

**THE
COMMONWEALTH
OF
MASSACHUSETTS**



INFORMATION STATEMENT SUPPLEMENT

Dated September 26, 2008

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THE COMMONWEALTH OF MASSACHUSETTS



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THE COMMONWEALTH OF MASSACHUSETTS
INFORMATION STATEMENT SUPPLEMENT

September 26, 2008

This supplement (“Supplement”) to the Information Statement of The Commonwealth of Massachusetts (the “Commonwealth”) dated August 22, 2008 (the “August Information Statement”) is dated September 26, 2008 and contains information which updates the information contained in the August Information Statement. The August Information Statement has been filed with each Nationally Recognized Municipal Securities Information Repository (NRMSIR) currently recognized by the Securities and Exchange Commission. This Supplement and the August 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 September 26, 2008. All capitalized terms not otherwise defined in this Supplement shall have the meanings ascribed to them in the August Information Statement.

The August Information Statement includes three exhibits. Exhibit A is the Statement of Economic Information as of June 30, 2008, which sets forth certain economic, demographic and statistical information concerning the Commonwealth. Exhibits B and C are, respectively, the Commonwealth’s Statutory Basis Financial Report for the year ended June 30, 2007 and the Commonwealth’s Comprehensive Annual Financial Report, reported in accordance with generally accepted accounting principles (GAAP), for the year ended June 30, 2007. Specific reference is made to said Exhibits A, B and C, copies of which have been filed with each NRMSIR currently recognized by the Securities and Exchange Commission. The financial statements are also available at the web site of the Comptroller of the Commonwealth located at <http://www.mass.gov/osc> by clicking on “Publications and Reports” and then “Financial Reports.”

RECENT DEVELOPMENTS

Fiscal 2008

Approximately \$399.5 million in supplemental appropriations were approved for fiscal 2008. Based on historical trends and preliminary estimates of fiscal 2008, the Executive Office for Administration and Finance is anticipating approximately \$275.8 million in reversions on account of fiscal 2008 (\$116.7 million of which are anticipated to be carried forward into fiscal 2009). See the August Information Statement under the heading “FISCAL 2008 AND FISCAL 2009 - Fiscal 2008.”

Fiscal 2009

Preliminary tax revenue collections for the first two months of fiscal 2009, ended August 31, 2008, totaled \$2.690 billion, an increase of \$136.1 million, or 5.3%, over the same period in fiscal 2008. The following table shows the tax collections for the first two months of fiscal 2009 and the change from tax collections in the same period in the prior year, both in dollars and as a percentage. The table also notes the amount of tax collections in fiscal 2009 that are dedicated to the Massachusetts Bay Transportation Authority and to the Massachusetts School Building Authority.

Fiscal 2009 Tax Collections (in millions) (1)

<u>Month</u>	<u>Tax Collections</u>	<u>Change from Prior Year</u>	<u>Percentage Change</u>	<u>MBTA Portion</u>	<u>MSBA Portion</u>	Tax Collections: Net of MBTA and MSBA
July	\$1,382.8	\$86.8	6.7%	\$60.5	\$51.4	\$1,271.0
August	1,308.6	50.5	4.0	56.9	48.4	1,203.4
September						
October						
November						
December						
January						
February						
March						
April						
May						
June						
Total	<u>\$2,690.3</u>	<u>\$136.1</u>	<u>5.3%</u>	<u>\$117.4</u>	<u>\$99.8</u>	<u>\$2,473.1</u>

SOURCE: Executive Office for Administration and Finance.

(1) Details may not add to Total due to rounding.

