

ECONOMIC INFORMATION

The information in this section was prepared by the Massachusetts State Data Center (MassSDC) at the University of Massachusetts Donahue Institute and may be relevant in evaluating the economic and financial condition and prospects of the Commonwealth of Massachusetts. The State Data Center archives much of the data about Massachusetts. The demographic information and statistical data, which have been obtained by the MassSDC from the sources indicated, do not necessarily present all factors that may have a bearing on the Commonwealth's fiscal and economic affairs.

All information is presented on a calendar-year basis unless otherwise indicated. **The section was prepared for release on January 26, 2008. Information in the text, tables, charts, and graphs was current as of December 31, 2007.** Sources of information are indicated in the text or immediately following the charts and tables, and also on the *Sources List* on the last page of the Exhibit A section. Although the Commonwealth considers the sources to be reliable, the Commonwealth has made no independent verification of the information presented herein and does not warrant its accuracy.

Statistical Overview

Population (p. A-2)

| | <u>Massachusetts</u> | <u>United States</u> |
|--|----------------------|----------------------|
| Estimated Percent Change in Population, April 1, 2000–July 1, 2007 | 1.6% | 7.2% |

Personal Income, Consumer Prices, and Poverty (p. A-7)

| | | |
|---|----------|----------|
| Per Capita Personal Income, 2006 | \$46,255 | \$36,629 |
| Average Annual Pay, All Industries, 2006 | \$52,435 | \$42,535 |
| Percent Change in CPI-U*, 2006-2007 (using 11-month average for both years) | 1.7% | 2.7% |
| Percent Change in CPI-U*, November 2006-November 2007 | 3.4% | 4.3% |
| Poverty Rate, 2004-2006 Average | 10.5% | 12.5% |
| Average Weekly Earnings, Manufacturing Production Workers: 2007ytd (11mo.) | \$778.32 | \$708.78 |
| Percent Change 2007ytd (Nov07 prelim.), over same period last year | 5.8% | 3.4% |

Employment (p. A-15)

| | | |
|--|------|------|
| Percent Change in Nonfarm Payroll Employment, November 2006-November 2007(p) | 0.9% | 1.1% |
| Unemployment Rate, 2007 (eleven month average) | 4.7% | 4.6% |
| Unemployment Rate, November, 2007 (seasonally adjusted) | 4.3% | 4.7% |

Economic Base and Performance (p. A-20)

| | | |
|---|--------|--------|
| Percent Change in Gross Domestic Product, 2005-2006 | 2.9% | 3.4% |
| Percent Change in International Exports, 2005-2006 | 9.1% | 14.7% |
| Percent Change in Housing Permits Authorized, 2005-2006 | -20.2% | -14.7% |

Human Resources and Infrastructure (p. A-38)

| | | |
|--|----------|---------|
| Expenditure Per Pupil, 2005 | \$11,267 | \$8,701 |
| Percent of Adults with a Bachelor's Degree or higher, 2006 | 37.0% | 27.0% |

*NOTE: Percent changes in the Consumer Price Index for All Urban Consumers (CPI-U) are for the Boston-Worcester-Lawrence, MA-NH-ME-CT CMSA & the United States.

Massachusetts is a densely populated state with a well-educated population, comparatively high income levels, and a relatively diversified economy. While the total population of Massachusetts has remained fairly stable in the last twenty-five years, significant changes have occurred in the age distribution of the population: dramatic growth in residents between the ages of 20 and 44 since 1980 is expected to lead to a population distributed more heavily in the 65 and over age group in the next twenty-five years. Just as the working-age population has increased, income levels in Massachusetts since 1980 have grown significantly more than the national average, and a variety of measures of income show that Massachusetts residents have significantly higher amounts of annual income than the national average. These higher levels of income have been accompanied by a consistently lower poverty rate and, with the exception of the recession of the early 1990s and the current slow recovery period, considerably lower unemployment rates in Massachusetts than in the United States since 1980. The state is now recovering from the recession of 2001, but is lagging behind the nation in many indicators, particularly employment levels.

The following five sections provide detailed information on population characteristics, personal income, employment, economic base and performance, and human resources and infrastructure.

