REFUNDING ISSUE - BOOK-ENTRY-ONLY

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

$271,280,000
THE COMMONWEALTH OF MASSACHUSETTS

General Obligation Refunding Bonds
1997 Series B
(Variable Rate Demand Bonds)

Dated: Date of Delivery **Due: August 1, 2015**

The Bonds will be issued by means of a book-entry-only system evidencing ownership and transfer of the Bonds on the records of The Depository Trust Company ("DTC") and its participants. Details of payment of the Bonds are more fully described in this Official Statement. The Bonds are variable rate bonds that may be in a Daily Mode, Weekly Mode or Fixed Mode. The Bonds initially will be in the Weekly Mode and will bear interest initially at the rate of 3.55% and thereafter, beginning with the next succeeding Thursday, at Weekly Rates determined by the Remarketing Agent as described herein. So long as the Bonds are in the Weekly Mode, the Interest Payment Dates will be on the first Business Day of each month. Bonds in the Weekly Mode or in the Daily Mode may be purchased in Authorized Denominations of $100,000 and any integral multiple of $5,000 in excess thereof. All Bonds will bear interest in the same mode. The Bonds are subject to optional redemption, mandatory sinking fund redemption and optional and mandatory tender for purchase prior to maturity, as more fully described herein.

The Bonds will constitute general obligations of The Commonwealth of Massachusetts (the "Commonwealth"), and the full faith and credit of the Commonwealth will be pledged to the payment of the principal of and interest on the Bonds. However, for information regarding certain statutory limits on state tax revenue growth and on expenditures for debt service and regarding dedicated state income tax revenues, see "SECURITY FOR THE BONDS."

The Commonwealth will enter into a Standby Bond Purchase Agreement with Landesbank Hessen-Thüringen Girozentrale, acting through its New York Branch (the "Bank"). See Appendix F hereto. The Standby Bond Purchase Agreement is a liquidity facility that requires the Bank to purchase the Bonds tendered or deemed tendered to the extent not remarketed, subject to certain funding conditions described herein. The Bank is not providing credit support for payment of regularly scheduled principal and interest. See Appendix E hereto under "Standby Bond Purchase Agreement."

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 Palmer & Dodge LLP, Boston, Massachusetts, Bond Counsel. Certain legal matters will be passed upon for the Commonwealth by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Hinckley, Allen & Snyder, Boston, Massachusetts. The Bonds are expected to be available for delivery at DTC in New York, New York, on or about August 12, 1997.

Price: 100%

Goldman, Sachs & Co. **Fleet Securities, Inc.**

August 6, 1997

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

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

THE COMMONWEALTH OF MASSACHUSETTS

CONSTITUTIONAL OFFICERS

Argeo Paul Cellucci................................ Lieutenant Governor and Acting Governor
William F. Galvin... Secretary of the Commonwealth
L. Scott Harshbarger.. Attorney General
Joseph D. Malone... 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

$271,280,000

THE COMMONWEALTH OF MASSACHUSETTS

General Obligation Refunding Bonds
1997 Series B
(Variable Rate Demand Bonds)

INTRODUCTION

This Preliminary Official Statement (including the cover pages and Appendices A through F attached hereto) provides certain information in connection with the issuance by The Commonwealth of Massachusetts (the "Commonwealth") of $271,280,000 aggregate principal amount of its General Obligation Refunding Bonds, 1997 Series B (Variable Rate Demand Bonds) (the "Bonds"). The Bonds will be general obligations of the Commonwealth, and the full faith and credit of the Commonwealth will be pledged to the payment of the principal of and interest on the Bonds. However, for information regarding certain statutory limits on state tax revenue growth and expenditures for debt service and regarding dedicated state income tax revenues, see "SECURITY FOR THE BONDS" and the Commonwealth Information Statement (described below) under the headings "COMMONWEALTH REVENUES—Limitations on Tax Revenues," "COMMONWEALTH PROGRAMS AND SERVICES—Debt Service" and "COMMONWEALTH BOND AND NOTE LIABILITIES."

The Bonds are being issued to advance refund certain bonds of the Commonwealth as set forth in Appendix B—"Table of Refunded Bonds." See "THE BONDS—Plan of Finance."

Purpose and Content of Official Statement

This Official Statement describes the terms and use of proceeds of, and security for, the Bonds. This introduction is subject in all respects to the additional information contained in this Official Statement, including Appendices A through F. 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 February 13, 1997 (the "February Information Statement"), as it appears in the Official Statement dated February 20, 1997 of the Massachusetts Bay Transportation Authority with respect to its 1997 Series A Notes (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 February Information Statement has been supplemented by the Commonwealth Information Statement Supplement dated August 6, 1997 (the "Supplement"), which is attached hereto as Appendix A. The February Information Statement, as supplemented by the Supplement, contains certain fiscal, budgetary, financial and other general information concerning the Commonwealth.

Attached hereto as Appendix B is a listing of bonds a portion of which are to be refunded with the proceeds of the Bonds. Appendix C attached hereto contains the proposed form of legal opinion of Bond Counsel with respect to the Bonds. Appendix D attached hereto contains the proposed form of the Commonwealth's continuing disclosure undertaking to be included in the form of the Bonds. Appendix E attached hereto contains definitions used in this Official Statement and a summary of certain provisions of the Bonds relating to their variable rate demand features, the Standby Bond Purchase Agreement and the Remarketing Agreement. Appendix F attached hereto contains information concerning Landesbank Hessen-Thüringen Girozentrale, which, acting through its New York branch, is entering into the Standby Bond Purchase Agreement with the Commonwealth.

THE BONDS

General

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

Book-Entry-Only System. The Bonds will be issued by means of a book-entry-only system, with bond certificates immobilized at The Depository Trust Company, New York, New York ("DTC"). The certificates will not be available for distribution to the public and will evidence ownership of the Bonds in principal amounts, in the Daily Mode and Weekly Mode of $100,000 and integral multiples of $5,000 in excess thereof and, in the Fixed Mode, 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 to DTC or its nominee as registered owner of the Bonds. The Record Date for payments on account of the Bonds will be the Business Day next preceding an Interest Payment Date. As long as the book-entry-only system remains in effect, DTC or its nominee will be recognized as the owner of the Bonds for all purposes, including notices and voting. The Commonwealth will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. See "BOOK-ENTRY-ONLY SYSTEM."

Additional Information Related to Variable Rate Demand Bonds

The Bonds will be in the Daily Mode, the Weekly Mode or the Fixed Mode. Bonds in the Daily Mode will bear interest at a Daily Rate. Bonds in the Weekly Mode will bear interest at a Weekly Rate. Bonds in the Fixed Mode will bear interest at a Fixed Rate. Depending on which mode is then in effect for the Bonds, the Interest Payment Dates, the dates interest rates are effective, the dates on which notices of tender are required to be given, the dates on which Bonds are to be tendered, the dates for notices of conversion to another mode and provisions for mandatory tender for purchase applicable to the Bonds will vary. See the description below and Appendix E for further details.

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

Interest. The Bonds will bear interest initially at the rate set forth above to and including the first Wednesday which is or follows the date the Bonds are issued. Thereafter, Bonds shall bear interest at Daily Rates, Weekly Rates or a Fixed Rate. Initially all Bonds will be in the Weekly Mode. At the option of the Commonwealth, Bonds in the Weekly Mode or the Daily Mode may be changed to either of the other two modes, as described below and in Appendix E.

Interest on Bonds in the Weekly Mode is payable monthly on each Interest Payment Date. For Bonds in the Weekly Mode, the Interest Payment Date is the first Business Day of each calendar month. Interest on Bonds in the Weekly Mode is computed on the basis of a 365- or 366-day year, as applicable, for the actual number of days elapsed and is payable to the registered owners who are such registered owners on the Record Date, which is the Business Day immediately preceding an Interest Payment Date. As long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See "BOOK-ENTRY-ONLY

SYSTEM." For a description of interest payments on Bonds in the Daily Mode and the Fixed Mode, see Appendix E.

Interest Rate Determination. For Bonds in the Weekly Mode, the Weekly Rate shall be determined each week by the Remarketing Agent, by 4:00 p.m., Boston time, on the Business Day prior to the commencement of the Weekly Rate Period (the "Rate Determination Date") to which it relates. Weekly Rate Periods will commence on a Thursday and end on Wednesday of the following week. The Weekly Rate for each Weekly Rate Period will be determined by the Remarketing Agent as that rate of interest which would cause the Bonds to have a market value equal to the principal amount thereof (exclusive of accrued interest), taking into account prevailing market conditions as of the Rate Determination Date. Written, telephonic or electronic notice of Weekly Rates will be given by the Remarketing Agent to the Commonwealth by the close of business on each Rate Determination Date. If the Remarketing Agent fails to determine a Weekly Rate, the Bonds will continue to bear interest at the prior Weekly Rate until a new Weekly Rate is determined. No Weekly Rate on the Bonds may exceed 12% per annum, the Maximum Rate. For a description of the procedures for determining Daily Rates and Fixed Rates, see Appendix E.

Optional Tender for Purchase. Bonds in the Weekly Mode may be tendered for purchase at a Purchase Price equal to 100% of the principal amount thereof, plus accrued interest, if any, payable in immediately available funds upon written or telephonic notice (promptly confirmed in writing) of tender to the Tender Agent not later than 5:00 p.m., Boston time, on a Business Day not fewer than seven days prior to the Purchase Date. The Purchase Date may be any Business Day prior to conversion of the Bonds to a Daily Mode or Fixed Mode. As noted below under "Book-Entry Bonds," for so long as the Bonds are registered in the name of Cede & Co., as nominee for DTC, the procedures for tender of Bonds will be governed by the operational procedures of DTC.

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

(i) be delivered in writing or by telephone (and promptly confirmed in writing) to the Tender Agent at its corporate trust office by 5:00 p.m., Boston time, on a Business Day not fewer than seven days prior to the Purchase Date, which may be any Business Day prior to conversion of the Bonds to a Daily Mode or Fixed Mode, and be in a form satisfactory to the Tender Agent;

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

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

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

Mandatory Tender Upon Conversion to the Fixed Mode. Bonds to be converted from the Weekly Mode or the Daily Mode to the Fixed Mode are subject to mandatory tender for purchase as described below on the Conversion Date at a Purchase Price equal to 100% of the principal amount of the Bonds, plus accrued interest.

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

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

Delivery and Payment for Tendered Bonds. The Tender Agent, on behalf of the Commonwealth, will purchase any Bonds properly tendered for purchase in accordance with the provisions of the Bonds. Delivery to the Tender Agent of Bonds to be tendered for purchase, upon both optional tender and mandatory tender, together with wire payment instructions satisfactory to the Tender Agent, is required to be made by 1:00 p.m., Boston time, on the Business Date which is the Purchase Date in order for tendering Bondholders to be paid in immediately available funds by 4:00 p.m., Boston time, on such day. If the Bonds are delivered after 1:00 p.m., Boston time, payment will be made on the next Business Day without any additional accrued interest. Bonds which are required to be tendered for purchase, upon both optional tender and mandatory tender, shall cease bearing interest from and after the date tender is required regardless of whether such Bonds are presented for payment and Bondholders shall have no further rights with respect to such Bonds other than the right to receive payment of the Purchase Price upon surrender of the Bonds.