The year-to-date tax revenue increase of \$136.1 million through August 31, 2008 is attributable in large part to an increase of approximately \$98.1 million, or 7.2%, in withholding collections, an increase of approximately \$57.8 million, or 61.9%, in corporate and business tax collections which are partially offset by changes in other revenues (net of refunds) and by the decline of \$19 million, or 2.6%, in sales and use tax collections. The year-to-date fiscal 2009 collections (through August) were \$44 million above the benchmark estimate for the corresponding period, which was based on the fiscal 2009 estimate of \$21.402 billion (consensus fiscal 2009 estimate of \$20.987 billion adjusted for subsequent tax law changes). However, almost all of the July growth over fiscal 2008 and more than the entire July surplus over benchmark was accounted for by a corporate settlement payment of \$80 million that was received in July. Without taking that corporate settlement into account, total collections year-to-date would be about \$36 million below benchmark.

Legislation approved by the Governor on July 23, 2008 requires the Department of Revenue to submit to the Legislature semi-monthly reports of preliminary tax revenues, one on or before the third business day following the fifteenth day of each month and one on or before the third business day of the following month. The report for June is to be submitted on the day after the Department's processing of June tax revenues.

The Department of Revenue released its first mid-month tax revenue report on September 18, 2008. The report indicated that as of September 15, 2008, month-to-date tax collections for September, 2008 totaled \$889 million, down \$200 million from the same period in September, 2007. The full-month benchmark estimate for September called for growth of \$80 million. The report noted that most of the month-to-date decline was the result of lower withholding collections, which were down \$73 million, or 16.4%, from the year-earlier period (compared to the full-month benchmark estimate that projected withholding growth of \$60 million from September, 2007), and weaker corporate business taxes, which were down \$84 million, or 20.6%, from a year ago (compared to the full-month benchmark estimate that projected a decline of \$9 million from September, 2007). The report noted that some weakness in September withholding collections had been expected, since August withholding was inflated by timing-related calendar issues that were reversed in September. It also noted that the September withholding decline was greater than could be explained by the reversal of the exaggerated August growth and that it would not be known until the end of September (and possibly the first week of October) whether other timing factors were at work.

The report also explained that the \$84 million month-to-date decline through September 15, 2008 in corporate and business taxes was primarily the result of lower estimated payments of corporate excise and public utilities taxes. The report noted that while some of the decline may have been due to the weakening economy, it is also possible that increased use of tax credits and timing factors were at work as well, and that it would not be known until the end of the month whether any timing factors are involved.

Finally, the report cautioned that growth in revenues received through the 15th day of September was not necessarily indicative of what the growth for the full month would be, since most revenue for September (including almost all revenue attributable to quarterly income estimated payments and monthly sales tax remittances) is received in the second half of the month and there are processing and timing related issues (including the fact that September, 2008 has two more deposit days than did September, 2007) that may skew growth comparisons in the first half of the month.

Earlier economic forecasts had indicated that the fiscal 2009 tax revenues could be approximately \$400 million below the consensus tax revenue estimate upon which the fiscal 2009 budget was based. The Secretary of Administration and Finance has been closely monitoring fiscal 2009 tax revenue collections in order to assess the validity of these earlier forecasts. Based on the Department of Revenue's mid-September revenue report, recent economic indicators and the recent events in the financial markets, it appears possible that the projected revenue shortfall for fiscal 2009 could exceed \$400 million. The Secretary has already taken a number of steps to plan for a potential revenue shortfall, including working with agencies to identify potential budget cuts pursuant to the Governor's "9C" authority and imposing various spending and hiring controls on agencies. On or about October 15, 2008, the Secretary is statutorily required to issue a revision to the fiscal 2009 tax revenue estimate if she determines such a revision to be necessary. In order to determine the extent to which such a revision is necessary, the Secretary will continue to monitor tax revenue projections and review updated economic forecasts. In the event that the Secretary issues a downward revision of the fiscal 2009 tax revenue estimate, the Administration will also make corresponding budget cuts pursuant to the Governor's "9C" authority or identify other steps necessary to offset any projected revenue shortfall. See the August Information Statement under the heading "COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS – Overview of Operating Budget Process."

