

**THIS SUPPLEMENT IS A PART OF AND SHOULD BE PHYSICALLY ATTACHED  
TO THE OFFICIAL STATEMENT DATED JUNE 15, 2000.**

\$740,305,000

THE COMMONWEALTH OF MASSACHUSETTS

General Obligation Bonds  
Consolidated Loan of 2000, Series B

Supplement dated June 23, 2000

to

Information Statement Supplement dated June 16, 2000

(attached as Appendix A to Official Statement dated June 15, 2000)

The section of the Information Statement Supplement captioned "RECENT DEVELOPMENTS" is hereby amended by adding between "Cash Flow Statements" and "Selected Financial Data - Statutory Basis" the following new subheading and paragraph:

**Medicaid**

On June 15, 2000 the federal Health Care Financing Administration (HCFA) sent a letter to nine states, including Massachusetts, New York and Florida, indicating that portions of their Medicaid programs may be funded with impermissible taxes on health care providers, jeopardizing federal reimbursements collected on any Medicaid program expenditures funded with such taxes. In the case of Massachusetts, the letter relates to the portion of the Commonwealth's Medicaid program funded by the uncompensated care pool. The Medicaid program is 50% funded by federal reimbursements. See the March Information Statement under the heading "COMMONWEALTH PROGRAMS AND SERVICES – Medicaid." HCFA promulgated regulations in 1993 regarding the collection of taxes imposed on health care providers and establishing a process for waiver approval of state taxes subject to the regulations. The state Division of Medical Assistance (DMA), which administers the Medicaid program in the Commonwealth, filed a waiver request in February, 1993 relating to the permissibility of the Commonwealth's assessment on acute care hospitals to fund the uncompensated care pool in Massachusetts. The waiver request has been resubmitted three times since 1993, with DMA providing additional information each time as requested by HCFA. DMA believes that its pending waiver request addresses the concerns that have been articulated by HCFA and that the Commonwealth's implementation of the uncompensated care pool assessment is within the federal law pertaining to provider taxes. The June 15 HCFA letter requests the Commonwealth to resubmit its waiver request by July 30, 2000. The letter further states that if HCFA makes a final determination that the Commonwealth has imposed an impermissible provider tax, HCFA will undertake an audit of the Commonwealth's uncompensated care pool program and seek retroactive repayment of federal Medicaid reimbursements. Under federal regulations, recoupment of federal Medicaid reimbursements is generally accomplished by withholding a portion of future Medicaid reimbursements to the state owing the repayment. States can appeal a request for repayment to an appeals panel within the U. S. Department of Health and Human Services and then to a federal district court. Since 1993, when the first waiver request was submitted, the Commonwealth has received an estimated \$920 million in federal Medicaid reimbursements related to expenditures associated with the uncompensated care pool. Officials from DMA are meeting with the Massachusetts Congressional delegation and officials from HCFA to discuss ways of resolving this issue. Clarification of the law surrounding permissible provider taxes is a national issue and resolution could take several years.

**NEW 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**

**\$740,305,000**

**General Obligation Bonds  
Consolidated Loan of 2000, Series B**

**Dated: June 1, 2000**

**Due: June 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 June 1, 2000 and interest will be payable on December 1, 2000 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 Commonwealth Information Statement (referred to herein) under the headings "COMMONWEALTH REVENUES—Limitations on Tax Revenues" and "COMMONWEALTH BOND AND NOTE 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, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel. Certain legal matters will be passed upon for the Commonwealth by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Ropes & Gray, Boston, Massachusetts. The Bonds are expected to be available for delivery at DTC in New York, New York, on or about June 28, 2000.

**PaineWebber Incorporated**

**Bear, Stearns & Co. Inc.**

**Goldman, Sachs & Co.**

**J.P. Morgan & Co.**

**Lehman Brothers**

**Salomon Smith Barney**

**Fleet Securities, Inc.**

**State Street Capital Markets, LLC**

**Advest, Inc.**

**A.G. Edwards & Sons, Inc.**

**CIBC World Markets**

**Corby North Bridge Securities**

**Dain Rauscher, Inc.**

**Fahnestock & Co. Inc.**

**First Albany Corporation**

**H.C. Wainwright & Co., Inc.**

**Janney Montgomery Scott Inc.**

**Mellon Financial Markets, Inc.**

**Merrill Lynch & Co.**

**Morgan Stanley Dean Witter**

**Prudential Securities**

**Ramirez & Co., Inc.**

**Raymond James & Associates, Inc.**

**Tucker Anthony Incorporated**

# THE COMMONWEALTH OF MASSACHUSETTS

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

**Dated: June 1, 2000**

**Due: June 1, as shown below**

<u>Maturity</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
2001	\$17,645,000	5.50 %	4.40 %
2002	23,035,000	4.625	4.68
2003	24,100,000	4.75	4.76
2004	25,245,000	4.80	4.83
2005	26,455,000	4.875	100
2006	10,850,000	4.90	4.94
2006	16,895,000	5.50	4.94
2007	29,210,000	5.00	100
2008	11,910,000	5.05	100
2008	18,760,000	5.50	5.05
2009	10,940,000	5.10	100
2009	21,360,000	5.75	5.10
2010	14,970,000	5.15	100
2010	19,120,000	5.75	5.15
2011	4,560,000	5.20	100
2011	31,400,000	5.75	5.20*
2012	4,115,000	5.25	5.28
2012	33,885,000	5.75	5.28*
2013	2,315,000	5.30	5.36
2013	37,850,000	5.75	5.36*
2014	2,115,000	5.375	5.40
2014	40,350,000	6.00	5.40*
2015	6,630,000	5.40	5.46
2015	50,000,000	6.00	5.46*
2016	3,055,000	5.50	5.52
2016	45,300,000	6.00	5.52*
2017	51,240,000	5.25	5.62
2018	41,280,000	5.625	5.67
2019	56,255,000	5.70	5.72
2020	59,460,000	5.75	100

(accrued interest, if any, to be added)

\* Yield to June 1, 2010 (earliest optional redemption date). See "THE BONDS – Redemption; *Optional Redemption*."

