6	1,069.2	1,069.8	990.2	986.3	1,040.5
Interfund Transfers to Non-budgeted Funds and Other Uses	42.2	385.5	479.9	739.6	903.8	84.8
Budgeted Expenditures and Other Uses	16,881.1	17,949.0	19,001.7	20,244.7	22,414.1	22,612.3
MBTA Adjustment (2)	(484.0)	(483.1)	(491.1)	(499.1)	(561.9)	NA
Adjusted Expenditures and Other Uses	16,397.1	17,465.9	18,510.6	19,745.6	21,852.2	22,612.3
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	446.4	221.0	798.1	(79.7)	172.9	55.9
Ending Fund Balances						
Reserved or Designated	263.4	225.1	286.3	330.2	278.5	254.0
Tax Reduction Fund	231.7	91.8	367.7	6.8	7.2	7.7
Stabilization Fund	543.3	799.3	1,159.6	1,388.5	1,608.4	1,692.4
Undesignated	134.0	277.8	378.5	386.9	391.3	387.3
Total	\$ 1,172.4	\$ 1,394.0	\$ 2,192.1	\$ 2,112.4	\$ 2,285.4	\$ 2,341.4

SOURCE: Executive Office for Administration and Finance and Office of the State Treasurer.

- (1) Totals may not add due to rounding. The table does not reflect interfund transfers among budgeted funds and other sources, which have no effect on the ending balance of the table. The amounts of the transfers were \$896.2 million, \$901.8 million, \$1,449.2 million, \$1,242.0 million, \$3,618.2 million, and \$275.7 million in fiscal years 1996 through 2001 respectively. In addition, the table does not reflect the receipt and payment of certain municipal mass transit assessments totaling \$147.6 million, \$151.5 million, \$155.6 million, \$159.9 million and \$15.8 million in fiscal years 1996 through 2000, respectively.
- (2) To facilitate comparison, the table has been adjusted for fiscal years 1996 through 2000, inclusive, to reflect a transfer off-budget of MBTA operations that began in fiscal 2001 by subtracting the amount of Commonwealth payments to the MBTA in each of those fiscal years.
- (3) The fund balance restatement for fiscal 1997 is the result of a reclassification of the Drug Analysis Fund from non-budgeted fund to budgeted fund.
- (4) Net of a projected \$654.6 million of dedicated sales tax to be transferred to the MBTA.
- (5) \$719.3 million of the Program and Services expenditures represent the amount of outstanding supplemental appropriation proposals that have been filed by the Governor in fiscal 2001, including proposals for disposing of the fiscal 2001 surplus. These supplemental appropriations have not been acted upon by the Legislature as of August 15, 2001.

Initiative Petitions

Voter initiative petitions for laws that the sponsors seek to have considered at the November 2002 general election were required to be filed with the Attorney General not later than August 1, 2001. Twenty-four such initiative petitions were filed. Six of them, all filed by the same group, would, variously, repeal the personal income tax commencing July 1, 2003, repeal the retail sales and tangible personal property excise taxes (except to the extent pledged to secure MBTA debt) commencing July 1, 2003, reset the limit on state tax revenues imposed by Chapter 62F of the General Laws as of fiscal year 2004 at \$7 billion or reset such limit as of fiscal 2004 at \$10 billion. Passage of any of these initiative petitions (absent repeal or modification by legislation) would have a substantial, material effect on state revenues. See the April Information Statement under the headings "THE GOVERNMENT - Initiative Petitions" and "COMMONWEALTH REVENUES - Limitations on Tax Revenues".

An initiative petition may be filed with the Attorney General if supported by the signatures of ten voters. To be placed on the November 2002 ballot, an initiative petition must be certified by the Attorney General as meeting the requirements of Amendment Article 48 of the Massachusetts Constitution, supported by the signatures of 57,100 voters collected and filed by December 5, 2001 and (unless the Legislature then enacts the proposed law) supported by the signatures of an additional 9,517 voters collected and filed by early July 2002. The Attorney General's determination regarding certification is usually made by the first Wednesday in September, which is September 5, 2001.