Federal and other Non-Tax Revenues

Lottery Revenues. For fiscal 2009, the State Lottery Commission is currently projecting net transfers of \$1.025 billion, which is estimated to result in \$810.9 million of such transfers being available for local aid to cities and towns after paying Lottery administration expenses.

Cash Flow

A cash flow report for fiscal 2008 and forecast for fiscal 2009, dated September 2, 2008, has been released by the State Treasurer and the Secretary of Administration and Finance. The fiscal 2008 cash flow report incorporates actual spending and revenue through June 30, 2008. See the August Information Statement under the heading "FISCAL 2008 AND FISCAL 2009 - Cash Flow."

The September 2, 2008 cash flow reports an actual cash balance on June 30, 2008 of \$1.198 billion, approximately \$393 million lower than the July 1, 2007 cash balance of \$1.591 billion that opened the fiscal year.

The fiscal 2009 cash flow projection is based upon the fiscal 2009 budget signed on July 13, 2008 (including the value of all vetoes and subsequent overrides), all supplemental appropriations either filed, enacted or anticipated and all prior appropriations continued into fiscal 2009. Fiscal 2009 projections are based on actual spending and revenue through July, 2008 and estimates for the remainder of fiscal 2009. The fiscal 2009 budget provides for spending of \$28.165 billion and is based upon a tax estimate of \$21.402 billion (original consensus revenue estimate of \$20.987 billion adjusted for subsequent tax law changes). The fiscal 2009 projections are also based on the five-year capital investment plan published in August, 2007 by the Executive Office for Administration and Finance. Given the national economic climate and projections of slower rates of economic growth for the Commonwealth, the Secretary of Administration and Finance continues to closely monitor fiscal 2009 tax receipts and is developing contingency plans in the event that state tax revenue growth slows to a level that would require a downward revision of the fiscal 2009 estimate.

In the event that the Secretary determines a downward revision of the fiscal 2009 tax revenue estimate is necessary, corresponding reductions in spending or increases in other funding sources would be required, and any such revenue and expense adjustments would be reflected in future cash flow statements. See the August Information Statement under the heading "COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS - Overview of Operating Budget Process" and "Fiscal 2009" above. The fiscal 2009 tax estimate includes \$1.465 billion dedicated to the Commonwealth's pension obligations, \$768 million in sales tax revenues dedicated to the Massachusetts Bay Transportation Authority and \$702 million in sales tax revenues dedicated to the Massachusetts School Building Authority. The fiscal 2009 budget assumes total net transfers from the State Lottery of \$1.025 billion, which is an insufficient amount to fully fund local aid to cities and towns. The fiscal 2009 cash flow projection also assumes the receipt of \$288.5 million on April 15, 2009 pursuant to the tobacco master settlement agreement.

Based on the September 2, 2008 projections, the fiscal 2009 forecast shows an overall decline in the non-segregated cash balance from \$1.198 billion to \$676 million. Several factors affect the overall decline in the cash balance, including general obligation bond proceeds received in fiscal 2008 which are projected to be spent in fiscal 2009, fiscal 2008 appropriations carried forward and authorized to be expended in fiscal 2009 and some anticipated transfers that may result from the fiscal 2008 consolidated net surplus calculation. The month-end balance for July, 2008 was \$832 million, compared to a balance of \$1.292 billion for July, 2007.

The September 2, 2008 projections, as well as previous projections, anticipated the issuance by the Commonwealth of revenue anticipation notes in late September. Due to disruptions in the capital markets, the Commonwealth deferred the planned issuance of revenue anticipation notes into early October. In order to meet cash flow needs through the end of September, the State Treasurer has accelerated into September the withdrawal from the Stabilization Fund originally planned for December and has issued an additional \$101 million in commercial paper. The total amount of commercial paper outstanding, as of September 25, 2008, is \$518 million. Approximately \$189 million is expected to be repaid in October. The Commonwealth expects to issue \$750 million of revenue anticipation notes on October 6, 2008, to be repaid in equal installments in April and May, 2009.