POPULATION CHARACTERISTICS

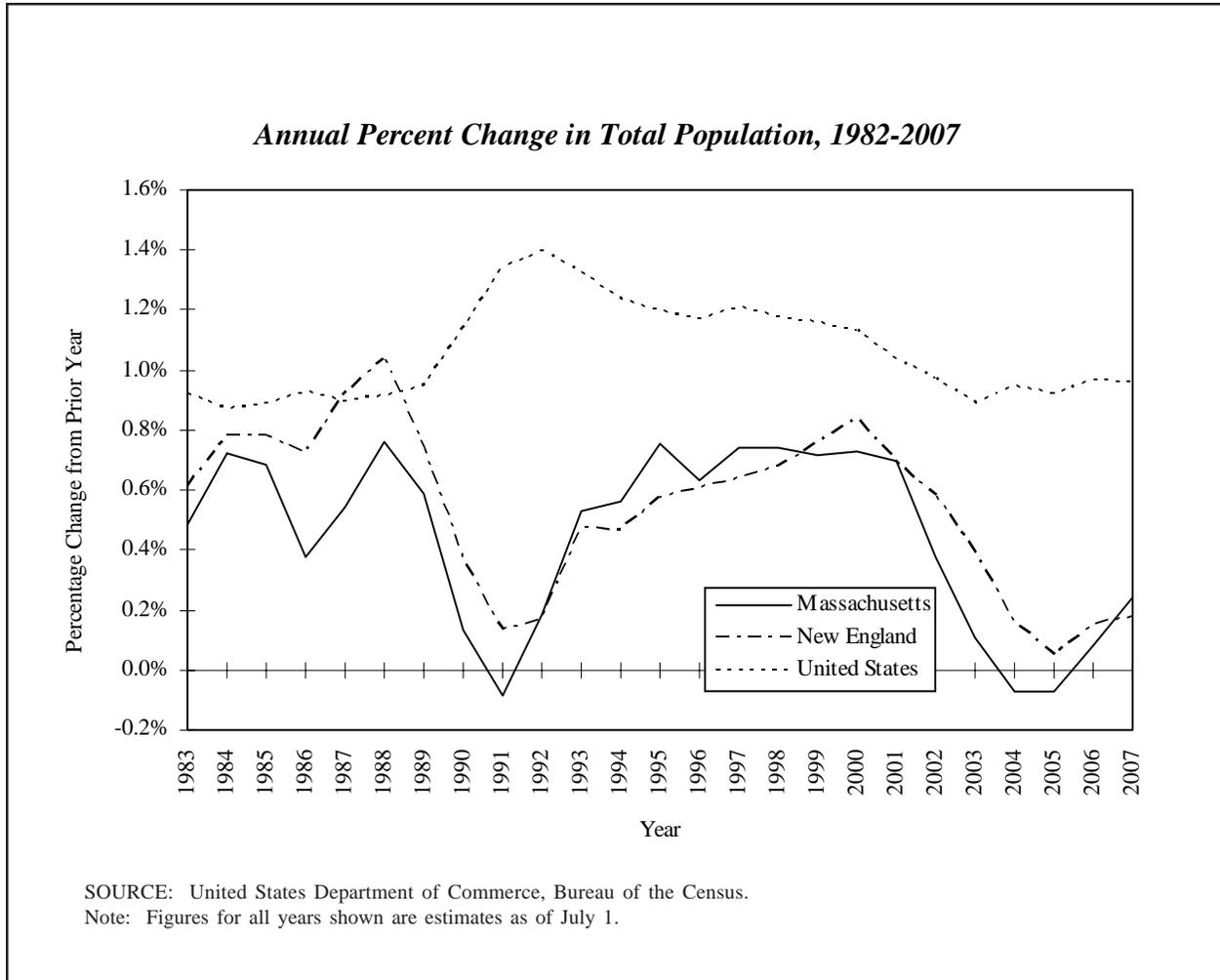
Massachusetts is a relatively slow growing but densely populated state with a comparatively large percentage of its residents living in metropolitan areas. The population density of Massachusetts was estimated as of July 1, 2007 to be 822.7 persons per square mile, as compared to 85.3 for the United States as a whole. Among the 50 states, only Rhode Island and New Jersey have a greater population density. Massachusetts also ranked just behind the same two states in percentage of residents living in metropolitan areas according to the metropolitan definitions released in 2003 which are based on whole counties. According to this definition, the entire state is considered metropolitan except for the two island counties (99.6 percent of state residents in 2006) while Rhode Island, New Jersey and D.C. are wholly metropolitan

The State's population is concentrated in its eastern portion. The city of Boston is the largest city in New England, with a 2006 population estimated at 590,763, or 9.2 percent of the state's population. Boston is the hub of the seven-county Boston-Cambridge-Quincy, MA-NH Metropolitan Statistical Area (MSA), which includes the two southeastern New Hampshire counties, and which had a total population in 2006 estimated at 4,455,217 or 31 percent of the total New England population. The three-county Boston-Quincy, MA Metropolitan Division is the largest component of that MSA, with a total population in 2006 estimated at 1,835,986.

The second largest MSA in the state is the Worcester, MA MSA, with a 2006 population estimated at 784,992. The city of Worcester, situated approximately 40 miles west of Boston with a 2006 population estimated at 175,454, is the second largest city in New England as well as the second largest in the state. As a major medical and educational center, the Worcester area is home to 18 patient care facilities, including the University of Massachusetts Medical School, and thirteen other colleges and universities.

The third largest MSA in Massachusetts is the three-county Springfield MSA, with a 2006 population estimated at 686,174. Springfield, the third largest city in the Commonwealth with a 2006 population estimated at 151,176, is located in the Connecticut River Valley in Western Massachusetts and enjoys a diverse body of corporate employers, the largest of which are Baystate Health System, Big Y Supermarkets, MassMutual Financial Group, and Hasbro Games (Milton Bradley). In addition, Springfield is home to three independent colleges.

As the following chart and table indicate, the population in Massachusetts generally grows more slowly than the population of New England and much more slowly than the nation as a whole. According to the Census Bureau's latest revised estimates released in December, 2007, Massachusetts population has grown by 1.6% since Census 2000, and only seven states have grown more slowly. Most of that growth occurred between 2000 and 2003; since then only about 11,000 people have been added to the state's population according to these estimates.



The following table compares the population level and percentage change in the population level of Massachusetts with those of the New England states and the United States.

Population, 1972-2007

(in thousands)