COMMONWEALTH CAPITAL SPENDING AND LONG-TERM LIABILITIES

Capital Spending Plan

The following table sets forth Commonwealth capital spending for fiscal years 1996 through 2000 and the Commonwealth's five-year capital plan for fiscal years 2001 through 2005. Historical spending is presented in a manner consistent with the five-year plan. Prior to the enactment in November 1999 of legislation restructuring the finances of the Massachusetts Bay Transportation Authority, the Commonwealth's capital plan also incorporated the MBTA's capital plan because of the Commonwealth's responsibility for paying debt service on the MBTA's bonds. Effective July 1, 2000 Commonwealth support for the MBTA is limited to a portion of the state sales tax, although the Commonwealth remains contingently liable for MBTA bonds issued prior to July 1, 2000. See April Information Statement under the heading "FINANCIAL RESULTS - Massachusetts Bay Transportation Authority - Financial Restructuring."

Commonwealth Historical and Proposed Capital Spending
(in millions)(1)

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>Est. 2001</u>	<u>Est. 2002</u>	<u>Est. 2003</u>	<u>Est. 2004</u>	<u>Est. 2005</u>
USES:										
Information technology	\$ 17	\$ 56	\$ 86	\$ 111	\$ 68	\$ 72	\$ 85	\$ 91	\$ 115	\$ 105
Infrastructure	137	222	237	224	197	175	232	232	245	232
Environment	118	104	141	132	142	129	132	130	124	125
Housing	66	62	80	82	80	81	102	102	101	101
Public Safety	23	21	16	12	15	20	9	9	9	9
Transportation(2)	1,438	1,675	1,969	2,029	2,006	2,191	2,086	1,744	1,305	1,149
Economic development (3)	44	89	119	98	98	326	285	203	81	64
Reserve (4)	--	--	--	--	--	22	118	136	57	79
Total Uses	\$ 1,842	\$ 2,230	\$ 2,648	\$ 2,687	\$ 2,606	\$ 3,016 (9)	\$ 3,049	\$ 2,653	\$ 2,036	\$ 1,864
SOURCES:										
Long-Term Debt										
GO Debt Subject to Statutory Limit	\$ 908	\$ 1,055(6)	\$ 1,000(7)	\$ 1,000(8)	\$ 1,000	\$ 1,000	\$ 1,150	\$ 1,150	\$ 1,150	\$ 1,150
GO Debt Not Subject to Statutory Limit	--	--	--	26	133	365	635	350	0	0
Special Obligation Debt	--	--	--	--	--	248	227	138	16	0
Grant Anticipation Notes	--	--	295	412	408	386	0	0	0	0
Operating Revenues(5)	--	80	159	252	96	119	235	452	465	137
Third-Party Payments	43	60	405	412	481	117	203	111	18	190
Federal Reimbursements	890	1,036	788	586	487	781	599	452	387	387
Total Sources	\$ 1,842	\$ 2,230	\$ 2,648	\$ 2,687	\$ 2,606	\$ 3,016	\$ 3,049	\$ 2,653	\$ 2,036	\$ 1,864

SOURCES: Fiscal 1996-2000, Office of the Comptroller; Fiscal 2001-2005, Executive Office for Administration and Finance. Breakdown of Central Artery/Ted Williams Tunnel project, Central Artery/Tunnel Project.

- (1) Totals may not add due to rounding.
- (2) Includes Central Artery/Ted Williams Tunnel project spending of \$802 million, \$971 million, \$1.428 billion, \$1.515 billion and \$1.464 billion in fiscal years 1996 through 2000, respectively. Projected project spending is set forth in the April Information Statement in the table entitled "Central Artery Project Construction Cash Flow."
- (3) Includes amounts formerly labeled "Wastewater Treatment." For fiscal 2001 through fiscal 2005, also includes approximately \$629 million for convention centers in Boston, Worcester and Springfield that are expected to be funded permanently by special obligation bonds.
- (4) Reserve for unanticipated capital spending needs within a given fiscal year, to be allocated among the listed categories. Fiscal years 2001 through 2003 include \$22 million, \$118 million and \$117 million, respectively, in pay-as-you-go funds. Agency expenditures of these funds is not yet determined.
- (5) Estimates for fiscal 2001 through 2005, inclusive, includes funds on deposit and certain dedicated fees and earnings.
- (6) Includes \$100 million in spending that was anticipated to be funded by payments from the Turnpike Authority; such payment was received June 28, 1998.
- (7) Includes \$19 million for the Worcester Convention Center expected to be funded permanently by special obligation bonds. See footnote 3.
- (8) Includes \$11 million for convention center payments expected to be funded permanently by special obligation bonds. See footnote 3.
- (9) Estimated 2001 subject to change, depending on the amount of a final supplemental capital appropriation.