The Commonwealth's next cash flow projection is expected to be released on or before December 1, 2008.

Overview of Fiscal 2008 Non-Segregated Operating Cash Flow (in millions) (1)
(as of September 2, 2008)

	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
Opening Balance	\$1,590.8	\$1,291.8	\$1,186.9	\$724.7	\$456.8	\$393.4	\$499.3	\$1,238.9	\$573.2	\$314.9	\$1,369.2	\$1,286.7
CP /RANs Issuance	-	-	-	200.0	300.0	900.0	-	-	400.0	-	-	-
Total Receipts	2,687.8	3,055.6	3,491.6	2,558.7	3,130.8	3,449.9	3,343.6	3,112.5	4,209.7	4,812.26	3,774.1	4,549.9
Total Expenditures	2,987.1	3,173.4	3,953.4	3,026.1	3,400.8	4,483.6	3,100.8	3,376.6	4,939.7	3,757.7	3,856.4	4,641.1
Central Artery Settlement	-	-	-	-	-	-	401.2	(401.2)	-	-	-	-
Stabilization Transfers	-	-	-	-	(92.9)	240.0	-	-	72.0	-	-	3.0
Closing Balance	<u>\$1,291.5</u>	<u>\$1,187.4</u>	<u>\$725.1</u>	<u>\$457.2</u>	<u>\$393.8</u>	<u>\$499.7</u>	<u>\$1,239.3</u>	<u>\$573.6</u>	<u>\$315.2</u>	<u>\$1,369.5</u>	<u>\$1,286.9</u>	<u>\$1,198.5</u>

SOURCE: Office of the Treasurer and Receiver-General.

(1) Totals may not add due to rounding.

Overview of Fiscal 2009 Non-Segregated Operating Cash Flow (in millions) (1)
(as of September 2, 2008)

	<u>Jul</u>	<u>Aug</u>	<u>Sept</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>June</u>
Opening Balance	\$1,198.2	\$832.5	\$790.4	\$770.4	\$1,400.4	\$749.5	\$386.7	\$933.2	\$673.1	\$335.3	\$1,670.4	\$1,145.9
CP/RANs Issuance	-	500.0	300.0	750/0		618.0	-	-	-	-	-	-
Total Receipts	2,942.4	3,441.6	4,303.1	4,144.3	3,083.7	4,457.8	3,883.5	3,079.5	4,354.8	5,053.5	3,370.9	4,701.0
Total Expenditures	3,307.9	3,483.5	4,633.0	3,514.2	3,734.5	4,820.5	3,336.9	3,339.5	4,692.5	3,718.3	3,895.4	5,064.4
Central Artery Settlement	-	-	-	-	-	-	-	-	-	-	-	-
Stabilization Transfers	-	-	310.0	-	-	-	-	-	-	-	-	-
Closing Balance	<u>\$832.7</u>	<u>\$790.7</u>	<u>\$770.6</u>	<u>\$1,400.5</u>	<u>\$749.5</u>	<u>\$386.7</u>	<u>\$933.2</u>	<u>\$673.2</u>	<u>\$335.4</u>	<u>\$1,670.5</u>	<u>\$1,146.0</u>	<u>\$782.5</u>

SOURCE: Office of the Treasurer and Receiver-General.

(1) Totals may not add due to rounding.

COMMONWEALTH EXPENDITURES

Medicaid

The federal section 1115 demonstration project waiver under which the Commonwealth operates the majority of its Medicaid program is currently authorized through October 6, 2008. The Commonwealth is actively working with the federal government to secure a renewal of this authority through June 30, 2011; while prior authority was set to expire on June 30, 2008, the Commonwealth and the federal Centers for Medicare and Medicaid Services (CMS) agreed to extend the current terms for an eighth two-week period in order to provide appropriate time in which to complete discussions. The Commonwealth will evaluate the need for additional short-term extensions as negotiations progress. See the August Information Statement under the heading "COMMONWEALTH EXPENDITURES - Medicaid."