| <i>Year</i> | <i>Massachusetts</i> | | <i>New England</i> | | <i>United States</i> | |
|-------------|----------------------|-----------------------|--------------------|-----------------------|----------------------|-----------------------|
| | <i>Total</i> | <i>Percent Change</i> | <i>Total</i> | <i>Percent Change</i> | <i>Total</i> | <i>Percent Change</i> |
| 1972 | 5,760 | 0.4% | 12,082 | 0.7% | 209,284 | 1.2% |
| 1973 | 5,781 | 0.4% | 12,140 | 0.5% | 211,357 | 1.0% |
| 1974 | 5,774 | -0.1% | 12,146 | 0.0% | 213,342 | 0.9% |
| 1975 | 5,758 | -0.3% | 12,163 | 0.1% | 215,465 | 1.0% |
| 1976 | 5,744 | -0.2% | 12,192 | 0.2% | 217,563 | 1.0% |
| 1977 | 5,738 | -0.1% | 12,239 | 0.4% | 219,760 | 1.0% |
| 1978 | 5,736 | 0.0% | 12,283 | 0.4% | 222,095 | 1.1% |
| 1979 | 5,738 | 0.0% | 12,322 | 0.3% | 224,567 | 1.1% |
| 1980 | 5,737 | 0.0% | 12,348 | 0.2% | 226,546 | 0.9% |
| 1981 | 5,769 | 0.6% | 12,436 | 0.7% | 229,466 | 1.3% |
| 1982 | 5,771 | 0.0% | 12,468 | 0.3% | 231,664 | 1.0% |
| 1983 | 5,799 | 0.5% | 12,544 | 0.6% | 233,792 | 0.9% |
| 1984 | 5,841 | 0.7% | 12,642 | 0.8% | 235,825 | 0.9% |
| 1985 | 5,881 | 0.7% | 12,741 | 0.8% | 237,924 | 0.9% |
| 1986 | 5,903 | 0.4% | 12,833 | 0.7% | 240,133 | 0.9% |
| 1987 | 5,935 | 0.5% | 12,951 | 0.9% | 242,289 | 0.9% |
| 1988 | 5,980 | 0.8% | 13,085 | 1.0% | 244,499 | 0.9% |
| 1989 | 6,015 | 0.6% | 13,182 | 0.7% | 246,819 | 0.9% |
| 1990 | 6,023 | 0.1% | 13,230 | 0.4% | 249,623 | 1.1% |
| 1991 | 6,018 | -0.1% | 13,248 | 0.1% | 252,981 | 1.3% |
| 1992 | 6,029 | 0.2% | 13,271 | 0.2% | 256,514 | 1.4% |
| 1993 | 6,061 | 0.5% | 13,334 | 0.5% | 259,919 | 1.3% |
| 1994 | 6,095 | 0.6% | 13,396 | 0.5% | 263,126 | 1.2% |
| 1995 | 6,141 | 0.8% | 13,473 | 0.6% | 266,278 | 1.2% |
| 1996 | 6,180 | 0.6% | 13,555 | 0.6% | 269,394 | 1.2% |
| 1997 | 6,226 | 0.7% | 13,642 | 0.6% | 272,647 | 1.2% |
| 1998 | 6,272 | 0.7% | 13,734 | 0.7% | 275,854 | 1.2% |
| 1999 | 6,317 | 0.7% | 13,838 | 0.8% | 279,040 | 1.2% |
| 2000 | 6,363 | 0.7% | 13,954 | 0.8% | 282,194 | 1.1% |
| 2001 | 6,408 | 0.7% | 14,050 | 0.7% | 285,112 | 1.0% |
| 2002 | 6,432 | 0.4% | 14,132 | 0.6% | 287,888 | 1.0% |
| 2003 | 6,439 | 0.1% | 14,187 | 0.4% | 290,448 | 0.9% |
| 2004 | 6,434 | -0.1% | 14,210 | 0.2% | 293,192 | 0.9% |
| 2005 | 6,429 | -0.1% | 14,217 | 0.0% | 295,896 | 0.9% |
| 2006 | 6,434 | 0.1% | 14,239 | 0.2% | 298,755 | 1.0% |
| 2007 | 6,450 | 0.2% | 14,264 | 0.2% | 301,621 | 1.0% |

SOURCE: United States Department of Commerce, Bureau of the Census. 1980 figures are census counts as of April 1, 1980; figures for all other years shown are estimates as of July 1.

The next twenty-five years are expected to bring about a continued change in the age distribution of the Massachusetts population. As the following table and chart show, the share of the 65 and over age group and especially the 85 and over age group will continue to grow. The chart, table and population pyramids (below, and on the following page) show the projected population by age for Massachusetts for 2000 through 2030.

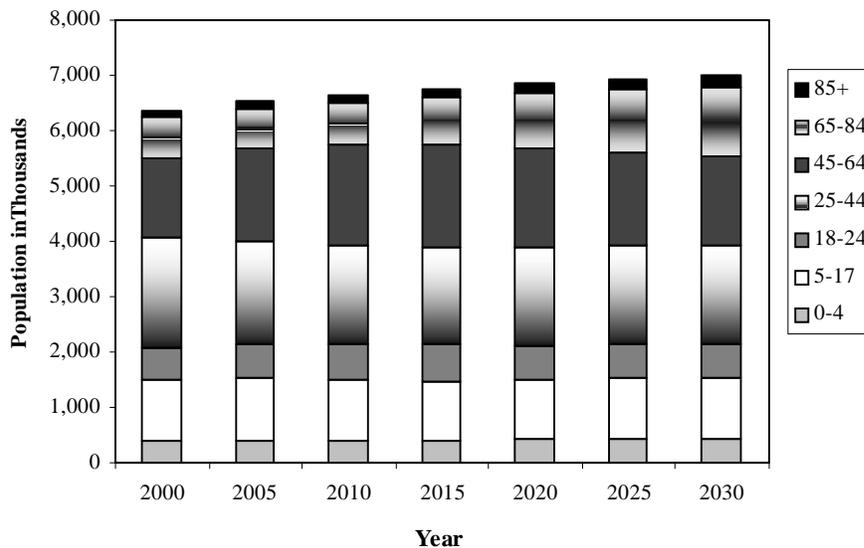
Projected Massachusetts Population by Age Group, 2000-2030

(in thousands)

| <i>Year</i> | <i>0-4</i> | <i>5-17</i> | <i>18-24</i> | <i>25-44</i> | <i>45-64</i> | <i>65-84</i> | <i>85+</i> | <i>All Ages</i> | <i>Median Age</i> |
|-------------|------------|-------------|--------------|--------------|--------------|--------------|------------|-----------------|-------------------|
| 2000 | 397.3 | 1,102.8 | 579.3 | 1,989.8 | 1,419.8 | 743.5 | 116.7 | 6,349.1 | 36.5 |
| 2005 | 406.3 | 1,119.2 | 611.8 | 1,874.6 | 1,649.0 | 720.7 | 137.4 | 6,518.9 | 37.8 |
| 2010 | 400.7 | 1,083.1 | 670.2 | 1,769.7 | 1,817.1 | 750.6 | 158.0 | 6,649.4 | 38.8 |
| 2015 | 409.7 | 1,064.2 | 656.0 | 1,746.1 | 1,857.1 | 856.5 | 168.9 | 6,758.6 | 39.2 |
| 2020 | 422.3 | 1,070.9 | 617.5 | 1,775.8 | 1,809.3 | 987.8 | 172.0 | 6,855.5 | 39.5 |
| 2025 | 431.0 | 1,087.7 | 616.2 | 1,782.5 | 1,703.3 | 1,137.8 | 180.1 | 6,938.6 | 39.7 |
| 2030 | 430.6 | 1,115.0 | 610.7 | 1,783.9 | 1,608.7 | 1,251.2 | 211.9 | 7,012.0 | 40.2 |

Actual Census 2000 counts as of April 1; all other figures are projections as of July 1 of the indicated year.
 Interim Population Projections through 2030 released April 21, 2005 by the Population Division, Bureau of the Census, United States Department of Commerce. More recent estimates of the 2005 population are somewhat lower.