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

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 and expressions of opinion herein or included by reference herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Commonwealth, or its agencies, authorities or political subdivisions, since the date hereof, except as expressly set forth herein.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

**TABLE OF CONTENTS**

**INTRODUCTION** .....1  
    Purpose and Content of Official Statement.....1  
**THE BONDS**.....2  
    General.....2  
    Redemption.....2  
    Application of Proceeds of the Bonds .....3  
**SECURITY FOR THE BONDS** .....3  
**LITIGATION** .....3  
**BOOK-ENTRY-ONLY SYSTEM**.....4  
**RATINGS**.....5  
**UNDERWRITING**.....6  
**TAX EXEMPTION**.....6  
**OPINIONS OF COUNSEL** .....7  
**CONTINUING DISCLOSURE**.....7  
**MISCELLANEOUS** .....7  
**AVAILABILITY OF OTHER INFORMATION**.....8

**APPENDIX A - Commonwealth Information Statement Supplement**.....A-1  
**APPENDIX B - Form of Opinion of Bond Counsel**.....B-1  
**APPENDIX C - Continuing Disclosure Undertaking**.....C-1

**THE COMMONWEALTH OF MASSACHUSETTS**



**CONSTITUTIONAL OFFICERS**

**Argeo Paul Cellucci..... Governor**  
**Jane M. Swift .....Lieutenant 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

## THE COMMONWEALTH OF MASSACHUSETTS

**\$740,305,000**

### **General Obligation Bonds Consolidated Loan of 2000, Series B**

#### INTRODUCTION

This Official Statement (including the cover pages and Appendices A through C attached hereto) provides certain information in connection with the issuance by The Commonwealth of Massachusetts (the "Commonwealth") of \$740,305,000 aggregate principal amount of its General Obligation Bonds, Consolidated Loan of 2000, Series B (the "Bonds"). The Bonds will be general obligations of the Commonwealth, and the full faith and credit of the Commonwealth will be pledged to the payment of the principal of and interest on the Bonds. However, for information regarding certain statutory limits on state tax revenue growth and expenditures for debt service, see "SECURITY FOR THE BONDS" and the Commonwealth Information Statement (described below) under the headings "COMMONWEALTH REVENUES – Limitations on Tax Revenues" and "COMMONWEALTH BOND AND NOTE LIABILITIES – Limit on Debt Service Appropriations."

The Bonds are being issued to finance the payment of certain notes issued by the Massachusetts Bay Transportation Authority and certain authorized capital projects of the Commonwealth. See "THE BONDS – Application of Proceeds of the Bonds."

#### **Purpose and Content of Official Statement**

This Official Statement describes the terms and use of proceeds of, and security for, the Bonds. This introduction is subject in all respects to the additional information contained in this Official Statement, including Appendices A through C. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document.

Specific reference is made to the Commonwealth's Information Statement dated March 3, 2000 (the "March Information Statement"), as it appears as Appendix A in the Official Statement dated March 3, 2000 of the Massachusetts Bay Transportation Authority with respect to its General Transportation System Bonds, Variable Rate Demand Obligations, 2000 Series (the "MBTA Official Statement"). A copy of the MBTA Official Statement has been filed with each Nationally Recognized Municipal Securities Information Repository currently recognized by the Securities and Exchange Commission and with the Municipal Securities Rulemaking Board. The information contained in the March Information Statement has been supplemented by the Commonwealth Information Statement Supplement dated June 16, 2000 (the "Supplement"), which, except for Exhibit A, is attached hereto as Appendix A. The March Information Statement, as supplemented by the Supplement, contains certain fiscal, budgetary, financial and other general information concerning the Commonwealth. Exhibit A to the Supplement contains certain economic information concerning the Commonwealth. Exhibits B and C to the March Information Statement contain the financial statements of the Commonwealth for the fiscal year ended June 30, 1999, prepared on a statutory basis and a GAAP basis, respectively. Specific reference is made to said Exhibits A, B and C, copies of which, along with the entire Supplement, have been filed with each Nationally Recognized Municipal Securities Information Repository currently recognized by the Securities and Exchange Commission. The financial statements are also available on the Comptroller's web site located at <http://www.state.ma.us/osc/Reports/reportsfinancial.htm>.

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

## THE BONDS

### General

The Bonds will be dated June 1, 2000 and will bear interest from such date payable semiannually on December 1 and June 1 of each year, commencing December 1, 2000 (each an "Interest Payment Date") until the principal amount is paid. The Bonds will mature on June 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 June 1, 2010 will not be subject to redemption prior to their stated maturity dates.

*Optional Redemption.* The Bonds maturing on or after June 1, 2011 will be subject to redemption prior to their stated maturity dates on or after June 1, 2010 at the option of the Commonwealth from any moneys legally available therefor, in whole or in part at any time, at par 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.

## **Application of Proceeds of the Bonds**

The Bonds are being issued pursuant to the provisions of Section 49 of Chapter 29 of the Massachusetts General Laws and bond authorizations contained in various special laws enacted by the legislature. The net proceeds of the sale of the Bonds will be applied by the Treasurer and Receiver-General of the Commonwealth (the "State Treasurer") to the various purposes for which the issuance of bonds has been authorized pursuant to such special laws or to reimburse the 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 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. A portion of the proceeds are expected to be used, pursuant to "forward funding" legislation enacted as part of the Commonwealth's fiscal 2000 budget to restructure the financial operations of the Massachusetts Bay Transportation Authority (MBTA), to pay the principal of \$160 million MBTA notes maturing on September 1, 2000 or to reimburse the Commonwealth for all or a portion of such payment. See Appendix A – "Commonwealth Information Statement" under the heading "COMMONWEALTH PROGRAMS AND SERVICES – Massachusetts Bay Transportation Authority." The balance of the proceeds 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 Appendix A – "Commonwealth Information Statement" under the headings "COMMONWEALTH CAPITAL SPENDING" and "COMMONWEALTH BOND AND NOTE 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 Appendix A – "Commonwealth Information Statement" under the headings "COMMONWEALTH REVENUES – Limitations on Tax Revenues" and "COMMONWEALTH BOND AND NOTE 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.

## **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 Appendix A - "Commonwealth Information Statement" under the heading "LITIGATION."

### **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.

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

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

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

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

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Commonwealth. Under such circumstances, unless a substitute depository is retained by the Commonwealth, Bonds will be delivered and registered as designated by the Beneficial Owners. The Beneficial Owner, upon registration of Bonds held in the Beneficial Owner's name, will become the Bondowner.

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

The principal of and interest 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 of "AA-," "Aa2" and "AA-" by Fitch IBCA, Moody's Investors Service and Standard & Poor's Ratings Services, respectively.

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

## **UNDERWRITING**

The Underwriters have agreed, subject to certain conditions, to purchase all of the Bonds from the Commonwealth at a purchase price of \$746,325,254.63, consisting of a par amount of \$740,305,000, plus a net premium of \$9,698,262.05, minus underwriters' discount of \$3,678,007.42, 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.

## **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 not constitute a preference item under Section 57(a)(5) of the Code for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations under Section 55 of the Code. However, interest on the Bonds will be included in "adjusted current earnings" of corporate holders of the Bonds and therefore will be taken into account under Section 56(g) of the Code in the computation of the alternative minimum tax applicable to certain corporations.

Bond Counsel has not opined as to 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 Subchapter S 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 original purchasers will be furnished with an opinion of Bond Counsel substantially in the form attached hereto as Appendix B – “Form of Opinion of Bond Counsel.”

### **OPINIONS OF COUNSEL**

The unqualified approving opinion as to the legality of the Bonds will be rendered by 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 B. Certain legal matters will also be passed upon by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. of Boston, Massachusetts, as Disclosure Counsel to the State Treasurer. Certain legal matters will be passed upon for the Underwriters by their counsel, Ropes & Gray of Boston, Massachusetts.

### **CONTINUING DISCLOSURE**

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

For information concerning the availability of certain other financial information from the Commonwealth, see Appendix A - “Commonwealth Information Statement” under the heading “CONTINUING DISCLOSURE.”