Office of Disability and Community Services

Under the settlement agreement approved June 16, 2008 in *Rolland v. Patrick et al.*, the Commonwealth expects to devote an additional \$17-20 million each year to pay for the placement of the affected individuals and the provision of active treatment. See the August Information Statement under the headings "COMMONWEALTH EXPENDITURES - Office of Disabilities and Community Services" and "LEGAL MATTERS."

Pension

On September 10, 2008, PERAC released its actuarial valuation of the total pension obligation as of January 1, 2008. See the August Information Statement under the heading "COMMONWEALTH EXPENDITURES - Pension; *Valuation of Pension Obligation.*" The unfunded actuarial accrued liability as of that date for the total obligation was approximately \$12.105 billion, including approximately \$2.420 billion for the State Employees' Retirement System, \$8.072 billion for the Massachusetts Teachers' Retirement System, \$1.237 billion for Boston Teachers and \$376 million for cost-of-living increases reimbursable to local systems. The valuation study estimated the total actuarial accrued liability as of January 1, 2008 to be approximately \$56.637 billion (comprised of \$22.821 billion for state employees, \$30.955 billion for state teachers, \$2.485 billion for Boston Teachers and \$376 million for cost-of-living increases reimbursable to local systems). Total assets were valued at approximately \$44.532 billion based on a five-year average valuation method, which equaled 90.4% of the January 1, 2008 total asset market value. The valuation method was the same as the method used in the 2007 valuation. The following table shows the valuation of accrued liabilities and assets from 2004 through 2008:

Pension Fund Valuation and Unfunded Accrued Liabilities (in millions)

<u>Valuation Date</u>	<u>Total Actuarial Accrued Liability</u>	<u>Actuarial Value of Assets(1)</u>	<u>Unfunded Accrued Liabilities</u>		<u>Valuation Date</u>
			<u>Unfunded Actuarial Liability(2)</u>	<u>Market Value of Unfunded Liability</u>	
January 1, 2004	\$46,059	\$34,045	\$12,014	\$14,350	January 1, 2004
January 1, 2005	48,358	34,939	13,419	12,861	January 1, 2005
January 1, 2006	50,865	36,377	14,488	11,844	January 1, 2006
January 1, 2007	53,761	40,412	13,349	8,859	January 1, 2007
January 1, 2008	56,637	44,532	12,105	7,402	January 1, 2008

SOURCE: Public Employee Retirement Administration Commission.

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

(2) Based on actuarial valuation.

The existing funding schedule is based on the January 1, 2003 actuarial liability, brought forward on an estimated basis to January 1, 2004, and on asset values on January 1, 2004. The most recent funding schedule recommended by PERAC is based on the January 1, 2007 actuarial liability, brought forward on an estimated basis to January 1, 2008, and asset values on December 31, 2007. The funding schedule has not been updated to reflect the actuarial January 1, 2008 results.

LONG-TERM LIABILITIES

General Obligation Debt

On September 11, 2008, the Commonwealth issued fixed-rate general obligation bonds in the aggregate principal amount of \$652,790,000 to refund certain auction-rate bonds (outstanding in the aggregate principal amount of \$163,650,000) and to finance capital expenditures expected to occur in fiscal 2009.