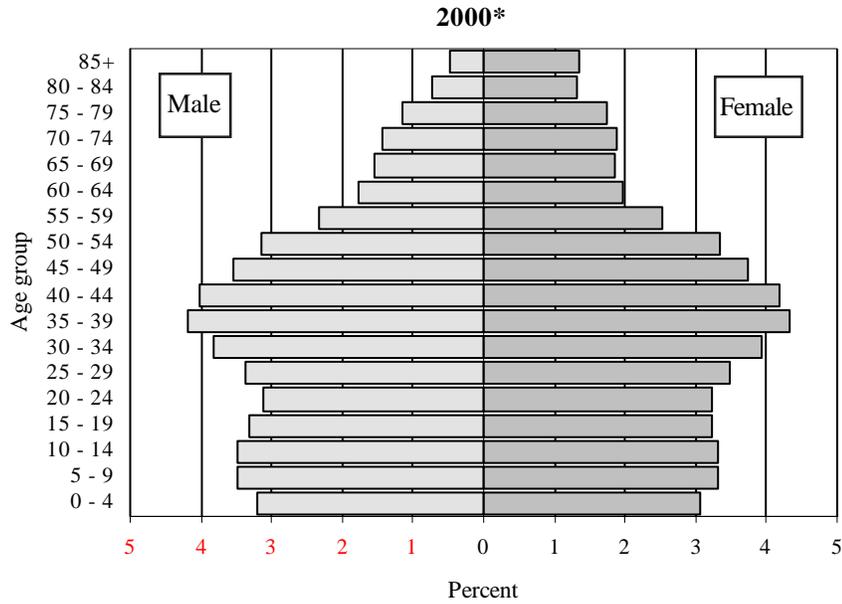
**Projected Massachusetts Population by Age Group
2000-2030**



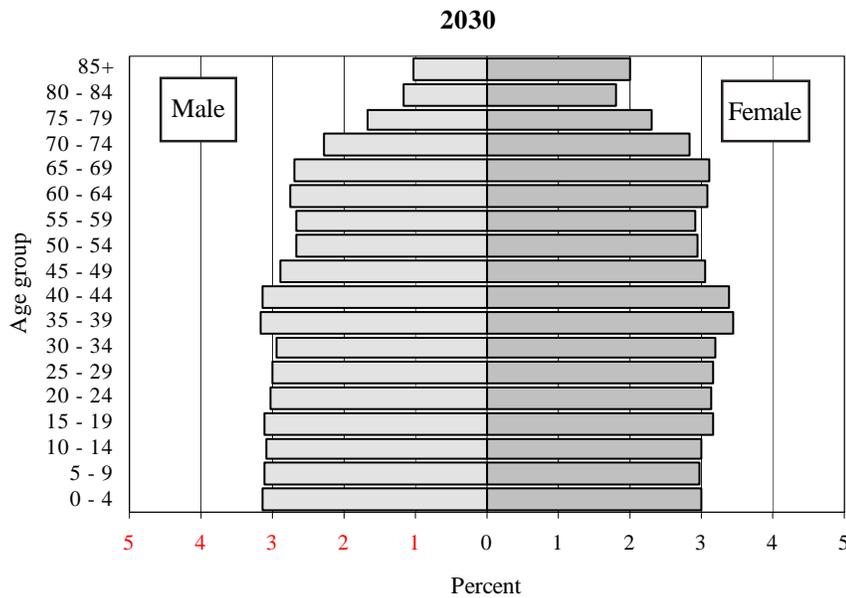
Actual Census 2000 counts as of April 1; all other figures are projections as of July 1 of the indicated year.
 Interim Population Projections through 2030 released April 21, 2005 by the Population Division, Bureau of the Census, United States Department of Commerce. More recent estimates of the 2005 population are somewhat lower.

Population Pyramids of Massachusetts

(percent of total population)