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

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

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

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

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

Standby Bond Purchase Agreement. The Standby Bond Purchase Agreement provides that Landesbank Hessen-Thüringen Girozentrale, acting through its New York Branch (the "Bank"), agrees to purchase any unremarketed tendered Bonds in the Daily Mode or Weekly Mode from time to time in an amount not to exceed the principal amount thereof plus accrued interest thereon in an amount up to 45 days at an interest rate not exceeding 12% per annum, subject to the terms and provisions set forth in the Standby Bond Purchase Agreement. See Appendix E for a summary of certain provisions of the Standby Bond Purchase Agreement and Appendix F for certain information concerning the Bank. All information concerning the Bank has been provided by the Bank, and the Commonwealth is not responsible for its accuracy or completeness.

Risk of Termination of Standby Bond Purchase Agreement. The Standby Bond Purchase Agreement may be terminated prior to its Stated Expiration Date immediately upon the occurrence of certain Events of Default specified therein for which no termination notice is required. In the event of such termination, the Bonds are **NOT** subject to mandatory tender for purchase solely as a result of such termination. The Tender Agent must give notice to the Bondholders promptly after becoming aware of the early termination of the Standby Bond Purchase Agreement. See Appendix E under the heading "Standby Bond Purchase Agreement."

Redemption

Optional Redemption. Bonds in the Weekly Mode or the Daily Mode are subject to optional redemption prior to maturity at the election of the Commonwealth, in whole or in part at any time, and in such amounts as the Commonwealth may determine, at a redemption price equal to 100% of the principal amount of Bonds being redeemed, together with accrued and unpaid interest to the date fixed for redemption but without premium. The Commonwealth also has the right to redeem Bonds which are subject to optional or mandatory tender for purchase without notice on any optional or mandatory tender date. The Commonwealth also has the right to redeem any Bonds held by or for the benefit of the Bank without notice and prior to other Bonds. Bonds in the Fixed Mode will be subject to optional redemption features determined at the time of conversion to the Fixed Mode.

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

Year	Amount
2011	$52,820,000
2012	77,610,000
2013	50,725,000
2014	53,335,000
2015	36,790,000*

*Stated Maturity.

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

Notice of Redemption. The Commonwealth shall give notice of redemption to the owners of the Bonds not less than 15 days, for Bonds in the Daily Mode or Weekly Mode, and not less than 30 days, for Bonds in the Fixed Mode, prior to the date fixed for redemption. So long as the book-entry-only system remains in effect for the Bonds, notices of redemption will be mailed by the Commonwealth only to DTC or its nominee. Any failure on the part of DTC, any DTC participant or any nominee of a beneficial owner of any Bond (having received notice from a DTC participant or otherwise) to notify the beneficial owner so affected, shall not affect the validity of the redemption.

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

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

Plan of Finance

The Bonds, together with the Commonwealth's $375,840,000 General Obligation Refunding Bonds, 1997 Series A (the "Series A Bonds"), which were sold on July 24, 1997 and are expected to be issued on the same day as the Bonds, are being issued pursuant to the provisions of Section 53A of Chapter 29 of the Massachusetts General Laws for the purpose of advance refunding the bonds set forth in Appendix B (the "Refunded Bonds").

The Commonwealth, upon delivery of the Bonds and the Series A Bonds, will enter into a refunding escrow agreement (the "Escrow Agreement") with State Street Bank and Trust Company, as escrow agent (the "Escrow Agent"). The Escrow Agreement will provide for the deposit of the net proceeds of the Bonds and the Series A Bonds with the Escrow Agent in a separate account to be applied immediately upon receipt to purchase non-callable direct obligations of the United States of America—State and Local Government Series (the "Government Obligations") and to funding, if needed, a cash deposit in such account. The Escrow Agreement will require that maturing principal of and interest on the Government Obligations, plus any initial cash deposit, be held in trust in such account and paid to the Commonwealth solely for the payment of the principal of and redemption premium, if any, and interest on the Refunded Bonds. According to the report described in "VERIFICATION OF MATHEMATICAL COMPUTATIONS," the Government Obligations will mature at such times and earn interest in such amounts that, together with any initial cash deposit, will produce sufficient monies to make such payments on the Refunded Bonds to and including their respective maturity or redemption dates, each as set forth in Appendix B.

The Commonwealth will enter into separate master interest exchange agreements with Goldman Sachs Mitsui Marine Derivative Products, L.P. and Ambac Financial Services, Limited Partnership (each, a "Counterparty"), with notional amounts of $162,768,000 and $108,512,000, respectively, in order to achieve a synthetic fixed rate in respect of the Bonds while they are in the Weekly Mode or Daily Mode. The Commonwealth will enter into transactions with each Counterparty under the respective master interest exchange agreements providing, in essence, that such Counterparty, as the floating rate payor, is obligated to pay to the Commonwealth the amount of the actual variable interest rates on the Bonds, and the Commonwealth, as the fixed rate payor, is obligated to pay to such Counterparty a specified fixed rate. Under certain circumstances, the Counterparties' payment obligation could become tied to a general floating rate index rather than to the actual interest rates on the Bonds.

SECURITY FOR THE BONDS

The Bonds will be general obligations of the Commonwealth to which its full faith and credit will be pledged for the payment of principal and interest when due. However, it should be noted that Chapter 62F of the Massachusetts General Laws imposes a state tax revenue growth limit and does not exclude principal and interest payments on Commonwealth debt obligations from the scope of the limit. It should be noted further that Section 60B of Chapter 29 of the Massachusetts General Laws imposes an annual limitation on the percentage of total appropriations that may be expended for payment of interest and principal on general obligation debt of the Commonwealth. These statutes are both subject to amendment or repeal by the Legislature. Currently, both actual tax revenue growth and annual general obligation debt service are below the statutory limits. See the February Information Statement under the headings "COMMONWEALTH REVENUES—Limitations on Tax Revenues" and "COMMONWEALTH PROGRAMS AND SERVICES—Debt Service." In addition, the Commonwealth has pledged up to 15% of its income tax receipts to secure $129.9 million of the Commonwealth's outstanding Fiscal Recovery Bonds, the final debt service payment on which is due on December 1, 1997, at which time all such bonds will have been retired. See the February Information Statement under the heading "COMMONWEALTH BOND AND NOTE LIABILITIES—General Obligation Debt; *Dedicated Income Tax Debt.*"

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

LITIGATION

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

There are pending in courts within the Commonwealth various suits in which the Commonwealth is a defendant. In the opinion of the Attorney General, no litigation is pending or, to his knowledge, threatened which is likely to result, either individually or in the aggregate, in final judgments against the Commonwealth that would affect materially its financial condition. For a description of certain litigation affecting the Commonwealth, see the February Information Statement and the Supplement 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 or more fully registered Bonds will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants (the "DTC Participants") deposit with DTC. DTC also facilitates the settlement among DTC Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of the DTC

Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as banks, securities brokers and dealers, and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (the "Indirect Participants"). The rules applicable to DTC and the DTC Participants are on file with the Securities and Exchange Commission.

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

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

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

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

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

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

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

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

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

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

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

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

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

RATINGS

The Bonds have been assigned ratings by Fitch Investors Service, L.P., Moody's Investors Service and Standard & Poor's of "A+/F-1+," "A1/VMIG 1" and "A+/A-1+," 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 discount from the initial offering price of the Bonds equal to .139% of the aggregate principal amount of the Bonds. The Underwriters may offer and sell the Bonds to certain dealers and others (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices (or yields higher than the offering yields) stated on the cover page hereof.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

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

The verification performed by Deloitte & Touche LLP will be solely based upon data, information and documents provided to Deloitte & Touche LLP by the Commonwealth and its representatives. The Deloitte & Touche LLP report of its verification will state that Deloitte & Touche LLP has no obligation to update the report because of events occurring, or data or information coming to their attention, subsequent to the date of the report.

TAX EXEMPTION

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

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

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

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

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

OPINIONS OF COUNSEL

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

CONTINUING DISCLOSURE

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

For information concerning the availability of certain other financial information from the Commonwealth, see the February 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, Assistant Deputy Treasurer, Office of the Treasurer and Receiver-General, One Ashburton Place, 12th floor, Boston, Massachusetts 02108, telephone 617/367-3900, or Catherine R. Frazer, Director of Debt Finance, Executive Office for Administration and Finance, State House, Room 373, Boston, Massachusetts 02133, telephone 617/727-2040. Questions regarding legal matters relating to this Official Statement and the Bonds should be directed to Walter J. St. Onge, III, Palmer & Dodge LLP, One Beacon Street, Boston, Massachusetts 02108, telephone 617/573-0389.

THE COMMONWEALTH OF MASSACHUSETTS

By /s/ Joseph D. Malone
Joseph D. Malone
Treasurer and Receiver-General

By /s/ Charles D. Baker
Charles D. Baker
Secretary of Administration and Finance

August 6, 1997

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APPENDIX A

THE

COMMONWEALTH

OF

MASSACHUSETTS

INFORMATION STATEMENT SUPPLEMENT

Dated August 6, 1997

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Information Statement Supplement Dated August 6, 1997

THE COMMONWEALTH OF MASSACHUSETTS

INFORMATION STATEMENT SUPPLEMENT

August 6, 1997

Specific reference is made to the Information Statement dated February 13, 1997 (the "February Information Statement") of The Commonwealth of Massachusetts (the "Commonwealth"), as it appears in the Official Statement dated February 20, 1997 of the Massachusetts Bay Transportation Authority with respect to its 1997 Series A Notes (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. Specific reference is further made to Exhibit A (the "Economic Information Exhibit") to the Commonwealth's Information Statement Supplement dated July 30, 1997, which sets forth certain economic, demographic and statistical information concerning the Commonwealth. A copy of the July 30, 1997 supplement containing the Economic Information Exhibit has been filed with each Nationally Recognized Municipal Securities Information Repository currently recognized by the Securities and Exchange Commission. This supplement ("Supplement") to the February Information Statement is dated August 6, 1997 and contains information which updates the information contained in the February Information Statement. This Supplement, the February Information Statement and the Economic Information Exhibit must be read collectively and in their entirety in order to obtain the appropriate fiscal, financial and economic information concerning the Commonwealth through August 6, 1997. All capitalized terms not otherwise defined in this Supplement shall have the meanings ascribed to them in the February Information Statement.

RECENT DEVELOPMENTS

Fiscal 1998

The House of Representatives approved its version of the fiscal 1998 budget on April 17, 1997, and the Senate approved its version on May 21, 1997. The legislative conference committee appointed to reconcile the two versions released its report on June 29, 1997, and the budget was enacted by the Legislature on June 30, 1997 and approved by Governor Weld on July 10, 1997. (Appropriations covering the first two weeks of the fiscal year were enacted and approved on June 30, 1997.) The budget is based on a consensus tax revenue forecast of $12.85 billion, as agreed by both houses of the Legislature in March, which, according to preliminary results, is equivalent to the amount of actual tax receipts for fiscal 1997. On July 30, 1997, the Executive Office for Administration and Finance revised the fiscal 1998 tax forecast to $13.060 billion. The Executive Office for Administration and Finance expects to review this estimate again in September after it has analyzed collections during the first quarter of fiscal 1998.

On July 30, 1997, Acting Governor Cellucci filed legislation that would reduce the tax rate on certain income. The fiscal 1998 cost of this reduction is estimated at $196 million by the Executive Office for Administration and Finance. See "State Taxes."

The fiscal 1998 budget provides for total appropriations of approximately $18.4 billion, a 3.8% increase over estimated fiscal 1997 expenditures. Governor Weld vetoed or reduced appropriations totalling $3.3 million. The budget incorporates tax cuts valued by the Department of Revenue at $61 million and provides for an accelerated pension funding schedule. See "State Taxes" and "Retirement Systems and Pension Benefits."