### **MISCELLANEOUS**

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

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 Paul E. Ladd, 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 or Miyoko Sato, 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*

June 15, 2000 (except for Appendix A)

**THE  
COMMONWEALTH  
OF  
MASSACHUSETTS**



**INFORMATION STATEMENT SUPPLEMENT**

**Dated June 16, 2000**

TABLE OF CONTENTS

**INFORMATION STATEMENT SUPPLEMENT DATED JUNE 16, 2000**

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

**COMMONWEALTH INFORMATION STATEMENT DATED MARCH 3, 2000**

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

**THE COMMONWEALTH OF MASSACHUSETTS**



**CONSTITUTIONAL OFFICERS**

**Argeo Paul Cellucci..... Governor**  
**Jane M. Swift ..... Lieutenant 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**



[THIS PAGE INTENTIONALLY LEFT BLANK]

# THE COMMONWEALTH OF MASSACHUSETTS

## INFORMATION STATEMENT SUPPLEMENT

June 16, 2000

This supplement (“Supplement”) to the Information Statement of The Commonwealth of Massachusetts (the “Commonwealth”) dated March 3, 2000 (the “March Information Statement”) is dated June 16, 2000 and contains information which updates the information contained in the March Information Statement. Exhibit A to this Supplement sets forth certain economic, demographic and statistical information concerning the Commonwealth. Specific reference is made to Exhibit A as it appears in the Official Statement of the Massachusetts State College Building Authority dated May 19, 2000 with respect to its \$22,215,000 Project Revenue Bonds, Series 2000-1, 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 March Information Statement must be read collectively and in their entirety in order to obtain the appropriate fiscal, financial and economic information concerning the Commonwealth through June 16, 2000. All capitalized terms not otherwise defined in this Supplement shall have the meanings ascribed to them in the March Information Statement.

### RECENT DEVELOPMENTS

#### Fiscal 2001

On April 14, 2000 the House of Representatives approved its version of the fiscal 2001 budget. The House budget provides for total appropriations of approximately \$21.8 billion and is based on a tax revenue estimate of \$15.283 billion, excluding \$645 million of sales tax receipts dedicated to the Massachusetts Bay Transportation Authority as a result of forward funding legislation. See the March Information Statement under the heading “COMMONWEALTH PROGRAMS AND SERVICES – Massachusetts Bay Transportation Authority.” The House tax revenue estimate is approximately \$245 million higher than the estimate contained in the Governor’s fiscal 2001 budget recommendations, after adjusting for proposed tax cuts in the Governor’s budget. As recommended by the Governor, the House budget appropriates \$922 million for the state’s pension funding schedule and an additional \$100 million related to increased pension liabilities due to the conversion to new actuarial software. The House budget provides for the current expenditure of 30% of tobacco settlement moneys to be received in fiscal 2001 rather than 50% as recommended by the Governor. The House budget includes a provision that would reduce the personal income tax rate starting in tax year 2003 if the state economy continues to grow. See “State Taxes.” The House budget also includes, with some modifications, the Governor’s proposal to revamp the school building assistance program. See the March Information Statement under the heading “2001 FISCAL YEAR.”

On May 25, 2000 the Senate approved its version of the fiscal 2001 budget, which provides for total spending of approximately \$21.549 billion and is based on a tax revenue estimate of approximately \$15.204 billion, which is essentially equivalent to the House estimate after adjusting for proposed tax cuts in the Senate budget. The Senate budget contains the same provisions regarding pension appropriations as the House budget. Like the Governor, but unlike the House, the Senate recommends spending 50% of tobacco settlement moneys to be received in fiscal 2001 and thereafter. The Senate budget would provide for a personal income tax deduction for charitable contributions. See “State Taxes.” The Senate budget would also provide for pay-as-you-go capital spending during fiscal years 2001 through 2005. See “Update of Proposed Capital Spending Authorizations.”

Based on tax revenue through April, the Secretary of Administration and Finance did not agree with the Legislature’s proposed tax revenue estimate and consensus was not reached by May 15, 2000 as required by state finance law (see the March Information Statement under the heading “COMMONWEALTH REVENUES - Tax Revenue Forecasting”). On June 12, 2000 the Secretary of Administration and Finance informed the chairmen of the House and Senate Committees on Ways and Means that the administration accepted the legislative consensus tax revenue estimate for fiscal 2001 (\$15.283 billion before any tax cuts), based on higher-than-expected tax collections in May, 2000.

The differences between the House and Senate versions will be reconciled by a legislative conference committee. The Executive Office for Administration and Finance estimates that total spending in the House budget is approximately \$370 million more than the Governor's recommendations, as adjusted upward by newly identified appropriation needs of approximately \$70 million since the Governor's budget was filed in January. Total spending in the Senate budget is approximately \$210 million more than the Governor's adjusted recommendations.

## **Fiscal 2000**

Tax collections in February, 2000 totaled approximately \$871.2 million, an increase of approximately \$119.4 million, or 15.9%, over February, 1999. Tax collections in March, 2000 totaled approximately \$1.400 billion, an increase of approximately \$176.5 million, or 14.4%, over March, 1999. Year-to-date tax collections through March, 2000 totaled approximately \$11.002 billion, an increase of approximately \$752.1 million, or 7.3%, over the same period in fiscal 1999. The year-to-date benchmark range through March based on the \$15.288 billion estimate for fiscal 2000 was \$10.762 billion to \$10.917 billion. On April 18, 2000 the Executive Office for Administration and Finance revised the fiscal 2000 revenue estimates upward by \$170 million to \$15.458 billion.

Tax revenue collections for April, 2000 totaled approximately \$1.273 billion, a decrease of approximately \$41.8 million, or 3.2%, from April, 1999. Year-to-date tax collections through April totaled approximately \$12.275 billion, an increase of approximately \$710.3 million, or 6.1%, over the same period in fiscal 1999. The year-to-date benchmark range through April based on the revised \$15.458 billion estimate for fiscal 2000 was \$12.228 billion to \$12.428 billion.

Tax revenue collections in May, 2000 totaled approximately \$1.634 billion, an increase of approximately \$454.8 million, or 38.6%, over May, 1999. Year-to-date tax collections through May totaled approximately \$13.909 billion, an increase of approximately \$1.165 billion, or 9.1%, over the same period in fiscal 1999. The year-to-date benchmark range through May based on the \$15.458 billion estimate for fiscal 2000 was \$13.697 billion to \$13.847 billion.

The Division of Medical Assistance is projecting a deficiency of \$184.5 million in fiscal 2000 resulting from increased caseloads, rate increases and an internal accounting issue relating to the Division's 52-week billing system, which is equipped to pay medical bills from providers for only 364 days per year. Bills for a "53<sup>rd</sup> week" must be paid on occasion to account for the lost billing days in previous years. Corrective action is planned to prevent future deficiencies related to the Division's billing system. The projected deficiency is expected to be partially offset with \$35.5 million in newly identified reversions, resulting in a net deficiency of \$149 million. The projected deficiency is expected to be offset further by increased federal reimbursements of \$86.9 million, for a net balance sheet impact of \$62.1 million.