Interest Rate Swaps

On September 15, 2008, Lehman Brothers Holdings Inc. ("LBHI"), the corporate parent of Lehman Brothers Derivatives Products Inc. ("LBDP") and Lehman Brothers Special Financing Inc. ("LBSF"), filed for bankruptcy. At the time of the filing, the Commonwealth had outstanding interest rate swaps with LBDP and LBSF. See the August Information Statement under the heading "LONG-TERM LIABILITIES - Interest Rate Swaps." The Commonwealth's outstanding interest rate swap with LBDP was subject to automatic termination upon such bankruptcy filing, with payment of a termination amount by the Commonwealth due within five days of notice of such termination. However, no notice of termination was given and, on September 16, 2008, the swap was assigned by the parties to LBSF and is no longer subject to automatic termination. LBHI was the guarantor of the swaps originally entered into with LBSF, and as a result of LBHI's bankruptcy filing, those swaps are subject to termination at the option of the Commonwealth. It is the Commonwealth's intention to assign each of these swaps to different counterparties in the near future without incurring termination costs. The Commonwealth would owe a termination payment on each of these swaps if they were to be terminated at this time and were not assigned to replacement counterparties.

Budgetary Contract Assistance Liabilities

City of Chelsea Commonwealth Lease Revenue Bonds. By virtue of the bankruptcy filing by LBHI described above under "Interest Rate Swaps," the interest rate swaps with LBSF related to the City of Chelsea Lease Revenue Bonds are subject to termination at the option of the Commonwealth. See the August Information Statement under the heading "LONG-TERM LIABILITIES - Budgetary Contract Assistance Liabilities; *City of Chelsea Commonwealth Lease Revenue Bonds.*" The Commonwealth is currently considering structuring alternatives, including assigning the swaps to different counterparties or refunding the bonds. The August Information Statement is hereby corrected to note that a ratings downgrade of FSA would not, in fact, trigger termination costs under the swaps, because the FSA insurance covers only the bonds, not the swaps.

Contingent Liabilities

Massachusetts Turnpike Authority. By virtue of the bankruptcy filing by LBHI described above under "Interest Rate Swaps," the Lehman swaptions described in the August Information Statement under the heading "LONG-TERM LIABILITIES - Contingent Liabilities; *Massachusetts Turnpike Authority*" are now subject to termination at the option of the Authority. The Turnpike Authority would owe a termination payment on each of these swaptions if they were to be terminated at this time. The Turnpike Authority is evaluating its options and has made no decision at this time regarding the Lehman swaptions.

COMMONWEALTH CAPITAL INVESTMENT PLAN

Capital Investment Plan

The updated bond cap and debt affordability analysis and updated five-year capital investment plan are not yet finalized. They are expected to be completed in the near future. See the August Information Statement under the heading "COMMONWEALTH CAPITAL INVESTMENT PLAN - Capital Investment Plan."

LEGAL MATTERS

Matters described in the August Information Statement under the heading “LEGAL MATTERS” are updated as follows:

Ricci v. Patrick, United States District Court, First Circuit Court of Appeals. Oral argument on the Commonwealth’s appeal occurred on September 3, 2008; the Commonwealth is awaiting a decision.

Hutchinson v. Patrick et al., United States District Court, Western Division. After a fairness hearing on July 25, 2008, where there were no objections from class members, the court entered an order on September 19, 2008, approving the final comprehensive settlement agreement and retaining jurisdiction over the case pending compliance with the terms of the settlement agreement.

Rolland v. Patrick, United States District Court, Western Division. This case carries the potential for a prospective increase in annual program costs of more than \$20 million.

Disability Law Center, Inc. v. Massachusetts Department of Correction et al, United States District Court. Disability Law Center, Inc. (“DLC”) has received the medical and mental health records of numerous inmates. The parties have been engaged in settlement discussions, and the next status report to the Court is due on September 26, 2008. While DLC requests only injunctive relief, estimated increased program costs could amount to over \$25 million in the event of an adverse outcome.

Fleet Funding, Inc. & Fleet Funding II. V. Commissioner of Revenue, Appeals Court. The Appellants have filed their brief, and the Commissioner’s brief is currently due on October 31, 2008.