On July 10, 1997, Governor Weld filed a supplemental appropriation bill for fiscal 1998 which would reduce existing fiscal 1998 appropriations to public higher education institutions in the Commonwealth by $24 million and create a $24 million reserve, to be administered by the Board of Higher Education, to offset reductions in student fees during fiscal 1998 at the various campuses. The bill would also prohibit increases in student fees after July 1, 1997 without the approval of the Board of Higher Education. The bill has been referred to the House Ways and Means Committee.

Fiscal 1997

Preliminary results indicate that fiscal 1997 tax collections totalled approximately $12.861 billion, an increase of approximately $812 million, or 6.7%, over fiscal 1996 and approximately $354 million higher than the most recent official estimates released by the Secretary of Administration and Finance on May 20, 1997. Total fiscal 1997 revenues are estimated to have totalled approximately $17.918 billion. Supplemental fiscal 1997 appropriations to date total approximately $135.8 million. Projected total fiscal 1997 expenditures are approximately $17.735 billion, including $212.8 million in supplemental spending requests filed by Governor Weld. See the February Information Statement under the heading "1997 FISCAL YEAR." Under these spending and revenue assumptions, approximately $241.0 million would be transferred to the Commonwealth Stabilization Fund on account of fiscal 1997, bringing its balance to approximately $804.3 million, and $160.7 million would be transferred to a newly established capital projects fund. The Legislature has not yet completed action on the final fiscal 1997 supplemental appropriation bills. The Senate and the House of Representatives have approved differing versions of a fiscal 1997 supplemental appropriation bill that would authorize post-fiscal 1997 spending to be charged to fiscal 1997, thereby having the effect of reducing the amount of the fiscal 1997 surplus. See "Operating Fund Structure."

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 1992 through 1996, and estimates for fiscal 1997 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 1997 budget. See the February Information Statement under the heading "FINANCIAL RESULTS."

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

	Fiscal 1992	Fiscal 1993	Fiscal 1994	Fiscal 1995	Fiscal 1996	Estimated Fiscal 1997
Beginning Fund Balances						
Reserved or Designated	$119.8	$236.2	$110.4	$79.3	$128.1	263.4
Tax Reduction Fund	-	-	-	-	-	231.7 (4)
Stabilization Fund (1)	59.2	230.4	309.5	382.9	425.4	543.3
Undesignated	58.1	82.8	142.6	127.1	172.5	134.0
Total	237.1	549.4	562.5	589.3	726.0	1,172.4
Revenues and Other Sources						
Taxes	9,483.6	9,929.9	10,606.7	11,163.4	12,049.2	12,860.9
Federal Reimbursements (2)	2,393.5	2,674.1	2,901.2	2,969.7	3,039.1	2,854.7
Departmental and Other Revenues	1,187.3	1,327.1	1,187.9	1,273.1	1,208.1	1,254.0
Interfund Transfers from Non-budgeted Funds and Other Sources (3)	663.9	778.5	853.9	981.0	1,031.1	947.8
Budgeted Revenues and Other Sources	13,728.3	14,709.6	15,549.7	16,387.2	17,327.5	17,917.4
Mass Transit Assessments from Municipalities	130.9	137.4	140.4	143.9	147.6	148.1
Interfund Transfers among Budgeted Funds and Other Sources (3)	366.9	358.7	289.1	399.7	896.2	505.9
Total Revenues and Other Sources	14,226.1	15,205.7	15,979.2	16,930.8	18,371.3	18,571.4
Expenditures and Uses						
Programs and Services	11,757.4	12,683.6	13,416.2	14,010.3	14,650.7	15,333.4
Debt Service	898.3	1,139.5	1,149.4	1,230.9	1,183.6	1,283.6
Pensions	751.5	868.2	908.9	968.8	1,004.6	1,074.3
Interfund Transfers to Non-budgeted Funds and Other Uses	8.8	5.1	48.4	40.4	42.2	44.1
Budgeted Expenditures and Other Uses	13,416.0	14,696.4	15,522.9	16,250.5	16,881.1	17,735.4 (5)
Payment of Municipal Mass Transit Assessments to the MBTA and RTA's	130.9	137.4	140.4	143.9	147.6	148.1
Interfund Transfers among Budgeted Funds and Other Uses (3)	366.9	358.7	289.1	399.7	896.2	505.9
Total Expenditures and Other Uses	13,913.8	15,192.6	15,952.4	16,794.1	17,924.9	18,389.4
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	312.3	13.1	26.8	136.7	446.4	182.0
Transfer of Excess to Capital Projects Fund	-	-	-	-	-	(160.7) (6)
Net Excess	-	-	-	-	-	21.3
Ending Fund Balances						
Reserved or Designated	236.2	110.4	79.3	128.1	263.4	149.6
Tax Reduction Fund	--	--	--	--	231.7 (4)	87.7
Stabilization Fund (1)	230.4	309.5	382.9	425.4	543.3	804.3
Undesignated	82.8	142.6	127.1	172.5	134.0	151.8
Total	$549.4	$562.5	$589.3	$726.0	$1,172.4	$1,193.5

SOURCE: Fiscal 1992-1996, Office of the Comptroller; fiscal 1997, Executive Office for Administration and Finance.

(1) Stabilization Fund balances are not expendable without subsequent specific legislative authorization.
(2) Includes $198.6 million for fiscal 1992, $236.3 million for fiscal 1993, $247.8 million for fiscal 1994, $231.9 million for fiscal 1995, $212.5 million for fiscal 1996 and an estimated $221.0 million for fiscal 1997 in federal reimbursements resulting from claims for reimbursement of certain uncompensated care for Massachusetts hospitals. See the February Information Statement under the headings "FINANCIAL RESULTS—Fiscal Years 1992 through 1996" and "1997 FISCAL YEAR."
(3) Interfund transfers represent accounting transfers which reallocate resources among funds. Includes transfers between the Stabilization Fund and the budgeted operating funds. Transfers to the Stabilization Fund were $170.0 million, $76.9 million, $65.4 million, $27.9 million and $177.4 million in fiscal 1992, 1993, 1994, 1995 and 1996, respectively. See the February Information Statement under the headings "COMMONWEALTH REVENUES—Federal and Other Non-Tax Revenues." Of the $177.4 million transferred to the Stabilization Fund in fiscal 1996, $81.7 million was subsequently transferred to the Tax Reduction Fund. See the February Information Statement under the heading "FINANCIAL RESULTS—Fiscal Years 1992 through 1996; *1996 Fiscal Year*."
(4) Represents excess amount of $81.7 million transferred from the Stabilization Fund to the Tax Reduction Fund and a $150 million legislative appropriation made to the Tax Reduction Fund. See the February Information Statement under the heading "FINANCIAL RESULTS—Fiscal Years 1992 through 1996; *1996 Fiscal Year*."
(5) Reflects supplemental appropriations requested by Governor Weld but not yet enacted by the Legislature; final expenditure calculations must await enactment of the final supplemental appropriations for fiscal 1997.
(6) Reflects enactment of legislation approved May 12, 1997. See "Operating Fund Structure." When the Comptroller closes the books for fiscal 1997, such amount will be treated as an interfund transfer. See footnote (3).

Cash Flow

On June 11, 1997, the State Treasurer and the Secretary of Administration and Finance released revised cash flow projections for fiscal 1997 and fiscal 1998. See the February Information Statement under the heading "FINANCIAL RESULTS—Cash Flow." The fiscal 1997 forecast is based on fiscal 1997 appropriations to the date of the report, and the fiscal 1998 forecast is based on the budget recommendations filed by Governor Weld on January 22, 1997. Both projections contain proposed revenue and spending estimates by the Secretary of Administration and Finance and incorporate actual results through April, 1997 and monthly projections through June, 1998.

Fiscal 1997 is projected to end with a cash balance of $162.6 million. The report states that this projection is based on conservative assumptions and that, given recent economic performance, actual results may be better. The projected year-end balance does not include any fiscal 1997 activity that may occur after June 30, 1997, nor does it include $95.4 million to be transferred to the Stabilization Fund on account of fiscal 1996. The report notes that Commonwealth transit notes are not being issued in June, 1997, as previously projected and that the $240 million of transit notes due in June, 1997 are being paid with cash. The projection assumes that $240 million of Commonwealth transit notes will be issued in August, 1997. The projection also assumes that the Commonwealth will issue $400 million of bond anticipation notes during fiscal 1998 in anticipation of payments to be received from the Massachusetts Turnpike Authority and the Massachusetts Port Authority in connection with the Central Artery/Ted Williams Tunnel project, as contemplated by the Metropolitan Highway System legislation approved by Governor Weld on March 20, 1997 and the transportation bond legislation approved by Governor Weld on May 16, 1997. In addition, the projection contemplates the issuance of $175 million of grant anticipation notes during fiscal 1998, in anticipation of future federal funding for the project. See "Capital Spending." The fiscal 1998 ending cash balance is estimated to be $349.0 million. The cash flow statement for fiscal 1998 projects no need to borrow for operating needs under the Commonwealth's commercial paper program and notes that no short-term borrowings have been required during fiscal 1997.

The ending balances projected in the cash flow forecasts for fiscal 1997 and fiscal 1998 are likely to differ from the estimated ending balances for the Commonwealth's operating budget for those years because of timing differences and the effect of non-budget items.

State Taxes

In his fiscal 1998 budget recommendations, Governor Weld proposed personal and business tax reductions with an estimated aggregate fiscal 1998 cost of $82 million. See the February Information Statement under the heading "1998 FISCAL YEAR." The Senate version of the fiscal 1998 budget included four different tax cuts with an aggregate fiscal 1998 cost estimated by the Senate Ways and Means Committee at approximately $82 million, including a reduction in the tax rate on "unearned" income for low- and moderate-income seniors, establishment of an earned income tax credit, an increase in the child dependent deduction and a 50% deduction for higher education student loan interest payments. The fiscal 1998 budget approved by Governor Weld on July 10, 1997 contains three tax cuts with an aggregate fiscal 1998 cost estimated by the Department of Revenue to be $60.9 million — an increase in the child dependent deduction from $600 to $1,200 for children up to age 12 ($15.3 million), a tax credit of up to $6,000 over four years for septic tank improvements ($17 million) and an earned income tax credit amounting to 10% of the federal credit ($28.6 million). The Taxation Committee is also considering a variety of additional tax reduction measures, including those proposed by Governor Weld in his budget recommendations and those approved by the Senate in its budget which were not included in the final budget.

On July 30, 1997, Acting Governor Cellucci filed legislation that would reduce the tax rate on "Part B" personal income (so-called "earned" income) from the current level of 5.95% to 5% over three calendar years. The rate would be reduced to 5.6% effective January 1, 1998, 5.3% effective January 1, 1999 and 5% effective January 1, 2000. See the February Information Statement under the heading "COMMONWEALTH REVENUES—State Taxes; *Income Tax*." The Executive Office for Administration and Finance estimates that the static revenue impact of these changes would be a reduction in personal income tax collections of approproximately $196 million in fiscal 1998, $587 million in fiscal 1999, $985 million in fiscal 2000 and $1.229 billion in fiscal 2001, at which time the rate reduction would be fully implemented.