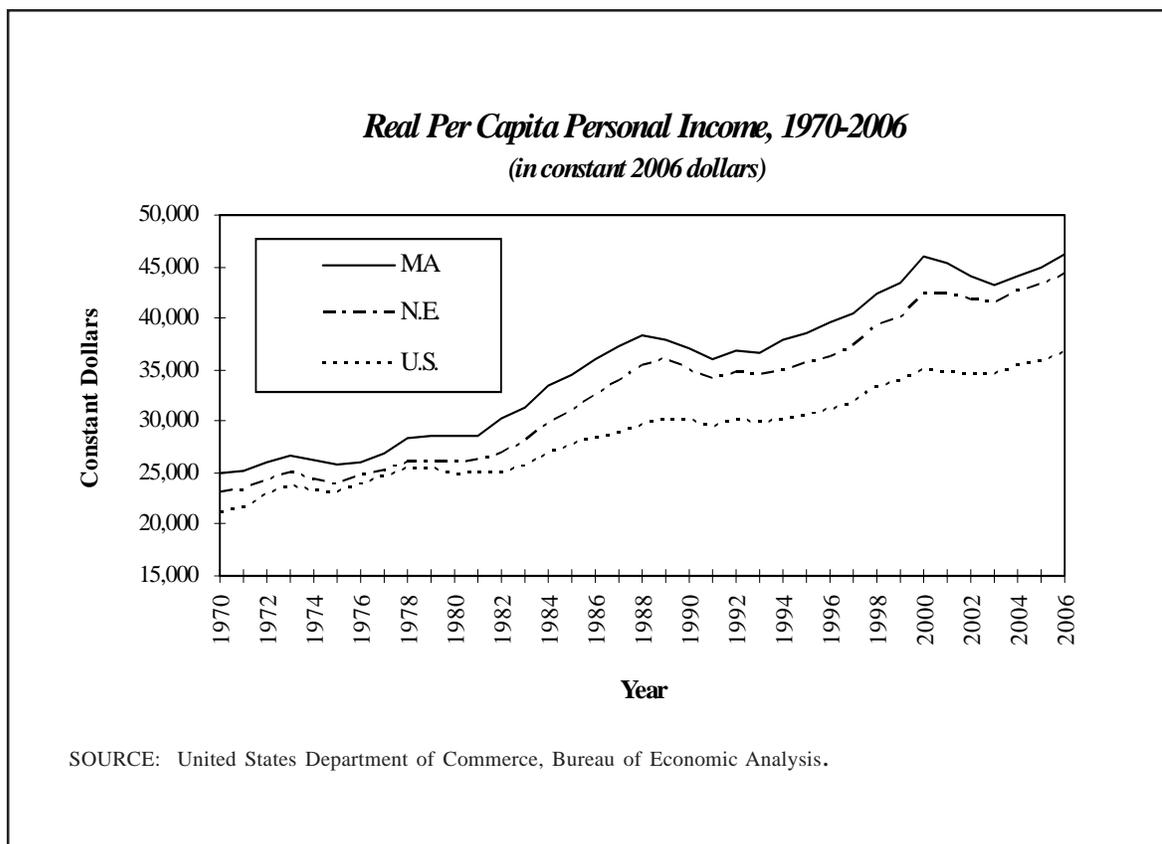
*Note: Actual Census 2000 counts as of April 1.



SOURCE: U.S. Census Bureau, Population Division, Interim State Population Projections, 2005
 Internet Release Date: April 21, 2005

PERSONAL INCOME, CONSUMER PRICES, AND POVERTY

Personal Income. Since at least 1929, real and nominal per capita income levels have been consistently higher in Massachusetts than in the United States. After growing at an annual rate higher than that for the United States between 1982 and 1988, real income levels in Massachusetts declined between 1989 and 1991. Real per capita income levels in Massachusetts increased faster than the national average between 1994 and 1997. In 2000 Massachusetts had its highest per capita income growth in 16 years, exceeding the national growth rate by 2.4 percentage points. From 2000 to 2003 real income in both Massachusetts and the United States declined, with a steeper decline in Massachusetts. However, real income levels in Massachusetts remained well above the national average. In 2004, 2005, and 2006, income in the state grew faster than in the nation. For the last fourteen years only the District of Columbia, Connecticut and New Jersey have had higher levels of per capita personal income. The following graph illustrates these changes in real per capita personal income in Massachusetts, New England, and the United States since 1970.



The following table compares per capita personal income in Massachusetts, New England, and the United States for the period 1970-2006.