Commonwealth of Massachusetts v. Philip Morris Inc., RJ Reynolds Tobacco Company, Lorillard Tobacco Company, et. al. (2006 NPM Adjustment) The SFD proceeding for a 2006 NPM adjustment commenced in May 2008 and is presently underway.

Cutting Edge Enterprises, Inc. v. National Association of Attorneys General et al., United States District Court, Southern District of New York; *Cutting Edge Enterprises, Inc. v. National Association of Attorneys General et al*, United States Bankruptcy Court, Middle District of North Carolina. In January, 2008, Cutting Edge voluntarily dismissed its action and on February 5, 2008, the case was officially closed.

Conservation Law Foundation, Inc. v. Romney, United States District Court. This case was dismissed by agreement on August 19, 2008.

The Arborway Committee v. Executive Office of Transportation et al., Suffolk Superior Court. The Commonwealth has moved for summary judgment on statute of limitations grounds and the plaintiff’s opposition memorandum to that motion is due on October 31, 2008. Discovery is proceeding simultaneously with the motion for summary judgment.

MISCELLANEOUS

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

The August Information Statement and this Supplement contain certain forward-looking statements that are subject to a variety of risks and uncertainties that could cause actual results to differ from the projected results, including without limitation general economic and business conditions, conditions in the financial markets, the financial condition of the Commonwealth and various state agencies and authorities, receipt of federal grants, litigation, arbitration, force majeure events and various other factors that are beyond the control of the Commonwealth and its various agencies and authorities. Because of the inability to predict all factors that may affect future decisions, actions, events or financial circumstances, what actually happens may be different from what

is set forth in such forward-looking statements. Forward-looking statements are indicated by use of such words as “may,” “will,” “should,” “intends,” “expects,” “believes,” “anticipates,” “estimates” and others.

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

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

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

CONTINUING DISCLOSURE

The Commonwealth prepares its Statutory Basis Financial Report and its Comprehensive Annual Financial Report with respect to each fiscal year ending June 30. The Statutory Basis Financial Report becomes available by October 31 of the following fiscal year and the Comprehensive Annual Financial Report becomes available in January of the following fiscal year. Copies of such reports and other financial reports of the Comptroller referenced in this document may be obtained by requesting the same in writing from the Office of the Comptroller, One Ashburton Place, Room 909, Boston, Massachusetts 02108. The financial statements are also available at the Comptroller’s web site located at <http://www.mass.gov/osc> by clicking on “Financial Reports/Audits.”

On behalf of the Commonwealth, the State Treasurer will provide to each NRMSIR within the meaning of Rule 15c2-12 of the SEC, no later than 270 days after the end of each fiscal year of the Commonwealth, certain financial information and operating data relating to such fiscal year, as provided in said Rule 15c2-12, together with audited financial statements of the Commonwealth for such fiscal year. To date, the Commonwealth has complied with all of its continuing disclosure undertakings relating to the general obligation debt of the Commonwealth and has not failed in the last six years to comply with its continuing disclosure undertakings with respect to its special obligation debt and federal grant anticipation notes. However, the annual filings relating to the fiscal year ended June 30, 2001 for the Commonwealth’s special obligation debt and for the Commonwealth’s federal highway grant anticipation notes were filed two days late, on March 29, 2002. Proper notice of the late filings was provided on March 29, 2002 to the Nationally Recognized Municipal Securities Information Repositories and the Municipal Securities Rulemaking Board.

The Department of the State Auditor audits all agencies, departments and authorities of the Commonwealth at least every two years. Copies of audit reports may be obtained from the State Auditor, State House, Room 229, Boston, Massachusetts 02133.

AVAILABILITY OF OTHER FINANCIAL INFORMATION

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

THE COMMONWEALTH OF MASSACHUSETTS

By /s/ Timothy P. Cahill
Timothy P. Cahill
Treasurer and Receiver-General

By /s/ Leslie A. Kirwan
Leslie A. Kirwan
Secretary of Administration and Finance

September 26, 2008

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