Non-Tax Revenues

As enacted by the Legislature, the transportation bond legislation described below under "Capital Spending" contained a provision that would restore registration, license and permit fees credited to the Highway Fund to the rates in effect on January 1, 1996 if federal aid to the Central Artery/Ted Williams Tunnel project falls below $550 million in any fiscal year during the next six years. See the February Information Statement under the heading "COMMONWEALTH REVENUES—Federal and Other Non-Tax Revenues." Governor Weld vetoed this provision; under the state constitution, his veto can be overridden by a two-thirds vote of each house of the Legislature.

On May 1, 1997, the Legislature's Committee on Government Regulations voted to send the September, 1995 tribal-state compact between the Wampanoag Tribe of Gay Head and the Commonwealth to the floor of the House of Representatives with a recommendation that it not be approved. On May 5, 1997, the House accepted the committee's adverse report, thereby killing the legislation for the current legislative session.

Operating Fund Structure

Legislation approved by Governor Weld on May 12, 1997 incorporated his earlier proposal to raise the statutory ceiling on the Stabilization Fund and to authorize the current balances in the Tax Reduction Fund (attributable to the fiscal 1996 surplus) to be used for personal income tax reductions for the 1997 tax year. See the February Information Statement under the headings "COMMONWEALTH BUDGET, FINANCIAL MANAGEMENT AND CONTROLS—Operating Fund Structure; *Stabilization Fund*" and "FINANCIAL RESULTS—Fiscal Years 1992 through 1996; *1996 Fiscal Year*." The legislation also amended the General Laws to provide that up to 40% of any fiscal year-end surplus may, prior to any transfer to the Stabilization Fund, be held in a separate account to be used for capital expenditures, if there is a negative balance in the state's capital funds. The Senate budget authorizes moneys in that account to be expended without further appropriation for capital projects for which state bonds have been authorized. On May 21, 1997 the Senate approved a fiscal 1997 appropriation bill, released by the Senate Ways and Means Committee as a companion bill to the fiscal 1998 budget, authorizing approximately $293 million of fiscal 1998 spending to be charged to fiscal 1997, including $129.9 million for the final debt service payment on account of the fiscal recovery bonds issued in 1990, thereby having the effect of reducing the amount of the fiscal 1997 surplus. Various capital grants, equipment purchases and other nonrecurring items account for $138 million of the total in the Senate bill. On June 3, 1997 the House of Representatives approved an amended version of the Senate bill, providing for approximately $185 million of previously authorized capital spending (currently authorized to be financed by the issuance of general obligation bonds) to be charged to the fiscal 1997 surplus and expended in fiscal 1998 and fiscal 1999. On July 2, 1997, the House of Representatives also approved legislation that would establish a Capital Investment Relief Trust Fund to which the State Treasurer would be directed to transfer up to $150 million of surplus fiscal 1997 revenues to reimburse the General Fund for capital expenditures that would otherwise be financed by the issuance of debt. A legislative conference committee is expected to reconcile the various proposals related to application of the fiscal 1997 surplus.

The Government

On July 23, 1997 the President of the United States nominated Governor Weld to be the next United States Ambassador to the Republic of Mexico. On July 28, 1997, Governor Weld announced that he would resign the next day, and on July 29, 1997, he submitted his formal resignation. Under the state constitution, Lieutenant Governor Cellucci will serve as Acting Governor until the current gubernatorial term expires in January, 1999.

On July 11, 1997, Governor Weld approved legislation abolishing Middlesex County government immediately and providing for the abolition of county government in Hampden and Worcester Counties on July 1, 1998 (or sooner, if such county defaults on a bond or note). See the February Information Statement under the heading "THE GOVERNMENT—Local Government." The legislation contains appropriations of approximately $24.6 million, to be charged to fiscal 1997, to provide for payments to vendors of Middlesex County Hospital and for debt service on bonds and notes issued by Middlesex County that were overdue or about to be due on the effective date of the legislation. On July 17, 1997, the Commonwealth paid all outstanding Middlesex County debt obligations that were due or overdue. Under the legislation, all functions, duties and responsibilities of the affected counties are transferred to the Commonwealth. As of the date of abolition of an affected county's government, all valid liabilities and debts of such county which are in force immediately before such date become obligations of the Commonwealth, and all assets and revenues of such county become assets and revenues of the Commonwealth. The Secretary of Administration and Finance is directed to establish an amortization schedule to recover the Commonwealth's costs from the cities and towns within each such county over a period not to exceed 25 years. Governor Weld vetoed provisions in the legislation that would have placed responsibility for county retirees on cities and towns rather than the Commonwealth, and indicated that he would file legislation providing for state assumption of such pension costs. On July 15, 1997, the House of Representatives overrode Governor Weld's veto of such provisions. Governor Weld also vetoed provisions that would have created county charter commissions in certain counties, indicating that he still favors legislation setting a date certain for the abolition of all county government and a mechanism by which cities and towns that wish to do so may establish alternative regional entities. The legislation approved by Governor Weld establishes a task force on the valuation of county assets and liabilities that is charged with compiling an inventory and providing for the valuation of all property of all counties in the Commonwealth for the purposes of considering the abolition of county government and the transfer of its functions, assets and liabilities to the Commonwealth. The eleven-member task force, which would consist of eight members of the Legislature, the Secretary of Administration and Finance, the Inspector General and the State Auditor, would be required to file a report by February 1, 1998. On July 17, 1997, Governor Weld filed legislation that would abolish all county governments by July 1, 1999 and that would require the state employees' retirement system to absorb the pension costs associated with county retirees. On July 21, 1997, the legislation was referred to the Legislature's Committee on Counties, which conducted a hearing on the bill on July 30, 1997.

Capital Spending

On March 20, 1997, Governor Weld approved legislation to establish a Metropolitan Highway System, in substantially the form in which he had filed it on January 6, 1997. See the February Information Statement under the heading "COMMONWEALTH BUDGET, FINANCIAL MANAGEMENT AND CONTROLS—Overview of Capital Spending Process and Controls; *Five-Year Capital Spending Plan*." A provision in the legislation added by the Legislature mandates a new "asset assessment study" to determine, within one year, whether the Massachusetts Port Authority can afford to contribute as much as $300 million toward the cost of the Central Artery/Ted Williams Tunnel project, rather than the $200 million contribution proposed by Governor Weld and contemplated by the legislation. The study is to be conducted by the Executive Office for Administration and Finance, the State Auditor, the Division of Capital Planning and Operations and the Port Authority.

Additional state spending authorization for the Central Artery/Ted Williams Tunnel project and other transportation projects is contained in transportation bond legislation approved by Governor Weld on May 16, 1997. The legislation authorizes $1.545 billion in spending on federally assisted projects (approximately $1.040 billion for the Central Artery/Ted Williams Tunnel project and $504.7 million for other projects), to be funded by $345 million in state bonds and $1.2 billion in federal grants. The legislation authorizes an additional $1.159 billion in future spending for the Central Artery/Ted Williams Tunnel project, to be funded in part by $358.8 million in state bonds. In anticipation of future federal grants, the Commonwealth is authorized to issue up to $1 billion of grant anticipation notes, including up to $100 million for capitalized interest, with up to $900 million of state bonds authorized to pay such notes to the extent federal grants are unavailable to pay the notes, which must mature by June 30, 2007. No more than $450 million of such notes may be issued until the Intermodal Surface Transportation Efficiency Act of 1991 has been reauthorized or successor legislation has been enacted by the United States Congress, and no more than $450 million of such notes may be issued if federal funding in fiscal 1999 falls below $550 million. No more than $900 million of such notes may be issued as general obligations of the Commonwealth or be otherwise payable from general revenues of the Commonwealth. Finally, the legislation authorizes approximately $1.066 billion in additional transportation-related capital expenditures, to be funded by state bonds. The legislation stipulates that the Massachusetts Turnpike Authority must pay the Commonwealth $700 million by December 31, 1998 to help defray costs of the Central Artery/Ted Williams Tunnel project or any other component of the Metropolitan Highway System, such amount to be in addition to the $100 million already paid. See the February Information Statement under the heading "COMMONWEALTH BUDGET, FINANCIAL MANAGEMENT AND CONTROLS—Overview of Capital Spending Process and Controls; *Five-Year Capital Spending Plan.*"

The transportation bond legislation approved by Governor Weld on May 16, 1997 also eliminated the ceiling on Commonwealth bond anticipation notes that may be issued as commercial paper. See the February Information Statement under the heading "COMMONWEALTH BOND AND NOTE LIABILITIES—General Obligation Debt; *Commonwealth General Obligation Notes.*"

The pre-development working group studying a proposed trade and convention center in Boston released its final report on March 25, 1997. See the February Information Statement under the heading "COMMONWEALTH BUDGET, FINANCIAL MANAGEMENT AND CONTROLS—Overview of Capital Spending Process and Controls; *Five-Year Capital Spending Plan.*" The estimated overall cost for the project is $695 million. The report recommends a combination of general obligation bonds (of the Commonwealth or the city of Boston) and dedicated tax revenue bonds enhanced by a pledge of existing state or city hotel taxes or the existing state sales tax on meals.

On May 14, 1997, Governor Weld filed authorizing legislation for a new convention center in Boston. The facility would contain 600,000 square feet of exhibition space and 235,000 square feet of associated meeting space, with 1,900 underground parking spaces. Sufficient land would be acquired currently to provide capacity to expand the facility by 50% in the future. The city of Boston would acquire the site and pay at least $125 million of the acquisition, relocation, demolition and remediation cost. An expanded and reconstituted Massachusetts Convention Center Authority would design, develop and operate the facility, which is projected to cost approximately $575 million. The Commonwealth would provide back-up financing capacity in case damage awards from eminent domain taking cases exceed the city's commitment (to be funded by a $50 million general obligation bond authorization, though such bonds could be sold as special obligations). The state's share of the cost would be financed by up to $575 million in special obligation revenue bonds supported by a portion of a 2.3% convention center financing fee to be imposed on hotel room occupancies in Boston and Cambridge (effectively increasing the hotel tax in those cities from 9.7% to 12%), subject to local referendums, and by dedication of certain hotel, meals, beverage and sales tax receipts in Boston and Cambridge. The Commonwealth would be required to maintain a debt service reserve fund with respect to its special obligation bonds and to replenish the fund from a portion of the existing hotel tax. Governor Weld's bill would also authorize $42 million of Commonwealth bonds to finance a national music center in Lenox ($2.5 million), an industrial park in Fall River ($3.5 million), the basketball hall of fame in Springfield ($25 million) and renovation of the civic and convention center in Worcester ($17 million).

On July 15, 1997, the House of Representatives approved a modified version of Governor Weld's convention center bill. Under the House bill, the city of Boston would pay the first $157.8 million of the acquisition costs for the site, the Commonwealth would pay the next $47.2 million, and the city and Commonwealth would share equally in all acquisition costs over $205 million, up to an additional $50 million. The Commonwealth would be authorized to issue $674.7 million of special obligation bonds payable from a 2.75% convention centers excise imposed on hotel room occupancies in Boston, Cambridge, Springfield and Worcester, a $1 surcharge on sightseeing tickets for tours within 15 miles of the convention centers in Boston, Springfield or Worcester, a $2 surcharge on parking at the Boston convention center garage and a $10 surcharge on car rentals in Boston and Cambridge, as well as the other revenues contained in Governor Weld's bill. Any necessary replenishment of the debt service reserve fund would be funded by an increase in the 2.75% convention centers excise. The House bill also contains general obligation bond authorizations for the basketball hall of fame in Springfield ($25 million), a regional tourism facilities fund ($25 million) and convention centers in Springfield and Worcester ($48.5 million and $19 million, respectively). On July 24, 1997, the Senate approved an amended version of the House bill, including a $165 million general obligation bond authorization for the various additional economic development and cultural facility projects proposed by Governor Weld and the House, plus others. The Senate bill authorizes $562.2 million of Commonwealth special obligation bonds to finance the new convention center in Boston, with the stipulation that the state's share of the project cost is not to exceed $537.2 million, including up to $47.2 million for excess land acquisition costs beyond those to be paid by the city of Boston, plus up to an additional $25 million of state cost-sharing with the city if the acquisition costs exceed $205 million. The Senate bill modifies to some extent the array of fees and other receipts supporting the special obligation bonds, most notably by raising the hotel taxes in Boston, Cambridge, Springfield and Worcester by 2.3% rather than 2.75%.