Per Capita Personal Income, 1970-2006

| Year | Nominal Income (in current dollars) | | | Real Income (in 2006 dollars) | | | Percent Change in Real Income | | |
|------|--|--------|--------|----------------------------------|--------|--------|----------------------------------|-------|-------|
| | MA | NE | U.S. | MA | NE | U.S. | MA | NE | U.S. |
| 1970 | 4,483 | 4,445 | 4,085 | 24,880 | 23,096 | 21,225 | 3.4% | 3.7% | 4.0% |
| 1971 | 4,752 | 4,680 | 4,342 | 25,123 | 23,296 | 21,614 | 1.0% | 0.9% | 1.8% |
| 1972 | 5,109 | 5,029 | 4,717 | 26,083 | 24,255 | 22,750 | 3.8% | 4.1% | 5.3% |
| 1973 | 5,547 | 5,481 | 5,231 | 26,729 | 24,887 | 23,752 | 2.5% | 2.6% | 4.4% |
| 1974 | 6,016 | 5,958 | 5,707 | 26,214 | 24,364 | 23,337 | -1.9% | -2.1% | -1.7% |
| 1975 | 6,459 | 6,381 | 6,172 | 25,824 | 23,911 | 23,128 | -1.5% | -1.9% | -0.9% |
| 1976 | 6,998 | 6,959 | 6,754 | 26,021 | 24,656 | 23,930 | 0.8% | 3.1% | 3.5% |
| 1977 | 7,620 | 7,593 | 7,405 | 26,942 | 25,260 | 24,634 | 3.5% | 2.4% | 2.9% |
| 1978 | 8,430 | 8,413 | 8,245 | 28,324 | 26,013 | 25,494 | 5.1% | 3.0% | 3.5% |
| 1979 | 9,385 | 9,392 | 9,146 | 28,604 | 26,080 | 25,397 | 1.0% | 0.3% | -0.4% |
| 1980 | 10,602 | 10,629 | 10,114 | 28,636 | 26,005 | 24,745 | 0.1% | -0.3% | -2.6% |
| 1981 | 11,798 | 11,846 | 11,246 | 28,672 | 26,272 | 24,942 | 0.1% | 1.0% | 0.8% |
| 1982 | 12,941 | 12,871 | 11,935 | 30,232 | 26,889 | 24,934 | 5.4% | 2.3% | 0.0% |
| 1983 | 14,009 | 13,829 | 12,618 | 31,317 | 27,991 | 25,540 | 3.6% | 4.1% | 2.4% |
| 1984 | 15,723 | 15,422 | 13,891 | 33,503 | 29,924 | 26,953 | 7.0% | 6.9% | 5.5% |
| 1985 | 16,910 | 16,546 | 14,758 | 34,485 | 31,001 | 27,651 | 2.9% | 3.6% | 2.6% |
| 1986 | 18,148 | 17,722 | 15,442 | 36,086 | 32,598 | 28,404 | 4.6% | 5.2% | 2.7% |
| 1987 | 19,575 | 19,119 | 16,240 | 37,294 | 33,929 | 28,820 | 3.3% | 4.1% | 1.5% |
| 1988 | 21,341 | 20,811 | 17,331 | 38,335 | 35,465 | 29,534 | 2.8% | 4.5% | 2.5% |
| 1989 | 22,342 | 22,083 | 18,520 | 37,963 | 35,903 | 30,110 | -1.0% | 1.2% | 1.9% |
| 1990 | 23,043 | 22,712 | 19,477 | 37,011 | 35,032 | 30,043 | -2.5% | -2.4% | -0.2% |
| 1991 | 23,432 | 22,969 | 19,892 | 36,053 | 33,998 | 29,444 | -2.6% | -3.0% | -2.0% |
| 1992 | 24,538 | 24,172 | 20,854 | 36,840 | 34,733 | 29,966 | 2.2% | 2.2% | 1.8% |
| 1993 | 25,176 | 24,752 | 21,346 | 36,735 | 34,533 | 29,781 | -0.3% | -0.6% | -0.6% |
| 1994 | 26,303 | 25,687 | 22,172 | 37,884 | 34,943 | 30,161 | 3.1% | 1.2% | 1.3% |
| 1995 | 27,457 | 26,832 | 23,076 | 38,623 | 35,494 | 30,526 | 2.0% | 1.6% | 1.2% |
| 1996 | 28,933 | 28,194 | 24,175 | 39,528 | 36,226 | 31,062 | 2.3% | 2.1% | 1.8% |
| 1997 | 30,498 | 29,687 | 25,334 | 40,525 | 37,289 | 31,821 | 2.5% | 2.9% | 2.4% |
| 1998 | 32,524 | 31,677 | 26,883 | 42,260 | 39,178 | 33,249 | 4.3% | 5.1% | 4.5% |
| 1999 | 34,227 | 33,126 | 27,939 | 43,387 | 40,085 | 33,809 | 2.7% | 2.3% | 1.7% |
| 2000 | 37,753 | 36,116 | 29,843 | 45,875 | 42,282 | 34,938 | 5.7% | 5.5% | 3.3% |
| 2001 | 38,880 | 37,308 | 30,562 | 45,296 | 42,469 | 34,790 | -1.3% | 0.4% | -0.4% |
| 2002 | 38,866 | 37,330 | 30,795 | 44,127 | 41,833 | 34,510 | -2.6% | -1.5% | -0.8% |
| 2003 | 39,442 | 37,894 | 31,466 | 43,156 | 41,519 | 34,476 | -2.2% | -0.8% | -0.1% |
| 2004 | 41,457 | 39,976 | 33,072 | 44,148 | 42,664 | 35,295 | 2.3% | 2.8% | 2.4% |
| 2005 | 43,601 | 41,797 | 34,685 | 44,951 | 43,145 | 35,804 | 1.8% | 1.1% | 1.4% |
| 2006 | 46,255 | 44,252 | 36,629 | 46,255 | 44,252 | 36,629 | 2.9% | 2.6% | 2.3% |

SOURCE: United States Department of Commerce, Bureau of Economic Analysis.

Notes: Estimated population as of July 1. Massachusetts real income is calculated using Boston CPI-U data.

Annual Pay in Nominal Dollars has grown steadily in Massachusetts over the past decade. Average annual pay is computed by dividing the total annual payroll of employees covered by Unemployment Insurance programs by the average monthly number of employees. Data are reported by employers covered under the Unemployment Insurance programs. While levels of annual pay were nearly equal in Massachusetts and the United States in 1984, average annual pay levels in Massachusetts have grown more rapidly than the national average since that time. The level of annual pay in Massachusetts in 2006 was 23 percent higher than the national average: \$52,435 compared to \$42,535.

Wage and Salary Disbursements. Wage and Salary Disbursements by Place of Work is a component of personal income and measures monetary disbursements to employees. This includes compensation of corporate officers, commissions, tips, bonuses, and receipts in-kind. Although the data is recorded on a place-of-work basis, it is then adjusted to a place-of-residence basis so that the personal income of the recipients whose place of residence differs from their place of work will be correctly assigned to their state of residence. The table below details Wage and Salary Disbursements since 1990. Between 1991 and 2000, Massachusetts shares of the New England and overall US totals increased, but in the subsequent years our share of the New England total has remained essentially constant at 50% while our share of the US total has dropped back slightly from 3.1% to 2.9%.

Annual Wage and Salary Disbursements, 1990-2006
(in millions of dollars)

| Year | U.S. | N.E. | MA | MA as a pct. of N.E. |
|------|--------------|-----------|-----------|----------------------|
| 1990 | \$ 2,743,016 | \$171,448 | \$83,129 | 48.5% |
| 1991 | \$ 2,811,076 | \$170,333 | \$82,311 | 48.3% |
| 1992 | \$ 2,972,287 | \$177,810 | \$86,014 | 48.4% |
| 1993 | \$ 3,076,276 | \$183,236 | \$89,047 | 48.6% |
| 1994 | \$ 3,227,483 | \$190,661 | \$93,164 | 48.9% |
| 1995 | \$ 3,415,368 | \$201,946 | \$99,194 | 49.1% |
| 1996 | \$ 3,615,699 | \$213,667 | \$105,573 | 49.4% |
| 1997 | \$ 3,874,011 | \$230,032 | \$113,579 | 49.4% |
| 1998 | \$ 4,179,922 | \$247,851 | \$123,054 | 49.6% |
| 1999 | \$ 4,463,650 | \$266,554 | \$134,045 | 50.3% |
| 2000 | \$ 4,825,906 | \$293,889 | \$150,842 | 51.3% |
| 2001 | \$ 4,939,944 | \$300,698 | \$153,131 | 50.9% |
| 2002 | \$ 4,976,522 | \$298,534 | \$150,107 | 50.3% |
| 2003 | \$ 5,107,298 | \$304,756 | \$151,955 | 49.9% |
| 2004 | \$ 5,388,561 | \$321,473 | \$160,189 | 49.8% |
| 2005 | \$ 5,661,021 | \$332,679 | \$165,051 | 49.6% |
| 2006 | \$ 6,014,067 | \$350,244 | \$174,166 | 49.7% |

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis.