To date, approved appropriations for fiscal 2000 total approximately \$21.293 billion. On May 5, 2000, the Governor approved a fiscal 2000 supplemental appropriations bill containing approximately \$85.7 million of appropriations to make up deficiencies in certain accounts, including \$25.3 million for the statewide snow and ice removal program. On June 8, 2000, the Governor filed a supplemental appropriation bill that would provide for approximately \$255 million of additional fiscal 2000 appropriations, including \$196.6 million for Medicaid payments as described above. Taking into account expected reversions (*i.e.*, appropriations that will not be spent in fiscal 2000), the Executive Office for Administration and Finance projects fiscal 2000 spending of approximately \$21.259 billion, a 5.0% increase over fiscal 1999 spending.

## **State Taxes**

On March 29, 2000 the Governor filed legislation that would freeze the motor fuels excise tax at 21¢ per gallon of fuel, which has been the effective tax rate for many years. The House of Representatives and the Senate have each included a comparable provision in its version of the fiscal 2001 budget. Under current law, the tax per gallon is 19.1% of the weighted average selling price per gallon of fuel, but not less than 21¢. See the March Information Statement under the heading "COMMONWEALTH REVENUES – State Taxes; *Other Taxes*."

The House version of the fiscal 2001 budget also includes provisions that would reduce the rate of tax on “Part B” income. Beginning with the 2003 tax year, the tax rate, which under current law will be 5.75% in tax year 2002, would be reduced by 0.10% for each 2.5% of cumulative growth in Massachusetts personal income until the rate became 5%, provided that the unemployment rate is not greater than 6% for the 12-month period ended the previous September. Cumulative growth in personal income is defined in the bill as the percentage increase in personal income as reported by the federal Bureau of Economic Analysis for the second quarter of the second preceding calendar year, adjusted for inflation. See the March Information Statement under the heading “COMMONWEALTH REVENUES – State Taxes; *Income Tax*.”

The Senate version of the fiscal 2001 budget would provide for a personal income tax deduction for charitable contributions, estimated by the Senate Committee on Ways and Means to cost \$80 million in fiscal 2001 and \$164 million annually thereafter. The Senate budget does not include any reduction in income tax rates.

### **Cash Flow Statements**

A cash flow projection for the balance of fiscal 2000 was released by the State Treasurer and the Secretary of Administration and Finance on March 7, 2000. Fiscal 2000 was projected to end with a cash balance of \$776.6 million, excluding any fiscal 2000 activity that will occur after June 30, 2000 and excluding the Stabilization Fund. Bond issues of \$250 million each were projected to occur in April and June, 2000. Federal grant anticipation note issues of \$450 million and \$150 million were projected to occur in April and June, 2000, respectively. (These bond and note issues did not occur as projected. It is now anticipated that the Commonwealth will issue approximately \$650 million of general obligation bonds in June, 2000 and \$600 million of federal grant anticipation notes in August, 2000.)

A revised cash flow projection was due May 25, 2000. It has been delayed while the Executive Office for Administration and Finance, the Comptroller’s office, the Massachusetts Bay Transportation Authority and the State Treasurer’s office determine the final amounts of net-cost-of-service payments owed by the Commonwealth to the MBTA on account of fiscal 2000 and prior periods. See the March Information Statement under the heading “COMMONWEALTH PROGRAMS AND SERVICES – Massachusetts Bay Transportation Authority.”

### **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 1995 through 1999 and estimates for fiscal 2000 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 2000 budget. See the March Information Statement under the heading “FINANCIAL RESULTS”

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

	<u>Fiscal 1995</u>	<u>Fiscal 1996</u>	<u>Fiscal 1997</u>	<u>Fiscal 1998</u>	<u>Fiscal 1999</u>	<u>Estimated Fiscal 2000</u>
<u>Beginning Fund Balances</u>						
Reserved or Designated	\$ 79.3	\$ 128.1	\$ 263.4	\$ 225.1	\$ 286.3	\$ 330.2
Tax Reduction Fund	--	--	231.7	91.8	367.7	6.8
Stabilization Fund	382.9	425.4	543.3	799.3	1,159.6	1,388.5
Undesignated	127.1	172.5	134.0	277.8	378.5	386.9
Fund Balance Restatement	<u>—</u>	<u>—</u>	<u>0.6(2)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total	<u>589.3</u>	<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>Revenues and Other Sources</u>						
Taxes	11,163.4	12,049.2	12,864.5	14,026.3	14,291.5	15,458.0
Federal Reimbursements	2,969.7	3,039.1	3,019.6	3,361.2	3,442.9	3,657.0
Departmental and Other Revenues	1,273.1	1,208.1	1,267.9	1,286.4	1,297.8	1,307.5
Interfund Transfers from Non-budgeted Funds and Other Sources	<u>981.0</u>	<u>1,031.1</u>	<u>1,018.0</u>	<u>1,125.9</u>	<u>1,132.8</u>	<u>1,218.4</u>
Budgeted Revenues and Other Sources	<u>16,387.2</u>	<u>17,327.5</u>	<u>18,170.0</u>	<u>19,799.8</u>	<u>20,165.0</u>	<u>21,640.9</u>
Mass Transit Assessments from Municipalities	143.9	147.6	151.5	155.6	159.9	163.9
Interfund Transfers among Budgeted Funds and Other Sources	<u>399.7</u>	<u>896.2</u>	<u>901.8</u>	<u>1,449.2</u>	<u>1,242.0</u>	<u>456.2</u>
Total Revenues and Other Sources	<u>16,930.8</u>	<u>18,371.3</u>	<u>19,223.3</u>	<u>21,404.6</u>	<u>21,566.9</u>	<u>22,261.0</u>
<u>Expenditures and Uses</u>						
Programs and Services	14,010.3	14,650.7	15,218.8	16,238.6	17,341.1	18,936.1
Debt Service	1,230.9	1,183.6	1,275.5	1,213.4	1,173.8	1,196.7
Pensions	968.8	1,004.6	1,069.2	1,069.8	990.2	987.4
Interfund Transfers to Non-budgeted Funds And Other Uses	<u>40.4</u>	<u>42.2</u>	<u>385.5</u>	<u>479.9</u>	<u>739.6</u>	<u>138.7 (3)</u>
Budgeted Expenditures and Other Uses	<u>16,250.5</u>	<u>16,881.1</u>	<u>17,949.0</u>	<u>19,001.7</u>	<u>20,244.7</u>	<u>21,258.9</u>
Payment of Municipal Mass Transit Assessments to the MBTA and RTA's	143.9	147.6	151.5	155.6	159.9	163.9
Interfund Transfers among Budgeted Funds and Other Uses	<u>399.7</u>	<u>896.2</u>	<u>901.8</u>	<u>1,449.2</u>	<u>1,242.0</u>	<u>456.2</u>
Total Expenditures and Other Uses	<u>16,794.1</u>	<u>17,924.9</u>	<u>19,002.3</u>	<u>20,606.5</u>	<u>21,646.6</u>	<u>21,879.0</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>136.7</u>	<u>446.4</u>	<u>221.0</u>	<u>798.1</u>	<u>(79.7)</u>	<u>382.0</u>
Transfer of Excess to Capital Projects Fund	---	---	---	---	---	175.5 (3)(4)
Net Balance	---	---	---	---	---	206.5 (3)
<u>Ending Fund Balances</u>						
Reserved or Designated	128.1	263.4	225.1	286.3	330.2	209.5
Tax Reduction Fund	--	231.7	91.8	367.7	6.8	123.3
Stabilization Fund	425.4	543.3	799.3	1,159.6	1,388.5	1,623.1
Undesignated	<u>172.5</u>	<u>134.0</u>	<u>277.8</u>	<u>378.5</u>	<u>386.9</u>	<u>363.2</u>
Total	<u>\$ 726.0</u>	<u>\$ 1,172.4</u>	<u>\$ 1,394.0</u>	<u>\$ 2,192.1</u>	<u>\$ 2,112.4</u>	<u>\$ 2,319.1</u>