Neither the House bill nor the Senate bill would require local referendums to raise the hotel taxes, as proposed by Governor Weld. The differences between the House and Senate bills are expected to be reconciled by a legislative conference committee.

On June 20, 1997, Governor Weld approved legislation authorizing $120 million of Commonwealth general obligation bonds and $80 million of Massachusetts Government Land Bank bonds supported by Commonwealth contract assistance for the development of the former Fort Devens army base. See the February Information Statement under the heading "COMMONWEALTH BUDGET, FINANCIAL MANAGEMENT AND CONTROLS—Overview of Capital Spending Process and Controls; *Five-Year Capital Spending Plan*."

The conference committee report on the courthouse bond legislation was released on May 13, 1997, and the legislation was enacted by the Legislature on that date. The bill would authorize $685.3 million of capital spending, to be funded by Commonwealth general obligation bonds, for courthouses owned and to be owned by the Commonwealth. On May 16, 1997 Governor Weld returned the bill to the Legislature with amendments that would eliminate the requirement that all bids associated with the courthouse improvements be awarded only to union contractors.

On May 27, 1997 the Committee on Housing and Urban Development approved legislation that would authorize $375 million in Commonwealth general obligation bonds to finance the renovation of existing public housing units and other low-income housing creation and improvement projects. The legislation is now pending before the House Committee on Long-Term Debt and Capital Expenditures.

On June 9, 1997, Governor Weld filed legislation that would authorize $73 million of Commonwealth general obligation bonds to finance capitalization grants to the Massachusetts Water Pollution Abatement Trust, of which $31 million would provide matching funds for the state revolving fund program under the federal Clean Water Act and $42 million would provide matching funds for a new state revolving fund program under the federal Safe Drinking Water Act. See the February Information Statement under the heading "OTHER COMMONWEALTH LIABILITIES—Water Pollution Abatement Trust." The legislation is being considered by the Legislature's Natural Resources Committee.

On June 11, 1997, Governor Weld filed legislation that would authorize $10 million of Commonwealth general obligation bonds to finance design costs related to planned renovations to the Saltonstall Building, a 30-year-old state office building. Under the legislation, the renovations themselves would be financed by the issuance by the Massachusetts Industrial Finance Agency of up to $100 million of lease revenue bonds; the Commonwealth would convey the building to the Agency and lease it back under a financing structure similar to that used for the Massachusetts Information Technology Center. See the February Information Statement under the heading "COMMONWEALTH BOND AND NOTE LIABILITIES—Indirect Obligations; *City of Chelsea Commonwealth Lease Revenue Bonds*." The legislation is being considered by the Legislature's Committee on State Administration.

Five-Year Capital Spending Plan and Plan of Finance

The following table sets forth current estimates of capital spending of the Commonwealth, including the Massachusetts Bay Transportation Authority ("MBTA"), as well as the projected sources of funding for such capital spending, including federal aid, for fiscal years 1998 through 2002. Total capital spending for fiscal years 1998 through 2002 to be financed from Commonwealth debt is forecast at approximately \$4.7 billion, which is significantly below legislatively authorized capital spending levels. In addition, the five-year plan also forecasts total MBTA capital expenditures of approximately \$1.403 billion for fiscal years 1998 through 2002, which spending is expected to be financed through the issuance of MBTA bonds. The plan, which has been developed by the Executive Office for Administration and Finance and reflects its views, assumes that the projected level of Commonwealth capital spending will leverage additional federal transportation aid of approximately \$4.538 billion for this period and also projects the issuance of \$1.5 billion in grant anticipation notes in anticipation of future federal aid to be received during fiscal years 2003 to 2007, inclusive. The latter assumption will require a change in law, because the current grant anticipation note authorization is limited to \$1 billion. Up to \$900 million of such notes are payable from Commonwealth bonds if federal grants are not available. See "Capital Spending." Federal aid is uncertain beyond September 30, 1997, when the Intermodal Surface Transportation Efficiency Act of 1991 expires. The anticipated levels of federal aid in the five-year plan are derived from the current "Central Artery/Tunnel Finance Plan" prepared by the Massachusetts Highway Department and proposals currently being considered by the United States Congress. The reauthoriation of federal aid being considered by Congress is expected to run through the year 2002. Federal funds for the repayment of the grant anticipation notes contemplated by the five-year plan would have to be authorized by subsequently enacted successor legislation. The five-year plan also assumes that the projected level of payments from third-party agencies, such as the Massachusetts Turnpike Authority and the Massachusetts Port Authority, and from other sources will be \$1.4 billion. (One potential source is excess revenues. See "Operating Fund Structure.") Contractual agreements do not yet exist between either authority and the Commonwealth, and neither authority has yet agreed to pay more than what it is statutorily required to pay (\$700 million in the case of the Turnpike Authority and \$200 million in the case of the Port Authority).

The Executive Office for Administration and Finance regularly reviews its five-year capital spending plan to account for changes in the expected timing and amount of the Commonwealth's capital expenditures. The table assumes that all Commonwealth bonds related to a particular year's expenditures will be issued in the same year. In practice, Commonwealth capital expenditures usually occur prior to the issuance of the related bonds. Accordingly, it is customary for some Commonwealth bonds to be issued in a subsequent fiscal year to finance capital expenditures made in the prior fiscal year. See the February Information Statement under the heading "COMMONWEALTH BUDGET, FINANCIAL MANAGEMENT AND CONTROLS – Overview of Capital Spending Process and Controls."

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

	1998	1999	2000	2001	2002	Total
Uses of Funds						
Information Technology	$ 32	$ 29	$ 29	$ 29	$ 29	$ 148
Infrastructure(1)	237	214	202	202	202	1,057
Environment(2)	93	119	105	105	105	527
Wastewater Treatment	35	35	35	35	35	175
Housing	67	67	71	71	71	347
Transportation						
Commonwealth Expenditures	458	488	413	413	413	2,185
Third Party-Supported/Other(3)	400	425	275	200	100	1,400
Grant Anticipation Notes(4)	175	450	600	275	0	1,500
MBTA	311	187	294	358	253	1,403
Federal Highway/MBTA Aid(5)	1,170	1,034	777	840	717	4,538
Transportation Subtotal	2,514	2,584	2,359	2,086	1,483	11,026
Public Safety	15	9	9	9	9	51
Other	63	39	36	36	36	210
Total	$3,056	$3,096	$2,846	$2,573	$1,970	$13,541
Sources of Funds						
Federal Aid(5)	$1,170	$1,034	$777	$840	717	$4,538
Commonwealth Debt(6)	1,000	1,000	900	900	900	4,700
Third Party-Supported/Other(3)	400	425	275	200	100	1,400
Grant Anticipation Notes(4)	175	450	600	275	0	1,500
MBTA Bonds	311	187	294	358	253	1,403
Total	$3,056	$3,096	$2,846	$2,573	$1,970	$13,541

SOURCE: Executive Office for Administration and Finance.

(1) Includes hospital consolidation, prison, courts and higher education construction and miscellaneous other projects.
(2) Includes open space acquisition.
(3) The Massachusetts Turnpike Authority and the Massachusetts Port Authority are obligated by statute to make payments to the Commonwealth of no less than $700 million and $200 million, respectively, for use in meeting transportation-related obligations. Total payments by these two authorities before completion of the Central Artery/Ted Williams Tunnel project may be greater than the statutorily mandated amounts, depending on a variety of factors, including the financial capacity of the respective authorities and the levels of federal funding for state highway construction. However, neither authority has yet agreed to pay more than it is statutorily required to pay. The terms of contractual agreements between the Commonwealth and the respective authorities are presently under discussion. No payments from third parties were received during fiscal 1997. Some payments to contractors for highway construction work completed in fiscal 1997 may be permanently financed by third-party payments received after the close of fiscal 1997, proceeds from Commonwealth debt issues, excess revenues (see "Operating Fund Structure") or a combination thereof. Estimates are derived from the "Central Artery/Tunnel Finance Plan" prepared annually by the Massachusetts Highway Department and interim internal revisions prepared by the Department and the Executive Office for Administration and Finance. The MBTA may also make contributions to transportation project funding related to collateral improvements to the MBTA system.
(4) The five-year plan contemplates the issuance of grant anticipation notes to finance a portion of the cash requirements of the Central Artery/Ted Williams Tunnel project, consistent with the current "Central Artery/Tunnel Finance Plan" prepared by the Massachusetts Highway Department and the joint feasibility study released on December 5, 1996. See the February Information Statement under the heading "COMMONWEALTH BUDGET, FINANCIAL MANAGEMENT AND CONTROLS—Overview of Capital Spending Process and Controls; *Five-Year Capital Spending Plan.*" The planned source of repayment would be federal highway grants to be received during the fiscal years 2003 to 2007, inclusive, although there may be additional sources of repayment available. Such grants would have to be authorized by subsequent federal legislation to be enacted in or around 2002 upon the expiration of the successor legislation now being considered. Current legislation authorizing the Commonwealth to issue grant anticipation notes contains a $1 billion limit on the issuance of such notes which would have to be amended by the Legislature to permit the issuances contemplated by the five-year plan.
(5) Figures are estimates based on the current "Central Artery/Tunnel Finance Plan" and legislative proposals currently being considered by the United States Congress. Actual amounts are subject to the provisions of successor legislation to the Intermodal Surface Transportation Efficiency Act of 1991, which expires on September 30, 1997. Such successor legislation is expected to authorize aid for an additional five-year period.
(6) Includes general obligation bonds and special obligation bonds.

Retirement Systems and Pension Benefits

The fiscal 1998 budget approved by Governor Weld on July 10, 1997 provides for an accelerated pension funding schedule designed to eliminate the Commonwealth's unfunded liability by 2018 rather than 2028. Fiscal 1998 appropriations amount to approximately $1.046 billion, rather than Governor Weld's recommendation of approximately $952.8 million, and the budget calls for a slightly more conservative investment return assumption (8.25% rather than 8.5%).

On June 6, 1997, Governor Weld approved legislation that provides, subject to legislative approval, for annual increases in cost-of-living allowances (equal to the lesser of 3% or the previous year's percentage increase in the United States Consumer Price Index) for members of the state employees' and teachers' retirement systems, to be funded by the investment income of the systems. The funding schedule for the state systems assumes that such annual increases will be approved. Local retirement systems that have established pension funding schedules may opt in to the requirement as well, with the costs and actuarial liabilities attributable to the cost-of-living allowances required to be reflected in such systems' funding schedules. See the February Information Statement under the heading "OTHER COMMONWEALTH LIABILITIES—Retirement Systems and Pension Benefits."