Central Artery/Ted Williams Tunnel Project

The Turnpike Authority is in the process of conducting its annual comprehensive budget review of the Central Artery/Ted Williams Tunnel project in anticipation of the finance plan to be filed with the Federal Highway Administration for approval prior to the beginning of the 2002 federal fiscal year. See the April Information Statement under the heading "COMMONWEALTH CAPITAL SPENDING AND LONG-TERM LIABILITIES - Central Artery/Ted Williams Tunnel Project." The finance plan, the approval of which is a prerequisite for continuing federal funding of the project, is expected to be filed in early September 2001. It is the Turnpike Authority's intention to complete the budget review by mid-August, 2001. On June 15, 2001 the Turnpike Authority announced that it had, to that point, identified net project cost increases of approximately \$155.8 million over the project cost budget of \$14.075 billion contained in the October 1, 2000 finance plan, and on July 25, 2001 the Turnpike Authority announced that its revised project cost figures would likely include a contingency amount of at least an additional \$150 million beyond the figures contained in the October 1, 2000 finance plan. A preliminary estimate by an independent consultant retained by the Executive Office for Administration and Finance currently projects additional schedule exposures that may increase total project costs by an additional approximately \$100 million over the revised estimates of the Turnpike Authority referenced above. This consultant is in the process of preparing a final report and its final cost exposure estimate may be higher or lower than its preliminary one. An estimate conducted by the Federal Highway Administration reflects a total cost that is less than the Turnpike Authority's preliminary estimates.

The Turnpike Authority's review process is ongoing, and the total project cost figure and additional funding sources, if any, that will be included in the new finance plan will not be determined until the process is completed. The total project cost may be higher or lower than the most recently released estimate. Additional cost information may be reported by the Turnpike Authority as it becomes known during the pendency of the review process.

Update of Proposed Capital Spending Authorizations

On June 7, 2001 the Acting Governor filed a deauthorization bill totaling \$327 million and a bond bill proposing approximately \$1.55 billion in new general obligation bond authorizations, including \$750 million for environmental projects, \$315 million for state-owned facility infrastructure improvements, \$300 million for information technology projects, \$60 million for public safety improvements and \$10 million to continue the historic grant program. The deauthorization bill also proposes additional deauthorization of accounts with the Information Technology Division and the Executive Office of Environmental Affairs contingent upon passage of new authorizations. Should new authorization be enacted, total deauthorizations could reach \$770 million. The House Committee on Long-Term Debt and Capital Expenditures released its deauthorization bill on July 6, 2001.

The House approved a \$508.5 million housing bond bill on June 27, 2001, which is awaiting action in the Senate. On July 16, 2001, the House Committee on Long-Term Debt and Capital Expenditures released a \$343 million bond bill, which includes \$188 million for repairs and renovations to state-owned facilities and higher education campuses through the Division of Capital Asset Management, \$75 million for the Information Technology Division, \$60 million for the Executive Office of Public Safety, and \$20 million for Public Works and Economic Development grants through the Executive Office of Transportation and Construction.

LEGAL MATTERS

Litigation

Shwachman v. Commonwealth of Massachusetts. The Commonwealth, through its Division of Capital Asset Management, recently took by eminent domain certain property in Worcester to build a new courthouse for Worcester County. Although no case has yet been filed challenging the amount paid by the Commonwealth, it is anticipated that the owner will file an eminent domain action seeking compensation over and above the amount already paid by the Commonwealth for the land. The plaintiff may seek an additional \$30 million in such an action.

AVAILABILITY OF OTHER FINANCIAL INFORMATION

Questions regarding this Information Statement or requests for additional 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 (x. 564), or to Laura Guadagno, Assistant Secretary for Capital Resources and Chief Development Officer, Executive Office for Administration and Finance, State House, Room 373, Boston, Massachusetts 02133, telephone 617/727-2040. Questions regarding legal matters relating to this Information Statement should be directed to Lawrence D. Bragg, III, Ropes & Gray, One International Place, Boston, Massachusetts 02110, telephone (617) 951-7000.