SOURCE: Fiscal 1995-1999, Office of the Comptroller, fiscal 2000, 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. Does not reflect the provisions of recently enacted legislation to use surplus revenues to retire debt. See "COMMONWEALTH CAPITAL SPENDING -- Central Artery/Ted Williams Tunnel Project" and the March Information Statement under the heading "2000 FISCAL YEAR."
4. The amount of any Capital Projects Fund transfer will be determined by the Comptroller when the books are closed for fiscal 2000 on October 31, 2000. After the books are closed, such amount will be treated as an interfund transfer to non-budgeted funds and other uses.

## COMMONWEALTH CAPITAL SPENDING

### Central Artery/Ted Williams Tunnel Project

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

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

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

The Executive Office for Administration and Finance has engaged the services of an independent consulting and accounting firm to review costs associated with the Central Artery/Ted Williams Tunnel project and expects to receive the results of the firm's review by the end of July, 2000.

On May 8, 2000 the Subcommittee on Transportation and Related Agencies of the Committee on Appropriations of the U. S. House of Representatives approved an amendment to the appropriations bill for the U. S. Department of Transportation for the federal fiscal year beginning on October 1, 2000 that would prohibit federal officials from authorizing project approvals or advance construction authority for the Central Artery/Ted Williams Tunnel project. Such legislation was approved by the full Appropriations Committee on May 16, 2000 and by the full House of Representatives on May 19, 2000. On June 15, 2000 the U. S. Senate approved its version of the appropriations bill, including an amendment that would prohibit such federal officials from authorizing project approvals or advance construction authority until the U. S. Secretary of Transportation and the Commonwealth have entered into a written agreement limiting total federal contributions to the project to not more than \$8.549 billion. The \$8.549 billion limit is in the same amount as the limit imposed by the Federal Highway Administration in the May 8, 2000 letter described above and is consistent with the finance plan update filed June 16, 2000 and described below.

On May 17, 2000 the Governor approved legislation to provide financing for the additional costs of the Central Artery/Ted Williams Tunnel project and for the statewide road and bridge program. The legislation authorizes approximately \$1.520 billion of Commonwealth bonds, which may be issued as general obligations or as special obligations payable from the gasoline tax and, in the case of \$1.35 billion, from Highway Fund revenues generally. The legislation reinstates certain fees collected by the Registry of Motor Vehicles which will be credited to the Highway Fund and which are expected to generate approximately \$100 million per year to offset debt service costs associated with the foregoing bonds. (Legislation clarifying that such fees may be pledged to secure special obligation bonds has been approved by both houses of the Legislature but has not yet been enacted or approved by the Governor.) The legislation also provides for the sale of a highway exit ramp by the Commonwealth to the Massachusetts Port Authority in exchange for \$65 million (by December 31, 2000 with a possible six-month extension) and for the additional payment to the Commonwealth by the Massachusetts Turnpike Authority of \$200 million by September 1, 2000. Such moneys would be deposited in a new Central Artery and Statewide Road and Bridge Infrastructure Fund and used to pay additional costs of the Central Artery/Ted Williams Tunnel project and to fund the statewide road and bridge program to the extent of at least \$100 million per year for each of fiscal years 2001 through 2005. In addition the legislation authorizes up to \$650 million to be deposited in the Debt Defeasance Trust Fund (up to \$500 million from surplus fiscal 2001 revenues and up to \$150 million from accumulated surpluses from fiscal years 1997, 1998 and 1999 which are now credited to the Capital Projects Fund), where such moneys are to be used by December 31, 2000 to establish a sinking fund to retire certain Commonwealth bonds, or bonds issued prior to June 30, 2000 by other state agencies or authorities, at maturity. See the March Information Statement under the heading "COMMONWEALTH BOND AND NOTE LIABILITIES – Cash Defeasance." During each of the next five fiscal years, an amount equal to the amount that would otherwise have been appropriated for debt service on the defeased Commonwealth bonds is to be transferred by the Comptroller from the applicable budgetary operating funds to the Central Artery and Statewide Road and Bridge Infrastructure Fund. In the case of defeased bonds issued by other state agencies or authorities, such agencies or authorities are required to pay over to the Commonwealth, for transfer to the Fund, the amounts that they would have otherwise paid for debt service.

On June 16, 2000 the Massachusetts Turnpike Authority filed with the Federal Highway Administration a finance plan update identifying total project costs, expressed as cash needs through completion in 2004, of \$13.513 billion. This cost figure is based upon the previously identified project cash requirement of \$11.667 billion, plus \$1.846 billion in additional costs. The estimate of additional costs is \$448 million higher than the revised estimates released on February 1, 2000 but is consistent with the range of estimated additional costs contained in the March 31, 2000 federal task force report. The revised estimate of additional costs includes \$442 million (rather than \$302 million in the February 1 estimates) for change orders related to existing contracts, \$529 million (rather than \$321 million) in increased estimates for contracts yet to be awarded, \$292 million (same as before) in additional costs required to maintain the project's scheduled milestones and completion date in 2004, \$299 million (rather than \$260 million) for additional project management expenses, \$107 million (rather than \$90 million) in previously unanticipated expenses related to utility, transportation and other service contracts, \$88 million (rather than \$72 million) in additional right-of-way acquisition costs and \$88 million (rather than \$60 million) for additional

design services. Two major changes in assumptions account for the bulk of the increases. Potential change orders are estimated in the June 16 update at higher percentages of the contract price than in the past, and the market discount rate assumed for unawarded contracts is lower. See the March Information Statement under the heading “COMMONWEALTH CAPITAL SPENDING – Central Artery/Ted Williams Tunnel Project; *Revised cost estimates.*” In addition, the cost of Turnpike Authority employees working directly for the project has been included as a project cost in the June 16 update, adding \$39 million, and a Turnpike Authority garage and surface restoration that had been classified as non-project costs have been reclassified as project costs, adding \$53 million.

The funding sources identified in the June 16, 2000 finance plan update to defray the \$1.846 billion in additional costs are the same as those included in the legislation approved by the Governor on May 17, 2000. The Turnpike Authority is expected to finance the \$53 million garage project and surface restoration from its own resources, as previously planned.