Update of Existing Litigation

In *Perini Corporation v. Commissioner of Revenue* (Supreme Judicial Court No. 6657), the Department of Revenue is continuing to analyze the final fiscal impact of the ruling; to date, it has paid approximately $11 million in abatements in accordance with the judgment. See the February Information Statement under the heading "LITIGATION."

In *Spaulding Rehabilitation Hospital Corporation v. Massachusetts Highway Department, et al.* (Suffolk Superior Court. No. 95-4360C), the Spaulding Rehabilitation Hospital filed an action to enforce an agreement to acquire its property by eminent domain, in connection with the Central Artery/Ted Williams Tunnel project. If the hospital is successful, it could recover the fair market value of its property in addition to its relocation costs with respect to its personal property. It is estimated that the Commonwealth's potential liability is approximately $50 million. The hospital has signed interrogatories indicating that it believes that the property is worth more than $60 million. The case is currently being tried in Superior Court.

In *The McCourt Co., Inc. v. Commonwealth* (Suffolk Superior Court No. 94-2032), the Commonwealth faced an additional potential liability of approximately $75 million to $135 million connection with a taking by the Massachusetts Highway Department related to the relocation of Northern Avenue in South Boston. On May 30, 1997, the Commonwealth paid approximately $58 million in full settlement of the pending claims.

COMMONWEALTH BOND AND NOTE LIABILITIES

The following table sets forth the Commonwealth bond and note liabilities outstanding as of July 1, 1997.

Commonwealth Bond and Note Liabilities
July 1, 1997
(in thousands)

	Long-Term(1)	Short-Term
COMMONWEALTH DEBT		
General Obligation Debt	$9,561,468 (2)	0
Dedicated Income Tax Debt	129,900 (2)	0
Special Obligation Debt	520,760	0
Subtotal Commonwealth Debt	10,212,128	0
COMMONWEALTH-SUPPORTED DEBT		
Massachusetts Bay Transportation Authority	3,043,815 (3)	$325,000 (4)
Massachusetts Convention Center Authority	134,454	0
Massachusetts Government Land Bank	10,860	0
Boston Metropolitan District	41,799	0
Steamship Authority	36,769	0
Regional transit authorities	0	68,375
Subtotal Supported Debt	3,267,697	393,375
COMMONWEALTH-GUARANTEED DEBT		
Massachusetts Turnpike Authority	0	259,315
Higher education building authorities	237,012	0
Subtotal Guaranteed Debt	237,012	259,315
TOTAL COMMONWEALTH BOND AND NOTE LIABILITIES	$13,716,837	$652,690

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 February Information Statement under the headings "COMMONWEALTH BOND AND NOTE LIABILITIES—Indirect Obligations; *Plymouth County Certificates of Participation*" and "OTHER COMMONWEALTH LIABILITIES—Long-Term Capital Leases and Certificates of Participation."

(2) Includes interest on Commonwealth general obligation capital appreciation bonds to be accrued from January 1, 1997 through their maturity in the amount of $326 million. On July 24, 1997, the Commonwealth sold $375,840,000 of refunding bonds and $250 million of new money bonds which are expected to be delivered on August 12, 1997. On August 6, 1997, the Commonwealth sold an additional $271,280,000 of variable rate refunding bonds, which bonds are also expected to be delivered on August 12, 1997. In connection with the issuance of such variable rate bonds, the Commonwealth is entering into interest exchange agreements under which the Commonwealth is a fixed-rate payor.

(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. On July 30, 1997, the Authority sold $269.2 million of bonds, of which $258,435,000 were issued to refund outstanding bonds and $10,765,000 were issued to refund outstanding Certificates of Participation. Such bonds are expected to be delivered on August 14, 1997.

(4) Includes $160 million of notes due September 5, 1997 and $165 million of notes due February 27, 1998. In addition, as of August 6, 1997, the MBTA has outstanding $81.5 million of commercial paper issued as bond anticipation notes. See the February Information Statement under the heading "COMMONWEALTH BOND AND NOTE LIABILITIES—Commonwealth Supported Debt; *MBTA*."

OTHER COMMONWEALTH LIABILITIES

Unemployment Compensation Trust Fund

As of June 30, 1997 the private contributory sector of the Massachusetts Unemployment Trust Fund had a surplus of $1.147 billion. The Division of Employment and Training's April, 1997, quarterly report indicated that the contributions provided by current law should result in a private contributory balance of $1.349 billion in the Unemployment Compensation Trust Fund by December, 1997 and rebuild reserves in the system to $2.097 billion by the end of 2001. See the February Information Statement under the heading "OTHER COMMONWEALTH LIABILITIES—Unemployment Compensation Trust Fund."

AVAILABILITY OF OTHER INFORMATION

Questions regarding this Supplement or the February Information Statement or requests for additional financial information concerning the Commonwealth should be directed to Jeffrey S. Stearns, Assistant Deputy Treasurer, Office of the Treasurer-Receiver General, One Ashburton Place, 12th floor, Boston, Massachusetts 02108, telephone 617/367-3900, or Catherine R. Frazer, Director of Debt Finance, Executive Office for Administration and Finance, State House, Room 373, Boston, Massachusetts 02133, telephone 617/727-2040. Questions regarding legal matters relating to this Supplement or the February 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 617/348-1720.

THE COMMONWEALTH OF MASSACHUSETTS

By /s/ Joseph D. Malone
Joseph D. Malone
Treasurer and Receiver-General

By /s/ Charles D. Baker
Charles D. Baker
Secretary of Administration and Finance

August 6, 1997

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APPENDIX B

TABLE OF REFUNDED BONDS

The bonds of the Commonwealth to be refunded by the proceeds of the Bonds, together with proceeds from the Series A Bonds of the Commonwealth expected to be issued at or about the same time as the Bonds, are described below.

Maturity Date	Coupon	Amount	Call Date	Call Price
$7,705,000 General Obligation Refunding Bonds, 1986 Series B				
2/01/2000	6.20%	$1,490,000	2/01/1998	101.5%
2/01/2001	6.30%	$1,580,000	2/01/1998	101.5%
		$3,070,000		
$150,000,000 Consolidated Loan of 1987, Series A:				
3/01/2000	5.75%	$7,680,000	3/01/1998	101.5%
$200,000,000 Consolidated Loan of 1987, Series B:				
7/01/1999	7.00%	$10,660,000	1/01/1998	102.0%
$200,000,000 Consolidated Loan of 1988, Series A:				
3/01/2000	6.50%	$11,025,000	3/01/1998	102.0%
$250,000,000 Consolidated Loan of 1988, Series B:				
9/01/2000	7.00%	$13,300,000	9/01/1998	102.0%
$380,000,000 Consolidated Loan of 1988, Series C:				
12/01/2000	7.25%	$18,995,000	12/01/1998	102.0%
$431,315,000 Consolidated Loan of 1989, Series A:				
2/01/2001	0.00%	$14,530,692[1]	2/01/1999	103.0%
$200,000,000 Consolidated Loan of 1989, Series B:				
4/01/2001	7.30%	$11,250,000	4/01/1999	102.0%
$365,000,000 Consolidated Loan of 1989, Series C:				
6/01/2001	7.00%	$20,500,000	6/01/1999	102.0%
$230,000,000 Consolidated Loan of 1989, Series D:				
10/01/2001	7.00%	$12,500,000	10/01/1999	102.0%

[1] Initial Amount

Maturity Date	Coupon	Amount	Call Date	Call Price
$361,674,000 Consolidated Loan of 1990, Series A:				
3/01/2002	7.20%	$22,900,000	3/01/2000	102.0%
$97,170,000 General Obligation Refunding Bonds of 1991, Series C:				
8/01/2009	6.75%	$14,160,000[2]	8/01/2001	102.0%
8/01/2011	6.50%	$ 8,785,000[3]	8/01/2001	102.0%
8/01/2012	6.00%	$10,265,000[4]	8/01/2001	102.0%
		$33,210,000		
$365,000,000 Consolidated Loan of 1991, Series D:				
7/01/2007	7.00%	$22,310,000	7/01/2001	102.0%
7/01/2012	6.00%	$25,000,000	7/01/2001	100.0%
		$47,310,000		
$207,610,000 Consolidated Loan of 1992, Series A:				
6/01/2008	6.50%	$ 3,285,000	6/01/2002	101.0%
6/01/2013	6.00%	$49,790,000	6/01/2002	100.0%
		$53,075,000		
$200,000,000 Consolidated Loan of 1992, Series D:				
5/01/2012	5.75%	$66,685,000	5/01/2002	102.0%
$250,000,000 Consolidated Loan of 1994, Series B:				
8/01/2010	5.875%	$15,955,000	8/01/2004	102.0%
8/01/2011	6.00%	$16,910,000	8/01/2004	102.0%
8/01/2012	6.00%	$17,935,000	8/01/2004	102.0%
8/01/2013	6.00%	$19,030,000	8/01/2004	102.0%
8/01/2014	6.00%	$20,200,000	8/01/2004	102.0%
		$90,030,000		

[2] Unless otherwise redeemed earlier in accordance with its terms, the remaining amount ($7,955,000) of term bonds with a stated maturity of August 1, 2009, $3,620,000 is to be paid through mandatory sinking fund redemption on August 1, 2007, $2,095,000 is to be paid through mandatory sinking fund redemption on August 1, 2008 and $2,240,000 is to be paid at maturity.

[3] Unless otherwise redeemed earlier in accordance with its terms, the remaining amount ($4,935,000) of term bonds with a stated maturity of August 1, 2011, $2,390,000 is to be paid through mandatory sinking fund redemption on August 1, 2010 and $2,545,000 is to be paid at maturity.

[4] Unless otherwise redeemed earlier in accordance with its terms, the remaining amount ($5,770,000) of bonds with a stated maturity of August 1, 2012 is to be paid at maturity.

Maturity Date	Coupon	Amount	Call Date	Call Price
$200,000,000 Consolidated Loan of 1994, Series C:				
11/01/2007	6.50%	$10,810,000	11/01/2004	101.0%
11/01/2008	6.60%	$11,520,000	11/01/2004	101.0%
11/01/2009	6.70%	$12,285,000	11/01/2004	101.0%
		$34,615,000		
$150,000,000 Consolidated Loan of 1995, Series A:				
2/01/2010	5.75%	$ 9,100,000	2/01/2005	101.0%
2/01/2011	5.75%	$ 9,640,000	2/01/2005	101.0%
2/01/2012	5.75%	$10,225,000	2/01/2005	101.0%
2/01/2013	5.75%	$10,845,000	2/01/2005	101.0%
2/01/2015	5.75%	$23,735,000	2/01/2005	101.0%
		$63,545,000		
$200,000,000 Consolidated Loan of 1995, Series C:				
8/01/2015	5.625%	$15,690,000	8/01/2005	101.0%
$250,000,000 Consolidated Loan of 1996, Series B:				
6/01/2014	5.75%	$17,700,000	6/01/2006	101.0%
6/01/2015	5.75%	$18,725,000	6/01/2006	101.0%
6/01/2016	5.75%	$19,820,000	6/01/2006	101.0%
		$56,245,000		
TOTAL		$606,815,692		

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FORM OF BOND COUNSEL OPINION

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

PALMER & DODGE LLP

One Beacon Street, Boston, MA 02108-3190

TELEPHONE: (617) 573-0100

FACSIMILE: (617) 227-4420

[Date of Delivery]

The Honorable Joseph D. Malone
Treasurer and Receiver-General
The Commonwealth of Massachusetts
State House - Room 227
Boston, Massachusetts 02133

(The Commonwealth of Massachusetts
General Obligation Refunding Bonds, 1997 Series B
(Variable Rate Demand Bonds))

We have acted as Bond Counsel to The Commonwealth of Massachusetts in connection with the issuance by the Commonwealth of $271,280,000 aggregate principal amount of General Obligation Refunding Bonds, 1997 Series B (Variable Rate Demand Bonds), dated __________, 1997 (the "Bonds").