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

August 15, 2001

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TABLE OF REFUNDED BONDS

The bonds of the Commonwealth to be refunded with the proceeds of the Bonds are described below.

<u>Maturity Date</u>	<u>Amount</u>	<u>Coupon</u>
\$201,181,414.60 General Obligation Refunding Bonds of 1991, Series B:		
August 1, 2011*	\$ 39,635,000	6.500%
August 1, 2012**	<u>9,535,000</u>	6.000
	\$ 49,170,000	

* To be redeemed on October 1, 2001 at a call price of 102%.

** To be redeemed on October 1, 2001 at a call price of 100%.

\$97,170,000 General Obligation Refunding Bonds of 1991, Series C:

August 1, 2009*	\$ 7,955,000	6.750%
August 1, 2011*	4,935,000	6.500
August 1, 2012*	<u>5,770,000</u>	6.000
	\$18,660,000	

*To be redeemed on October 1, 2001 at a call price of 102%.

\$207,610,000 General Obligation Bonds, Consolidated Loan of 1992, Series A:

June 1, 2003*	\$ 13,320,000	6.200%
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*To be redeemed on June 1, 2002 at a call price of 101%.

\$200,000,000 General Obligation Bonds, Consolidated Loan of 1993, Series B:

October 1, 2005*	\$ 10,360,000	4.600%
October 1, 2006*	10,860,000	4.625
October 1, 2007*	11,400,000	4.750
October 1, 2008*	11,970,000	4.875
October 1, 2009*	<u>12,580,000</u>	4.875
	\$ 57,170,000	

*To be redeemed on October 1, 2003 at a call price of 102%.

\$200,000,000 General Obligation Bonds, Consolidated Loan of 1994, Series A:

January 1, 2006*	\$ 10,360,000	4.700%
January 1, 2007*	10,860,000	4.800
January 1, 2008*	11,400,000	4.800
January 1, 2009*	11,970,000	5.000
January 1, 2010*	12,580,000	5.000
January 1, 2011*	13,225,000	5.000
January 1, 2012*	<u>13,900,000</u>	5.000
	\$ 84,295,000	

*To be redeemed on January 1, 2004 at a call price of 102%.

<u>Maturity Date</u>	<u>Amount</u>	<u>Coupon</u>
\$250,000,000 General Obligation Bonds, Consolidated Loan of 1994, Series B:		
August 1, 2005*	\$ 12,055,000	5.500%

*To be redeemed on August 1, 2004 at a call price of 102%.

\$225,000,000 General Obligation Bonds, Consolidated Loan of 1995, Series B:

July 1, 2006*	\$ 10,915,000	5.300%
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*To be redeemed on July 1, 2005 at a call price of 101%.

\$200,000,000 General Obligation Bonds, Consolidated Loan of 1995, Series C:

August 1, 2006*	\$ 9,680,000	5.250%
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*To be redeemed on August 1, 2005 at a call price of 101%.

\$250,000,000 General Obligation Bonds, Consolidated Loan of 1995, Series D:

November 1, 2006*	\$ 12,120,000	5.125%
November 1, 2011*	<u>15,650,000</u>	5.125
	\$ 27,770,000	

*To be redeemed on November 1, 2005 at a call price of 101%.

\$225,000,000 General Obligation Bonds, Consolidated Loan of 1996, Series A:

January 1, 2007*	\$ 10,940,000	5.000%
January 1, 2008*	11,485,000	5.000
January 1, 2009*	12,065,000	5.000
January 1, 2010*	12,685,000	5.125
January 1, 2011*	13,345,000	5.125
January 1, 2012*	<u>14,045,000</u>	5.200
	\$ 74,565,000	

*To be redeemed on January 1, 2006 at a call price of 101%.

\$200,000,000 General Obligation Bonds, Consolidated Loan of 1996, Series C:

September 1, 2007*	\$ 9,705,000	5.250%
September 1, 2012*	<u>12,575,000</u>	5.375
	\$ 22,280,000	

*To be redeemed on September 1, 2006 at a call price of 101%.

\$200,000,000 General Obligation Bonds, Consolidated Loan of 1996, Series D:

November 1, 2009*	\$ 11,565,000	5.000%
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*To be redeemed on November 1, 2006 at a call price of 101%.