The table below provides cash flow estimates that are consistent with the revised project cost estimates contained in the June 16, 2000 finance plan update and extend to fiscal 2005, when the project is expected to be completed. Given the uncertainties inherent in day-to-day management of contract bids and change orders, the timing of the project’s cash flow needs cannot be determined with precision. The table assumes enactment by the end of July of certain provisions in the transportation bond bill currently pending in the Legislature. See “Proposed Capital Spending Authorizations.” The companion table included in the March Information Statement under the caption “Interim Debt Schedule” has not been updated and should be disregarded. It has been the Commonwealth’s practice to finance the cash needs of the project out of general revenues when necessary in anticipation of federal and other third-party payments, and such practice is expected to continue. If necessary, the Commonwealth retains the legal authority to issue bond anticipation notes for such purpose.



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

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>Totals</u>
<b>Project Construction Uses:</b>	\$ 1,634,948(6)	\$ 1,894,569	\$ 1,079,910	\$ 661,788	\$ 431,942	\$ 133,391	\$ 5,836,548
<b>Project Construction Sources:</b>							
Federal highway reimbursements (2)	381,857	545,300	377,405	289,133	182,991	37,133	1,813,819
Commonwealth GO Bonds/Notes (3)	225,000	251,000	170,505	61,998	25,888	23,258	757,649
Third Party Contributions (4)	455,577	123,676	53,000	10,657	18,063	0	660,973
GANs	554,630	238,594	0	0	0	0	793,224
Transportation Infrastructure Fund (5)	<u>0</u>	<u>736,000</u>	<u>479,000</u>	<u>300,000</u>	<u>205,000</u>	<u>73,000</u>	<u>1,793,000</u>
<b>Total Sources</b>	<u>\$ 1,634,948(6)</u>	<u>\$ 1,894,569</u>	<u>\$ 1,079,910</u>	<u>\$ 661,788</u>	<u>\$ 431,942</u>	<u>\$ 133,391</u>	<u>\$ 5,836,548</u>

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

1. Totals may not add due to rounding.
2. Assumes TEA-21 apportionment.
3. Does not include bonds or notes authorized by May 17, 2000 legislation, which are included in the Transportation Infrastructure Fund line. Fiscal 2001 figure includes \$45 million in anticipated pay-as-you-go funding and interest earnings thereon.
4. Payments to be received from the Turnpike Authority and the Port Authority, including an additional \$53 million to be received from the Turnpike Authority as described in the June 16, 2000 finance plan update, but excluding payments to be received from the Turnpike Authority and the Port Authority as required by the May 17, 2000 (the latter payments are included in the Transportation Infrastructure Fund line). The fiscal year amounts assume that the Commonwealth will finance costs in anticipation of such receipts through cash advances funded by general revenues or through the issuance of interim debt, if necessary.
5. Central Artery and Statewide Road and Bridge Transportation Infrastructure Fund established pursuant to legislation approved by the Governor on May 17, 2000, as described above. Includes \$200 million to be received from the Turnpike Authority and \$65 million to be received from the Port Authority.
6. As of January 1, 2000. As of April 30, 2000, fiscal expenditures for fiscal 2000 were estimated to be approximately \$1.520 billion, with the balance of \$115 million expected to be expended in subsequent years.

## **Update of Proposed Capital Spending Authorizations**

The fiscal 2001 budget approved by the House of Representatives on April 14, 2000 includes a \$750 million Commonwealth bond authorization to finance \$400 million in road and bridge repairs throughout the state not related to the Central Artery/Ted Williams Tunnel project, to provide \$150 million in additional capital to the Massachusetts Water Pollution Abatement Trust (see the March Information Statement under the heading “COMMONWEALTH BOND AND NOTE LIABILITIES – Commonwealth-Supported Debt; *Massachusetts Water Pollution Abatement Trust*), to provide \$75 million to capitalize a revolving loan program for local school construction to be administered by the Massachusetts School Building Authority (see the March Information Statement under the heading “2001 FISCAL YEAR”), to fund \$75 million in matching grants to be made by the Department of Education (\$25 million per year in fiscal 2001 through fiscal 2003) to local school districts for educational technology and to finance \$50 million in public housing renovations. The bonds would be required to mature by December 31, 2005 and would be payable from a dedicated portion of income taxes received during fiscal 2001 through fiscal 2006, which would be deposited in the Commonwealth Bridge Loan Fund established by the legislation. The bonds could be issued as general obligations of the Commonwealth or as special obligations payable solely from the dedicated income tax receipts, as determined by the State Treasurer after consultation with the Secretary of Administration and Finance.

The fiscal 2001 budget released by the Senate Committee on Ways and Means on May 17, 2000 would establish a new Capital Needs Investment Trust Fund, in which \$45 million of income tax receipts would be deposited in each of fiscal years 2001 through 2005 for pay-as-you-go capital spending. Of the \$45 million, \$20 million would be deposited each year in a new Affordable Housing Trust Fund, where it would be available for expenditure by the Board of Directors of the Massachusetts Housing Partnership Fund to assist in the creation and preservation of affordable housing, \$11 million would be used by the Department of Education for statewide technology systems and grants to local school districts for educational technology, \$9 million would be used by the Division of Capital Asset Management and Maintenance for scheduled and deferred maintenance of state property and \$5 million would be used by the Division for the redevelopment of state facilities formerly operated by human service agencies.

The cash flow tables for the Central Artery/Ted Williams Tunnel project included in the March Information Statement assumed enactment by early March of certain provisions in the transportation bond bill currently pending in the Legislature. See the March Information Statement under the heading “COMMONWEALTH CAPITAL SPENDING – Central Artery/Ted Williams Tunnel Project; *Project cash flow*.” Because the transportation bond bill was not enacted by such date, the Massachusetts Turnpike Authority committed some of its own resources on an interim basis to the funding of new contracts and existing contract modifications in order to avoid delays in construction. The funding legislation approved by the Governor on May 17, 2000 may also give the Turnpike Authority some additional flexibility in this regard. The Turnpike Authority now estimates that failure by the Legislature to enact the transportation bond bill by the end of July could adversely affect the project’s timetable.

## **LEGAL MATTERS**

### **Update of Existing Litigation**

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

In *The First National Bank of Boston v. Commissioner of Revenue*, the Department of Revenue refunded \$35.3 million in April, 2000 to the First National Bank of Boston for tax year 1993 for reasons unrelated to the claims against the Department of Revenue. The bank has accordingly withdrawn all of its claims for tax year 1993. The Department of Revenue estimates that the amount of abatement sought by the bank for tax year 1994, including interest, could total \$119 million.

In *United States v. MWRA*, the court ruled on May 5, 2000 that the MWRA does not need to build a filtration system based on a finding that ozonation treatment and improvement of the Wachusett watershed are sufficient actions at this time.

In *Valerie Anderson v. Cellucci*, the named plaintiff of the case has been changed from Anderson to Boulet.