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

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

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

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

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

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

Yours faithfully,

APPENDIX D

Commonwealth of Massachusetts

General Obligation Refunding Bonds
1997 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 February 13, 1997 (the "Information Statement"), as it appears in the Official Statement dated February 20, 1997 of the Massachusetts Bay Transportation Authority with respect to its 1997 Series A Notes, and substantially in the same level of detail as is found in the referenced section of the Information Statement:

	Financial Information and Operating Data Category	Reference to Information Statement for Level of Detail
1.	Summary presentation on statutory accounting and five-year comparative basis of selected budgeted operating funds operations, concluding with prior fiscal year, plus estimates for current fiscal year	"FINANCIAL RESULTS - Selected Financial Data - Statutory Basis"
2.	Summary presentation on GAAP and five-year comparative basis of selected budgeted operating funds operations, concluding with prior fiscal year	"FINANCIAL RESULTS - Selected Financial Data - GAAP Basis"
3.	Discussion of selected key results for budgeted operating funds for prior fiscal years	"FINANCIAL RESULTS" (see discussion of prior fiscal years)
4.	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"
5.	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"
6.	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"

Financial Information and Operating Data Category		Reference to Information Statement for Level of Detail
7.	So long as Commonwealth statutes impose a limit on appropriations for debt service, information as to compliance therewith for the prior fiscal year and an estimate for the current fiscal year	"COMMONWEALTH PROGRAMS AND SERVICES - Debt Service"
8.	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"
9.	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"
10.	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"
11.	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"
12.	So long as Commonwealth statutes impose a limit on the amount of outstanding "direct" bonds, information as to compliance therewith as of the end of the prior fiscal year	"COMMONWEALTH BOND AND NOTE LIABILITIES - Statutory Debt Limit on Direct Bonds"
13.	Five-year summary presentation of authorized but unissued general obligation debt and actual capital project expenditures	"COMMONWEALTH BOND AND NOTE LIABILITIES - Authorized But Unissued Debt"
14.	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"
15.	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"
16.	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"
17.	Summary presentation of long-term capital lease and certificate-of- participation commitments for future fiscal years as of the end of the prior fiscal year	"OTHER COMMONWEALTH LIABILITIES - Long Term Capital Leases and Certificates of Participation"
18.	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 difficulties1/;

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

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

(vi) adverse tax opinions or events affecting the tax-exempt status of the security;

(vii) modifications to the rights of security holders;

(viii) bond calls;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the securities2/ and

(xi) rating changes.

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

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

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

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

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

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APPENDIX E

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

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

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

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

DEFINITIONS

"*Agreement Expiration Date*" means the stated expiration date set forth in a Standby Bond Purchase Agreement, initially 5:00 p.m., Boston time, on August 11, 2004 or the next preceding Business Day.

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

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

"*Authorized Denominations*" means, for Bonds in the Daily Mode or in the Weekly Mode, $100,000 or any integral multiple of $5,000 in excess thereof and, for Bonds in the Fixed Mode, $5,000 or any integral multiple thereof.

"*Bank*" means the issuer of a Standby Bond Purchase Agreement or Alternate Liquidity Facility pursuant to which the issuer thereof agrees to purchase Bonds tendered for purchase in accordance with the optional or mandatory tender provisions thereof, but not remarketed, initially Landesbank Hessen-Thüringen Girozentrale, acting through its New York Branch, its successors or assigns.

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

"*Bank Default Rate*" means the default rate of interest on Bank Bonds pursuant to a Standby Bond Purchase Agreement, initially the Bank Rate plus 2% per annum.

"*Bank Rate*" means the per annum rate of interest on Bank Bonds pursuant to a Standby Bond Purchase Agreement, initially the higher of (i) the rate of interest announced by the Bank from time to time as its prime commercial rate for U.S. dollar loans, or equivalent, or (ii) the sum of the Federal Funds Rate plus 0.50%. Under the initial Standby Bond Purchase Agreement, the Bank Rate shall increase by 0.25% per annum from and after the date of each Downgrade, for so long as such Downgrade is in effect. Following the occurrence of an Event of Default under the initial Standby Bond Purchase Agreement, the Bank Interest Rate shall equal the Bank Default Rate.

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

"*Bonds*" means any of the $271,280,000 Commonwealth of Massachusetts General Obligation Refunding Bonds, 1997 Series B (Variable Rate Demand Bonds).

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

"*Commonwealth*" means The Commonwealth of Massachusetts.

"*Conversion*" means the conversion of the interest rate on the Bonds from the Daily Mode to the Weekly Mode, from the Daily Mode to the Fixed Mode, from the Weekly Mode to the Daily Mode or from the Weekly Mode to the Fixed Mode, as provided in the Bonds.

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

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

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

"*Delivery Date*" means the date of initial delivery of the Bonds.

"*Downgrade*" means any full rating category reduction by Fitch, Moody's or S&P of the long-term unenhanced general obligation bond rating of the Commonwealth from the rating in effect on the Delivery Date.

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

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

"*Fitch*" means Fitch Investors Service, L.P., a limited partnership organized and existing under the laws of the

State of Delaware, its successors and their assigns, and, if such partnership shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency (other than S&P or Moody's) designated by the Commonwealth.

"*Fixed Mode*" means the Mode in which the Bonds bear interest at a Fixed Rate to maturity.

"*Fixed Rate*" means, for or on any Bond in a Fixed Mode, the rate of interest thereon to maturity determined in accordance with the provisions of the Bonds.

"*Initial Period*" means the period beginning on the Delivery Date and ending on the first Wednesday which is or follows the Delivery Date.

"*Interest Payment Date*" means (i) with respect to Bonds in the Daily Mode or the Weekly Mode, the first Business Day of each month and (ii) with respect to Bonds in the Fixed Mode, each February 1 and August

"*Maximum Rate*" means 12% per annum.

"*Mode*" means the Daily Mode, the Weekly Mode or the Fixed Mode, as the context may require.

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

"*Moody's*" means Moody's Investors Service, a company of the Dun & Bradstreet Corporation, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency (other than S&P or Fitch) designated by the Commonwealth.

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

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

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

"*Rating Agency*" means Moody's, S&P or Fitch.

"*Record Date*" means 5:00 p.m., Boston time, on the Business Day preceding each Interest Payment Date.

"*Related Documents*" mean the Remarketing Agreement, this Official Statement, the Tender Agent Agreement and the Bond Purchase Agreement relating to the Bonds and all other instruments executed and delivered in connection therewith and any other agreement or instrument relating thereto.

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

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

"S&P" means Standard & Poor's Ratings Service, a division of McGraw-Hill Corporation, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency (other thanMoody's or Fitch) designated by the Commonwealth.

"Standby Bond Purchase Agreement" means the Standby Bond Purchase Agreement dated as of August 12, 1997 between the Commonwealth and Landesbank Hessen-Thüringen Girozentrale, acting through its New York Branch, which secures the purchase of tendered Bonds, as amended from time to time, and any Alternate Liquidity Facility

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

"Tender Agent Agreement" means the Tender Agent Agreement dated as of August 12, 1997 between the Commonwealth and State Street Bank and Trust Company, as amended from time to time, and any substitute Tender Agent Agreement hereafter provided.

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

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

PROVISIONS OF THE BONDS

Interest Rates

Initial Period - Interest Rate Modes

The Bonds shall bear interest for the Initial Period at the rate set forth on the cover page of this Official Statement. Thereafter, Bonds shall be in the Weekly Mode, unless and until converted to the Daily Mode or the Fixed Mode. Bonds in the Daily Mode shall bear interest until maturity or earlier redemption or Conversion to a Weekly Mode or Fixed Mode at a Daily Rate. Bonds in the Weekly Mode shall bear interest until maturity or earlier redemption or Conversion to a Daily Mode or Fixed Mode at a Weekly Rate. Bonds in the Fixed Mode shall bear interest until maturity or earlier redemption at a Fixed Rate.

Daily Mode

Determination of Rate. Bonds in the Daily Mode bear interest at the Daily Rate payable monthly on each Interest Payment Date. Interest is computed on the basis of a 365- or 366-day year, as applicable, for the actual number of days elapsed. Interest is payable to the registered owners who are such registered owners on the Record Date. The Daily Rate shall be determined each day by the Remarketing Agent by 10:00 a.m., Boston time, on each Rate Determination Date, shall take effect on such date and shall be in effect to, but not including, the next succeeding Business Day (the "Daily Rate Period"). The Daily Rate for each Daily Rate Period shall be that interest rate which, in the judgment of the Remarketing Agent, would cause the Bonds to have a market value equal to 100% of the principal amount thereof (exclusive of accrued interest), taking into account prevailing market conditions as of the Rate Determination Date. However, in no event shall the Daily Rate exceed the Maximum Rate.

In the event the Remarketing Agent fails to determine a Daily Rate for Bonds in the Daily Mode, the Bonds shall continue to bear interest at the immediately preceding Daily Rate until a new Daily Rate is determined.

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

Weekly Mode

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

In the event the Remarketing Agent fails to determine a Weekly Rate for Bonds in the Weekly Mode, the Bonds shall continue to bear interest at the immediately preceding Weekly Rate until a new Weekly Rate is determined.

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

Optional Tender

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

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

(i) be delivered in writing, in a form satisfactory to the Tender Agent, or by telephone (and promptly confirmed in writing in such form) to the Tender Agent at its corporate trust office by 11:00 a.m., Boston time, on any Business Day, in the case of a Bond in the Daily Mode, and by 5:00 p.m., Boston time, on a Business Day not fewer than seven days prior to the Purchase Date, in the case of a Bond in the Weekly Mode;

(ii) state, whether delivered in writing or by telephone, (A) the principal amount of the Bond to which it relates, (B) that the Bondholder irrevocably demands purchase of such Bond or of a specified portion thereof in an amount which is an Authorized Denomination and which leaves the retained portion of the Bond in an amount which is an Authorized Denomination, (C) in the case of Bonds in the Weekly Mode, the date on which such Bond or portion thereof is to be purchased, and (D) payment instructions with respect to the Purchase Price; and

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

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

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

Conversion

The Bonds may be converted from the Weekly Mode to the Daily Mode or the Fixed Mode and from the Daily Mode to the Weekly Mode or the Fixed Mode. Any Conversion Date shall be a Business Day. The Commonwealth shall give written notice of Conversion at least 30 days prior to the Conversion Date to the Tender Agent and the Remarketing Agent, which notice shall specify the proposed Conversion Date and the conditions to conversion, if any, and shall request the Tender Agent to give written notice of such Conversion to Bondholders. Conversion to the Fixed Mode is subject to certain conditions, as set forth in the Bonds, including, without limitation, an opinion of bond counsel to the effect that such conversion will have no adverse effect on the exclusion of interest on the Bonds from the gross income of Bondholders for federal income tax purposes.