<u>Maturity Date</u>	<u>Amount</u>	<u>Coupon</u>
\$200,000,000 General Obligation Bonds, Consolidated Loan of 1997, Series A:		
March 1, 2008*	\$ 19,315,000	5.000%
March 1, 2009*	20,300,000	5.000
March 1, 2010*	<u>9,790,000</u>	5.000
	\$ 49,405,000	

*To be redeemed on March 1, 2007 at a call price of 101%.

\$300,000,000 General Obligation Bonds, Consolidated Loan of 1997, Series B:

June 1, 2008*	\$ 14,605,000	5.000%
June 1, 2009*	15,345,000	5.000
June 1, 2010*	16,135,000	5.000
June 1, 2012*	<u>17,880,000</u>	5.125
	\$ 63,965,000	

*To be redeemed on June 1, 2007 at a call price of 101%.

\$250,000,000 General Obligation Bonds, Consolidated Loan of 1998, Series B:

April 1, 2010*	\$ 12,930,000	5.250%
April 1, 2011*	<u>13,605,000</u>	5.250
	\$ 26,535,000	

*To be redeemed on April 1, 2008 at a call price of 101%.

\$740,305,000 General Obligation Bonds, Consolidated Loan of 2000, Series B:

June 1, 2011*	\$ 31,400,000	5.750%
June 1, 2012*	<u>33,885,000</u>	5.750
	\$ 65,285,000	

*To be redeemed on June 1, 2010 at a call price of 100%.

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PROPOSED FORM OF OPINION OF BOND COUNSEL

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

MINTZ LEVIN
COHN FERRIS
GLOVSKY AND
POPEO PC

*Boston
New York
Reston
Washington
New Haven*

*One Financial Center
Boston, Massachusetts 02111
617 542 6000
617 542 2241 fax
www.mintz.com*

[To the Underwriters]

We have acted as bond counsel to The Commonwealth of Massachusetts (the "Commonwealth") in connection with the issuance by the Commonwealth of \$935,530,000 General Obligation Bonds, Consolidated Loan of 2001, Series C, dated August 1, 2001 (the "Bonds"). In such capacity, we have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion.

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

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

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

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

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

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

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

Very truly yours,

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

The Commonwealth of Massachusetts

General Obligation Bonds
Consolidated Loan of 2001, Series CContinuing Disclosure Undertaking
[to be included in bond form]

On behalf of the Commonwealth, the Treasurer and Receiver-General of the Commonwealth hereby undertakes for the benefit of the owners of the Bonds to provide to each nationally recognized municipal securities information repository (each, a "NRMSIR") within the meaning of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule") and to the state information depository for the Commonwealth, if any (the "SID"), within the meaning of the Rule, no later than 270 days after the end of each fiscal year of the Commonwealth, (i) the annual financial information described below relating to such fiscal year, together with audited financial statements of the Commonwealth for such fiscal year if audited financial statements are then available, provided, however, that if audited financial statements of the Commonwealth are not then available, such audited financial statements shall be delivered to each NRMSIR and the SID when they become available (but in no event later than 350 days after the end of such fiscal year) or (ii) notice of the Commonwealth's failure, if any, to provide any such information. The annual financial information to be provided as aforesaid shall include financial information and operating data, in each case updated through the last day of such fiscal year unless otherwise noted, relating to the following information contained in the Commonwealth's Information Statement dated April 27, 2001 (the "Information Statement"), as it appears as Appendix A in the Official Statement dated May 9, 2001 relating to the Commonwealth's General Obligation Bonds, Consolidated Loan of 2001, Series B, 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. Summary presentation of the then-current, statutorily imposed funding schedule for future Commonwealth pension liabilities, if any	"COMMONWEALTH PROGRAMS AND SERVICES - Commonwealth Pension Obligations"