## SEC Investigation

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

## COMMONWEALTH BOND AND NOTE LIABILITIES

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

<b>Commonwealth Bond and Note Liabilities</b>		
<b>April 1, 2000</b>		
<b>(in thousands)</b>		
	<b><u>Long-Term</u></b>	<b><u>Short-Term</u></b>
<b>COMMONWEALTH DEBT</b>		
General Obligation Debt	\$ 10,274,086(1)	0
Special Obligation Debt	585,730	0
Federal Grant Anticipation Notes	<u>921,720</u>	<u>0</u>
Subtotal Commonwealth Debt	11,781,536(2)	0
<b>COMMONWEALTH-SUPPORTED DEBT</b>		
Massachusetts Bay Transportation Authority	3,710,915(3)	\$ 160,000(4)
Massachusetts Convention Center Authority	72,214	0
Massachusetts Development Finance Agency	80,000	0
Boston Metropolitan District	33,471	0
Steamship Authority	44,039	0
Regional Transit Authorities	<u>0</u>	<u>76,106</u>
Subtotal Supported Debt	3,940,639	236,106
<b>COMMONWEALTH-GUARANTEED DEBT</b>		
Higher Education Building Authorities	<u>214,891</u>	<u>0</u>
Subtotal Guaranteed Debt	214,891	0
<b>TOTAL COMMONWEALTH BOND AND NOTE LIABILITIES</b>	<b><u>\$ 15,937,066</u></b>	<b><u>\$ 236,106</u></b>

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

- (1) Long-term debt includes discount and costs of issuance. Does not include long-term capital lease obligations. See the March Information Statement under the heading "Indirect Obligations; *Plymouth County Certificates of Participation*" and "OTHER COMMONWEALTH LIABILITIES – Long-Term Capital Leases." Includes interest on Commonwealth general obligation capital appreciation bonds to be accrued from April 1, 2000 through their maturity in the amount of \$240.6 million. The Commonwealth sold \$740,305,000 of general obligation bonds on June 15, 2000 which are expected to be delivered on June 28, 2000.
- (2) Includes capital appreciation interest on Federal Highway Grant Anticipation Notes accrued from April 1, 2000 through their maturity in the amount of \$46.2 million.
- (3) Includes bonds and refunding bonds, excluding such bonds that have been refunded. Does not include certificates of participation and other long-term lease obligations. Because of legislation enacted in November, 1999 that restructured the finances of the Massachusetts Bay Transportation Authority, the Commonwealth will, beginning in fiscal 2001, no longer make direct debt service payments on the MBTA's bonds, but the Commonwealth will remain obligated to pay the debt service on MBTA bonds issued prior to July 1, 2000 if the MBTA cannot. See the March Information Statement under the heading "COMMONWEALTH PROGRAMS AND SERVICES – Massachusetts Bay Transportation Authority."
- (4) Notes due September 1, 2000, which are expected to be retired by the Commonwealth pursuant to legislation enacted in November, 1999 to restructure the finances of the Massachusetts Bay Transportation Authority. See the March Information Statement under the heading "COMMONWEALTH PROGRAMS AND SERVICES – Massachusetts Bay Transportation Authority."

## Maturities of Short-Term Debt

The following table sets forth the maturities of the Commonwealth's short-term liabilities outstanding as of April 1, 2000.

**Maturities of Short-Term Liabilities**  
**April 1, 2000**  
(in thousands)

<u>Year Due</u>	<u>MBTA</u>	Regional Transit <u>Authorities</u>	<u>Total</u>
Fiscal 2000	\$ 0	\$19,635	\$ 19,635
Fiscal 2001	<u>160,000</u>	<u>56,471</u>	<u>216,471</u>
Total	<u>\$160,000</u>	<u>\$76,106</u>	<u>\$236,106</u>

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

**Statutory Debt Limit on Direct Debt**

The statutory limit on “direct” bonds during fiscal year 2000 is \$10,549,031,869. The outstanding Commonwealth debt amounts excluded from the limit as of April 1, 2000 are shown in the table below (see the March Information Statement under the heading “COMMONWEALTH BOND AND NOTE LIABILITIES – Statutory Debt Limit on Direct Debt”):

**Calculation of the Debt Limit**  
(amount in thousands)

	<u>Bonds Outstanding</u>
Balance as of April 1, 2000	\$11,781,536
Less amounts excluded:	
Discount and issuance costs	(388,388)
Federal grant anticipation notes	(899,991)
Assumed county debt	(2,105)
Chapter 5 of the Acts of 1991 refunding bonds	(114,761)
Special obligation bonds	(582,410)
Bonds to retire MBTA notes	<u>(165,000)</u>
Outstanding Direct Debt	<u>\$ 9,628,881</u>

SOURCE: Office of the Comptroller.

**Debt Service Requirements on Commonwealth Bonds**

The following table sets forth, as of April 1, 2000, the annual fiscal year debt service requirements on outstanding Commonwealth general obligation bonds, special obligation bonds and federal grant anticipation notes. For variable rate bonds with respect to which the Commonwealth is a fixed-rate payor under an associated interest rate exchange agreement, the debt service schedule assumes payment of the fixed rate due under such agreement. See the March Information Statement under the heading “COMMONWEALTH BOND AND NOTE LIABILITIES – Synthetic Fixed Rate Bonds.”

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

<i>General Obligation Bonds</i>					<i>Federal Grant Anticipation Notes</i>			<i>Special Obligation Bonds</i>			Total Debt Service Commonwealth Bonds
Fiscal Year	Principal	Interest on CABS at Maturity	Current Interest	Sub Total	Principal	Interest	Sub Total	Principal	Interest	Sub Total	
2000	\$ 98,569	\$ 18,926	\$ 71,444	\$ 188,939	-	\$ 21,285	\$ 21,285	\$ 21,245	\$ 15,439	\$ 36,684	\$ 246,908
2001	679,958	14,122	491,798	1,185,878	-	42,570	42,570	22,290	29,830	52,120	1,280,568
2002	615,240	45,416	456,733	1,117,388	-	42,570	42,570	23,415	28,708	52,123	1,212,081
2003	626,246	48,650	426,855	1,101,751	-	42,570	42,570	24,865	27,258	52,123	1,196,444
2004	611,824	68,020	397,266	1,077,110	-	42,570	42,570	26,070	26,051	52,121	1,171,801
2005	679,048	9,338	366,779	1,055,166	-	42,570	42,570	27,370	24,758	52,128	1,149,864
2006	699,808	4,164	332,527	1,036,499	\$ 73,165	41,733	114,898	28,805	23,315	52,120	1,203,517
2007	713,750	4,588	296,130	1,014,468	76,785	38,114	114,899	30,350	21,774	52,124	1,181,491
2008	706,126	4,896	261,096	972,118	80,580	34,319	114,899	31,995	20,126	52,121	1,139,138
2009	697,884	5,705	222,961	926,551	84,840	30,061	114,901	33,675	18,444	52,119	1,093,571
2010	631,173	5,344	186,766	823,283	89,160	25,741	114,901	35,335	16,791	52,126	990,310
2011	635,071	5,857	152,982	793,910	93,715	21,180	114,895	37,300	14,829	52,129	960,934
2012	482,682	5,952	118,738	607,372	98,640	16,260	114,900	39,320	12,813	52,133	774,404
2013	484,986	6,742	93,383	585,112	102,985	11,913	114,898	41,470	10,650	52,120	752,130
2014	373,498	4,684	72,951	451,132	108,495	6,405	114,900	37,530	8,369	45,899	611,931
2015	360,455	3,915	53,636	418,006	113,355	1,544	114,899	39,455	6,440	45,895	578,800
2016	324,327	2,604	37,476	364,406	-	-	-	41,530	4,368	45,898	410,304
2017	242,520	1,344	24,794	268,658	-	-	-	43,710	2,186	45,896	314,553
2018	179,832	623	14,530	194,985	-	-	-	-	-	-	194,985
2019	121,809	192	6,928	128,929	-	-	-	-	-	-	128,929
2020 and thereafter	48,175	22	2,689	50,886	-	-	-	-	-	-	50,886
<b>TOTAL</b>	<b>\$10,012,981</b>	<b>\$261,105</b>	<b>\$4,088,462</b>	<b>\$14,362,548</b>	<b>\$921,720</b>	<b>\$461,404</b>	<b>\$1,383,124</b>	<b>\$585,730</b>	<b>\$312,147</b>	<b>\$897,877</b>	<b>\$16,643,549</b>

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

(1) Totals may not add due to rounding.