Mandatory Tender

Agreement to Tender Bonds

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

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

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

Mandatory Tender Upon Conversion to Fixed Mode. If Bonds are to be converted from the Weekly Mode or the Daily Mode to a Fixed Mode, Bonds to be so converted are subject to mandatory tender for purchase on the Conversion Date at a Purchase Price equal to 100% of the principal amount of the Bonds, plus accrued interest. The Commonwealth shall give written notice of such Conversion to the Tender Agent, the Bank and the Remarketing Agent at least 30 days prior to the Conversion Date. The Tender Agent shall give written notice of such Conversion to the Bondholders by first class mail or, at the Commonwealth's option, certified mail, return receipt requested, at least 15 days prior to the Conversion Date setting forth, among other things: (a) the proposed Conversion Date; (b) that the Bonds shall be subject to mandatory tender on the Conversion Date; and (c) the conditions to Conversion, if any.

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

Delivery and Payment for Tendered Bonds

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

Delivery to the Tender Agent of Bonds to be tendered for purchase, upon both optional tender and mandatory tender, together with wire payment instructions satisfactory to the Tender Agent, is required to be made by 1:00 p.m., Boston time, on the Business Date which is the Purchase Date in order for tendering Bondholders to be paid in immediately available funds by 4:00 p.m., Boston time, on such day. If the Bonds are delivered after 1:00 p.m., Boston time, payment will be made on the next Business Day without any additional accrued interest. Bonds which are required to be tendered for purchase, upon both optional tender and mandatory tender, shall cease bearing interest from and after the date tender is required regardless of whether such Bonds are presented for payment and Bondholders shall have no further rights with respect to such Bonds other than the right to receive payment of the Purchase Price upon surrender of the Bonds.

On any date when Bank Bonds are released to the Tender Agent by the Bank, the Purchase Price of such Bonds released to the Tender Agent shall be paid by wire transfer to the Bank at the wire transfer address specified in the Standby Bond Purchase Agreement.

Book-Entry Bonds

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

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

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

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

Remarketing of Tendered Bonds; Bank Bonds

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

The Remarketing Agent shall be authorized by law to perform all the duties imposed upon it by the Bonds. The Remarketing Agent may resign or may be removed at any time upon written notice as specified in the Remarketing Agreement. The Remarketing Agent may terminate its duties in certain circumstances upon notice to the Commonwealth as provided in theRemarketing Agreement.

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

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

The Remarketing Agent is required to use its best efforts to remarket Bonds properly tendered for purchase. In the event the Remarketing Agent is unable to remarket tendered Bonds, the Standby Bond Purchase Agreement provides that the Bank agrees to purchase any such Bonds from time to time in an amount not to exceed the principal amount thereof plus accrued interest up to 45 days at an interest rate not exceeding 12% per annum, subject to the terms and provisions set forth in the Standby Bond Purchase Agreement. Bank Bonds shall bear interest at the Bank Rate and shall be payable at the times and in the amounts and may have such other terms as are set forth in a Standby Bond Purchase Agreement. To the extent there are Bank Bonds, such Bank Bonds shall be redeemed from mandatory sinking fund payments prior to any other Bonds.

Alternate Liquidity Facility

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

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

Any Alternate Liquidity Facility shall meet the following criteria:

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

(b) Any Alternate Liquidity Facility shall have a term of not less than the remaining term of the Standby Bond Purchase Agreement which such Alternate Liquidity Facility is replacing.

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

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

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

Tender Agent

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

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

(a) Moneys derived from theremarketing of Bonds;

(b) Any amounts derived from a draw against the Standby Bond Purchase Agreement (or, if applicable, an Alternate Liquidity Facility); and

(c) Any amounts paid to it by the Commonwealth therefor.

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

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

By 1:00 p.m., Boston time, on the Purchase Date, the Tender Agent shall provide to the Bank a notice from the Tender Agent indicating the exact amounts that will be required to be paid by the Bank, in order to pay the Purchase Price of all tendered Bonds that have not beenremarketed at or prior to such time.

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

Notice to Rating Agencies. The Tender Agent shall give notice to Fitch, Moody's and S&P of (i) any change to the Standby Bond Purchase Agreement or the Bonds, (ii) the termination, substitution, expiration or extension of the Standby Bond Purchase Agreement or (iii) any redemption of Bonds.

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

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

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

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

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

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

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

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

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

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

(e) provide to the Commonwealth as soon as practicable after the close of business on each Record

Date, but in no case later than 1:00 p.m., Boston time, on the applicable Interest Payment Date, a list of the names and addresses of the Bondholders as of such Record Date; and

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

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

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

The Tender Agent upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document furnished to it pursuant to any provision of the Bonds shall examine such instrument to determine whether it conforms to the requirements hereof and shall, in the absence of negligence or willful misconduct on the part of the Tender Agent, be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. The Tender Agent may consult with counsel and the written opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

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

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

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

STANDBY BOND PURCHASE AGREEMENT

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

The Standby Bond Purchase Agreement will be issued in an amount equal to the original principal amount of the Bonds plus interest thereon for a period of 45 days at a rate of 12% per annum (as adjusted from time to time, the "Available Commitment"). The Tender Agent, upon compliance with the terms of the Standby Bond Purchase Agreement, is authorized and directed to draw up to an amount sufficient (a) to pay the portion of the purchase price of Bonds delivered for purchase pursuant to a demand for purchase by the owner thereof or a mandatory tender for purchase and not remarketed equal to the principal amount of such Bonds, plus an amount not to exceed 45 days of accrued interest on such Bonds at a rate of 12% per annum to pay interest on such Bonds when due.

The Bank's commitment to fund under the Standby Bond Purchase Agreement will terminate on the earliest of the Bank's close of business on (a) the stated termination date (August 11, 2004, unless renewed or extended); (b) the date on which the Available Commitment is reduced to zero and the Bank shall no longer be obligated to purchase Bonds; (c) the date on which an Alternate Liquidity Facility becomes effective in accordance with the terms of the Bonds; (d) the date on which the Bank's obligation to purchase is terminated following an event of default as described below; (e) the Bank's close of business on the date on which the all of the Bonds convert to the Fixed Mode; or (f) the date on which no Bonds are otherwise outstanding.

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

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

"*Events of Default*" under the Standby Bond Purchase Agreement include the following:

(a) the Commonwealth shall fail to pay or cause to be paid when due (i) any amounts with respect to the principal of or interest or premium, if any, on the Bonds (including Bank Bonds), (ii) any amounts payable with respect to reimbursing the Bank for any payment made by the Bank under the Standby Bond Purchase Agreement or (iii) any other amount payable pursuant to the Standby Bond Purchase Agreement or the Bonds (including Bank Bonds); or

(b) the Commonwealth shall fail to observe or perform certain covenants set forth in the Standby Bond Purchase Agreement; or

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

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

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

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

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

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

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

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

Bonds purchased with money advanced under the Standby Bond Purchase Agreement become Bank Bonds and may not be remarketed unless or until the Bank has confirmed in writing to the Commonwealth that the available principal commitment has been reinstated and that the Bonds are no longer considered Bank Bonds. Bank Bonds will bear interest at the Bank Rate or, upon the occurrence of an event of default under the Standby Bond Purchase Agreement, at the Bank Default Rate. The principal of Bank Bonds is payable in equal quarterly installments over the remainder of the commitment period described above.

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

INFORMATION CONCERNING LANDESBANK HESSEN-THÜRINGEN GIROZENTRALE

The following information has been provided by Landesbank Hessen-Thüringen Girozentrale, acting through its New York branch, and is not guaranteed as to accuracy or completeness by the Commonwealth or the Underwriters and is not to be construed as a representation by the Commonwealth or the Underwriters. Neither the Commonwealth nor the Underwriters has made any independent investigation regarding such information.

Landesbank Hessen-Thüringen Girozentrale (the "Bank" or "Helaba") ranks among Germany's major banks with total assets of approximately $102.62 billion, shareholders' equity of approximately $2.11 billion, total loans of approximately $90.33 billion and total deposits of approximately $52.16 billion for the year ended December 31, 1996 (at December 31, 1996, the exchange rate was US $1=DM 1.5548). Helaba is one of the largest issuers of bank bonds and notes in Germany with a total of more than $39.12 billion outstanding. The Bank's Euro bonds and medium term notes have been rated AAA/Aaa by Standard & Poor's Rating Group and Moody's Investors Service, Inc. Its short-term deposits including its U.S. commercial paper and certificates of deposit have been rated A-1+/P-1.

Helaba is owned by the savings bank of Giro Association Hesse-Thuringia. The Bank acts as the Giro central bank for these savings banks in Hesse and Thuringia and as a municipal bank for the municipalities/districts in those states. Headquartered in Frankfurt/Main and Erfurt, Helaba concentrates on wholesale financial services offering comprehensive banking facilities for multinational corporations, central banks, public sector entities and other financial institutions. It has branch offices in London, New York and Grand Cayman and wholly-owned subsidiaries in Luxembourg, Dublin, Amsterdam and Zurich. Representative offices are being maintained in Warsaw, Budapest, Prague, Brussels, Paris and Hong Kong.

Helaba's New York Branch, licensed under New York law, provides a full range of wholesale commercial banking services in the New York City metropolitan area and throughout the United Sates. Upon written request, the Bank will provide without charge a copy of its most recent Annual Report. Requests should be directed to the following: Landesbank Hessen-Thüringen Girozenrale, New York Branch, 420 Fifth Avenue, 24th floor, New York, NY 10018, telephone 212/703-5200, fax 212/703-5256.

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FORM G-36(OS) — FOR OFFICIAL STATEMENTS

1. NAME OF ISSUER(S): (1) The Commonwealth of Massachusetts

(2)

2. DESCRIPTION OF ISSUE(S): (1) General Obligation Refunding Bonds 1997 Series B

(2)

3. STATE(S) Massachusetts

4. DATED DATE(S): (1) 8/12/97 (2)

5. DATE OF FINAL MATURITY OF OFFERING 08/01/2015 6. DATE OF SALE 8/6/97

7. PAR VALUE OF OFFERING $ 271,280,000

8. PAR AMOUNT UNDERWRITTEN (if there is no underwriting syndicate) $ —

9. IS THIS AN AMENDED OR STICKERED OFFICIAL STATEMENT? Yes ☐ No ☑

10. CHECK ALL THAT APPLY:

a. ☑ At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value or more at least as frequently as every nine months until maturity, earlier redemption, or purchase by the issuer or its designated agent.

b. ☐ At the option of the holder thereof, all securities in this offering may be tendered to the issuer of such securities or its designated agent for redemption or purchase at par value or more at least as frequently as every two years until maturity, earlier redemption, or purchase by the issuer or its designated agent.

c. ☑ This offering is exempt from SEC rule 15c2-12 under section (d)(1) of that rule. Section (d)(1) of SEC rule 15c2-12 states that an offering is exempt from the requirements of the rule if the securities offered have authorized denominations of $100,000 or more and are sold to no more than 35 persons each of whom the participating underwriter believes: (1) has the knowledge and expertise necessary to evaluate the merits and risks of the investment; and (2) is not purchasing for more than one account, or with a view toward distributing the securities.

11. MANAGING UNDERWRITER Goldman, Sachs & Co.

16. MATURITY DATE	CUSIP NUMBER	MATURITY DATE	CUSIP NUMBER
08/01/2015	575827KH2		

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

☐ Check here if the issue is ineligible for CUSIP number assignment.

State the reason why the issue is ineligible for CUSIP number assignment: ______________________________

18. **Submit two copies of the completed form along with two copies of the official statement to MSRB, MSIL System, 1640 King Street, Suite 300, Alexandria, VA 22314. Incomplete submissions will be returned for correction.**