Financial Information and Operating Data Category	Reference to Information Statement for Level of Detail
7. If and to the extent otherwise updated in the prior fiscal year, summary presentation of the size of the state workforce	"STATE WORKFORCE"
8. Five-year summary presentation of actual capital project expenditures	"COMMONWEALTH CAPITAL SPENDING AND LONG-TERM LIABILITIES - Capital Spending Plan"
9. Statement of Commonwealth debt and debt related to general obligation contract liabilities as of the end of the prior fiscal year	"COMMONWEALTH CAPITAL SPENDING AND LONG-TERM LIABILITIES - General Authority to Borrow and Types of Long-Term Liabilities - Commonwealth Debt and Debt Related to General Obligation Contract Assistance Liabilities"
10. Five-year comparative presentation of long term Commonwealth debt and debt related to general obligation contract liabilities as of the end of the prior fiscal year	"COMMONWEALTH CAPITAL SPENDING AND LONG-TERM LIABILITIES - General Authority to Borrow and Types of Long-Term Liabilities - Commonwealth Debt and Debt Related to General Obligation Contract Assistance Liabilities"
11. Annual fiscal year debt service requirements for Commonwealth general obligation and special obligation bonds, beginning with the current fiscal year	"COMMONWEALTH CAPITAL SPENDING AND LONG-TERM LIABILITIES - Debt Service Requirements on Commonwealth Bonds"
12. Annual fiscal year contract assistance requirements for Commonwealth general obligation contract assistance, beginning with the current fiscal year	"COMMONWEALTH CAPITAL SPENDING AND LONG-TERM LIABILITIES - General Obligation Contract Assistance Liabilities"
13. Annual fiscal year budgetary contractual assistance liabilities for Commonwealth, beginning with the current fiscal year	"COMMONWEALTH CAPITAL SPENDING AND LONG-TERM LIABILITIES - Budgetary Contractual Assistance Liabilities"
14. Five-year summary presentation of authorized but unissued general obligation debt	"COMMONWEALTH CAPITAL SPENDING AND LONG-TERM LIABILITIES - Authorized But Unissued Debt"
15. 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 CAPITAL SPENDING AND LONG-TERM LIABILITIES - Statutory Debt Limit on Direct Debt"

Any or all of the items listed above may be included by reference to other documents, including official statements pertaining to debt issued by the Commonwealth, which have been submitted to each NRMSIR. If the document incorporated by reference is a Final Official Statement within the meaning of the Rule, it will also be available from the 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 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 Bonds (numbered in accordance with the provisions of the Rule), if material:

- (i) principal and interest payment delinquencies; non-payment related defaults;
- (ii) unscheduled draws on debt service reserves reflecting financial difficulties^{1/};
- (iii) unscheduled draws on credit enhancements reflecting financial difficulties;
- (iv) substitution of credit or liquidity providers, or their failure to perform;
- (v) adverse tax opinions or events affecting the tax-exempt status of the security;
- (vi) modifications to the rights of security holders;
- (vii) bond calls;
- (viii) defeasances;
- (ix) release, substitution or sale of property securing repayment of the securities^{2/} and
- (x) rating changes.

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

To the extent permitted by law, the foregoing provisions of this Bond related to the above-described undertakings to provide information shall be enforceable against the Commonwealth in accordance with the terms thereof by any owner of a Bond, including any beneficial owner acting as a third-party beneficiary (upon proof of its status as a beneficial owner reasonably satisfactory to the Treasurer and Receiver-General). To the extent permitted by law, any such owner shall have the right, for the equal benefit and protection of all owners of Bonds, by mandamus or other suit or proceeding at law or in equity, to enforce its rights against the Commonwealth and to compel the Commonwealth and any of its officers, agents or employees to perform and carry out their duties under the foregoing provisions as aforesaid, provided, however, that the sole remedy in connection with such undertakings shall be limited to an action to compel specific performance of the obligations of the Commonwealth in connection with such undertakings and shall not include any rights to monetary damages. The Commonwealth's obligations in respect of such undertakings shall terminate if no Bonds remain outstanding (without regard to an economic defeasance) or if the provisions of the Rule concerning continuing disclosure are no longer effective, whichever occurs first. The provisions of this Bond relating to such undertakings may be amended by the Treasurer and Receiver-General of the Commonwealth, without the consent of, or notice to, any owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Commonwealth for the benefit of the owners of Bonds, (d) to modify the contents,

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

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

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

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SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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**FINANCIAL
SECURITY
ASSURANCE®**

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER:

BONDS:

Policy No.: -N

Effective Date:

Premium:

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security, and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud, whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

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

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By _____

By _____
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 500NY (5/90)

MUNISSTATEMENTS.COM

Please note this page was imaged at the same time as the official statement. If pages of the official statement are missing or are less clear than this page, it is due to the poor content and/or photographic quality of the original official statement.

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ISSUER: Massachusetts