Consumer Prices. Higher income levels in Massachusetts relative to the rest of the United States are offset to some extent by the higher cost of living in Massachusetts. The following table presents consumer price trends for the Boston metropolitan area and the United States for the period between 1970 and 2006. The table shows the annual average of the Consumer Price Index for All Urban Consumers (CPI-U) and the percentage change in that average from the previous year. In 2006, the CPI-U for Boston increased by 3.1 percent over the average for 2005, while the index for the United States as a whole increased by a comparable 3.2 percent. For the first eleven months of 2007 the percent changes over the same period in 2006 are 1.7% for the state and 2.7% for the nation. The latest available data for November 2007 show that the CPI-U for the Boston metropolitan area grew at a rate of 3.4 percent from November 2006, compared with 4.3 percent for the U.S.

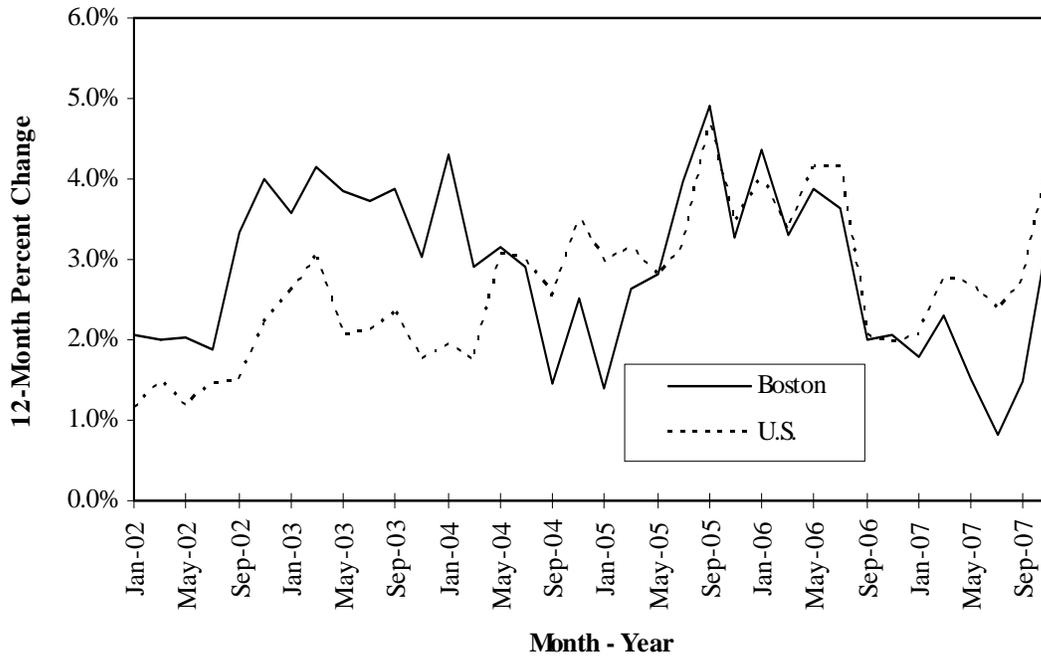
Consumer Price Index for All Urban Consumers (CPI-U), 1970-2006

(not seasonally adjusted; 1982-1984 base period average=100)

| <i>Year</i> | <i>Boston Metro Area</i> | | <i>United States</i> | |
|---------------|--------------------------|-------------------|----------------------|--------------------|
| | <i>CPI-U</i> | <i>Pct.Change</i> | <i>CPI-U</i> | <i>Pct. Change</i> |
| 1970 | 40.2 | | 38.8 | |
| 1971 | 42.2 | 5.0% | 40.5 | 4.4% |
| 1972 | 43.7 | 3.6% | 41.8 | 3.2% |
| 1973 | 46.3 | 5.9% | 44.4 | 6.2% |
| 1974 | 51.2 | 10.6% | 49.3 | 11.0% |
| 1975 | 55.8 | 9.0% | 53.8 | 9.1% |
| 1976 | 60.0 | 7.5% | 56.9 | 5.8% |
| 1977 | 63.1 | 5.2% | 60.6 | 6.5% |
| 1978 | 66.4 | 5.2% | 65.2 | 7.6% |
| 1979 | 73.2 | 10.2% | 72.6 | 11.3% |
| 1980 | 82.6 | 12.8% | 82.4 | 13.5% |
| 1981 | 91.8 | 11.1% | 90.9 | 10.3% |
| 1982 | 95.5 | 4.0% | 96.5 | 6.2% |
| 1983 | 99.8 | 4.5% | 99.6 | 3.2% |
| 1984 | 104.7 | 4.9% | 103.9 | 4.3% |
| 1985 | 109.4 | 4.5% | 107.6 | 3.6% |
| 1986 | 112.2 | 2.6% | 109.6 | 1.9% |
| 1987 | 117.1 | 4.4% | 113.6 | 3.6% |
| 1988 | 124.2 | 6.1% | 118.3 | 4.1% |
| 1989 | 131.3 | 5.7% | 124.0 | 4.8% |
| 1990 | 138.9 | 5.8% | 130.7 | 5.4% |
| 1991 | 145.0 | 4.4% | 136.2 | 4.2% |
| 1992 | 148.6 | 2.5% | 140.3 | 3.0% |
| 1993 | 152.9 | 2.9% | 144.5 | 3.0% |
| 1994 | 154.9 | 1.3% | 148.2 | 2.6% |
| 1995 | 158.6 | 2.4% | 152.4 | 2.8% |
| 1996 | 163.3 | 3.0% | 156.9 | 3.0% |
| 1997 | 167.9 | 2.8% | 160.5 | 2.3% |
| 1998 | 171.7 | 2.3% | 163.0 | 1.6% |
| 1999 | 176.0 | 2.5% | 166.6 | 2.2% |
| 2000 | 183.6 | 4.3% | 172.2 | 3.4% |
| 2001 | 191.5 | 4.3% | 177.1 | 2.8% |
| 2002 | 196.5 | 2.6% | 179.9 | 1.6% |
| 2003 | 203.9 | 3.8% | 184.0 | 2.3% |
| 2004 | 209.5 | 2.7% | 188.9 | 2.7% |
| 2005 | 216.4 | 3.3% | 195.3 | 3.4% |
| 2006 | 223.1 | 3.1% | 201.6 | 3.2% |
| Nov-06 | 223.1 | | 201.5 | |
| Nov-07 | 230.7 | 3.4% | 210.2 | 4.3% |