## OTHER COMMONWEALTH LIABILITIES

### Pension Funding Schedule and Actuarial Valuations

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

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

The fiscal 2001 budget approved by the House of Representatives on April 14, 2000 directs the Public Employee Retirement Administration Commission by November 1, 2000 to perform an experience study and to update its valuation of the assets in the state pension systems. The assets are to be valued at an amount not exceeding 91% of market value as of January 1, 2000. The House budget provisions call for the Secretary of Administration and Finance to prepare a revised triennial pension funding schedule by December 1, 2000 which would amortize the unfunded pension liability by fiscal year 2018 and which will require payments in fiscal 2002 at least equal to the current schedule. The valuation report and revised schedules are to be based upon certain prescribed assumptions, including a projected rate of return on investments of 8.25% and projected wage inflation of 6%.

### Unemployment Compensation Trust Fund

The assets and liabilities of the Commonwealth Unemployment Compensation Trust Fund are not assets and liabilities of the Commonwealth. As of May 31, 2000 the private contributory sector of the Massachusetts Unemployment Trust Fund had a surplus of \$1.996 billion. The Division of Employment and Training's April, 2000 quarterly report indicated that the contributions provided by current law should increase reserves in the system to \$2.335 billion by the end of 2004. See Exhibit A, "Economic Information," under the heading "Employment – Unemployment Compensation Trust Fund."

## AVAILABILITY OF OTHER INFORMATION

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

### THE COMMONWEALTH OF MASSACHUSETTS

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

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

June 16, 2000

## 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

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 \$740,305,000 General Obligation Bonds, Consolidated Loan of 2000, Series B, dated June 1, 2000 (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.

Commonwealth of Massachusetts  
 General Obligation Bonds  
 Consolidated Loan of 2000, Series B

Continuing Disclosure Undertaking

[to be included in bond form]

On behalf of the Commonwealth, the Treasurer and Receiver-General of the Commonwealth hereby undertakes for the benefit of the owners of the Bonds to provide to each nationally recognized municipal securities information repository (each, a “NRMSIR”) within the meaning of Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”) and to the state information depository for the Commonwealth, if any (the “SID”), within the meaning of the Rule, no later than 270 days after the end of each fiscal year of the Commonwealth, (i) the annual financial information described below relating to such fiscal year, together with audited financial statements of the Commonwealth for such fiscal year if audited financial statements are then available, provided, however, that if audited financial statements of the Commonwealth are not then available, such audited financial statements shall be delivered to each NRMSIR and the SID when they become available (but in no event later than 350 days after the end of such fiscal year) or (ii) notice of the Commonwealth’s failure, if any, to provide any such information. The annual financial information to be provided as aforesaid shall include financial information and operating data, in each case updated through the last day of such fiscal year unless otherwise noted, relating to the following information contained in the Commonwealth’s Information Statement dated March 3, 2000 (the “Information Statement”), as it appears as Appendix A in the Official Statement dated March 3, 2000 of the Massachusetts Bay Transportation Authority with respect to its General Transportation System Bonds, Variable Rate Demand Obligations, 2000 Series, and substantially in the same level of detail as is found in the referenced section of the Information Statement:

<b>Financial Information and Operating Data Category</b>	<b>Reference to Information Statement for Level of Detail</b>
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”

<b>Financial Information and Operating Data Category</b>	<b>Reference to Information Statement for Level of Detail</b>
6. If and to the extent otherwise updated in the prior fiscal year, summary presentation of the size of the state workforce	“COMMONWEALTH PROGRAMS AND SERVICES - State Workforce”
7. Five-year summary presentation of actual capital project expenditures	“COMMONWEALTH CAPITAL SPENDING - Historical Capital Spending”
8. Statement of Commonwealth bond and note liabilities as of the end of the prior fiscal year	“COMMONWEALTH BOND AND NOTE LIABILITIES - Overview - Outstanding Bond and Note Liabilities”
9. Five-year comparative presentation of long term Commonwealth debt and selected Commonwealth-supported debt as of the end of the prior fiscal year	“COMMONWEALTH BOND AND NOTE LIABILITIES - Overview - Long Term Bond Liabilities”
10. Annual fiscal year debt service requirements for Commonwealth general obligation and special obligation bonds, beginning with the current fiscal year	“COMMONWEALTH BOND AND NOTE LIABILITIES - Debt Service Requirements on Commonwealth Bonds”
11. So long as Commonwealth statutes impose a limit on the amount of outstanding “direct” bonds, information as to compliance therewith as of the end of the prior fiscal year	“COMMONWEALTH BOND AND NOTE LIABILITIES - Statutory Debt Limit on Direct Bonds”
12. Five-year summary presentation of authorized but unissued general obligation debt	“COMMONWEALTH BOND AND NOTE LIABILITIES - Authorized But Unissued Debt”
13. Annual fiscal year debt service contract assistance requirements for Commonwealth-supported debt, beginning with the current fiscal year	“COMMONWEALTH BOND AND NOTE LIABILITIES - Debt Service Contract Assistance Requirements on Commonwealth-Supported Debt”
14. Summary presentation of the then-current, statutorily imposed funding schedule for future Commonwealth pension liabilities, if any	“OTHER COMMONWEALTH LIABILITIES - Retirement Systems and Pension Benefits”
15. Summary presentation of operating lease commitments for future fiscal years as of the end of the prior fiscal year	“OTHER COMMONWEALTH LIABILITIES - Long Term Operating Leases”
16. Summary presentation of long-term capital leases for future fiscal years as of the end of the prior fiscal year	“OTHER COMMONWEALTH LIABILITIES - Long Term Capital Leases”
17. Summary presentation of school building assistance program commitments for future fiscal years as of the end of the prior fiscal year	“OTHER COMMONWEALTH LIABILITIES - School Building Assistance”

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

accounting principles in effect from time to time. Such financial statements shall be audited by a firm of certified public accountants appointed by the Commonwealth.

On behalf of the Commonwealth, the Treasurer and Receiver-General of the Commonwealth hereby further undertakes for the benefit of the owners of the 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;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties<sup>1/</sup>;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax-exempt status of the security;
- (vii) modifications to the rights of security holders;
- (viii) bond calls;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the securities<sup>2/</sup> and
- (xi) rating changes.

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

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

---

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

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

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.