SOURCE: United States Department of Labor, Bureau of Labor Statistics

**12-Month Percent Change in the Consumer Price Index
for All Urban Consumers, January 2002 - November 2007**



SOURCE: United States Department of Labor, Bureau of Labor Statistics.

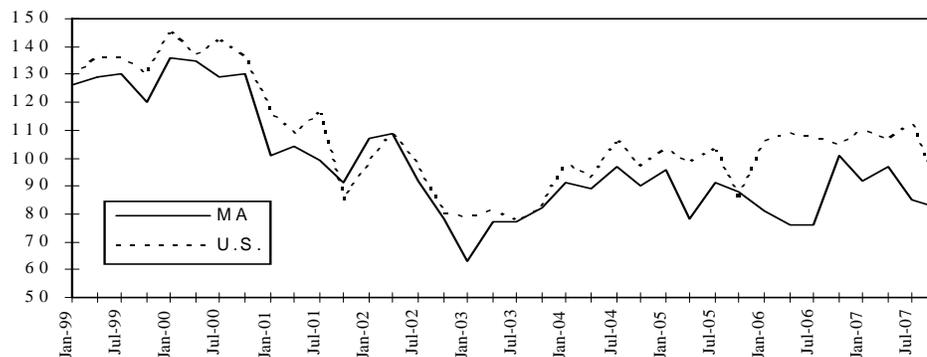
Consumer Confidence, Present Situation, and Future Expectations. These three measures offer multiple insights into consumer attitudes. The U.S. measures are compiled from a national monthly survey of 5,000 households and are published by The Conference Board, Inc. The survey for Massachusetts is conducted in a similar manner and the results are published by the Mass Insight Corporation, based on quarterly polling of 500 adult residents of Massachusetts. The "Present Situation" index measures consumers' appraisal of business and employment conditions at the time of the survey. The "Future Expectations" index focuses on consumers' expectations six months hence regarding business and employment conditions, as well as expected family income. The overall "Consumer Confidence" index is a weighted average of the two sub-indices. Although the U.S. measures are compiled by a different source than the Massachusetts measures, according to the Federal Reserve Bank of Boston the numbers are generally comparable. The Conference Board reports that in July 2007, consumer confidence nationally reached a six year high point of 111.9, then declined 24 points by October. The Mass Insight Corporation reports that after drawing nearly even with U.S. consumer confidence last fall, the Massachusetts index has declined 19 points over the year, trailing the national number in October by 6 points. A score of 100 is considered neutral. The following table and chart detail the recent record of these measures.

**Consumer Confidence, Present Situation, and Future Expectations for Massachusetts and the U.S.,
January 2001 - October 2007 (1985=100)**

| | Consumer Confidence | | Present Situation | | Future Expectations | |
|--------|---------------------|-------|-------------------|-------|---------------------|-------|
| | MA | U.S. | MA | U.S. | MA | U.S. |
| Jan-01 | 101.0 | 115.7 | 139.0 | 170.4 | 76.0 | 79.3 |
| Apr-01 | 104.0 | 109.9 | 124.0 | 156.0 | 91.0 | 79.1 |
| Jul-01 | 99.0 | 116.3 | 108.0 | 151.3 | 93.0 | 92.9 |
| Oct-01 | 91.0 | 85.3 | 94.0 | 107.2 | 90.0 | 70.7 |
| Jan-02 | 97.8 | 107.0 | 98.1 | 72.0 | 97.6 | 130.0 |
| Apr-02 | 109.0 | 108.5 | 84.0 | 106.8 | 125.0 | 109.6 |
| Jul-02 | 92.0 | 97.4 | 68.0 | 99.4 | 108.0 | 96.1 |
| Oct-02 | 78.0 | 79.6 | 48.0 | 77.2 | 97.0 | 81.1 |
| Jan-03 | 63.0 | 78.8 | 75.3 | 28.0 | 81.1 | 86.0 |
| Apr-03 | 77.0 | 81.0 | 31.0 | 75.2 | 108.0 | 84.8 |
| Jul-03 | 77.0 | 77.0 | 41.0 | 63.0 | 101.0 | 86.3 |
| Oct-03 | 82.0 | 81.7 | 36.0 | 67.0 | 112.0 | 91.5 |
| Jan-04 | 91.0 | 97.7 | 48.0 | 86.1 | 119.0 | 105.3 |
| Apr-04 | 89.0 | 93.0 | 53.0 | 90.4 | 113.0 | 94.8 |
| Jul-04 | 97.0 | 105.7 | 66.0 | 106.4 | 119.0 | 105.3 |
| Oct-04 | 90.0 | 92.9 | 64.0 | 94.0 | 108.0 | 92.2 |
| Jan-05 | 96.0 | 105.1 | 70.0 | 112.1 | 114.0 | 100.4 |
| Apr-05 | 78.0 | 97.5 | 63.0 | 113.8 | 88.0 | 86.7 |
| Jul-05 | 91.0 | 103.6 | 80.0 | 119.3 | 99.0 | 93.2 |
| Oct-05 | 88.0 | 85.2 | 80.0 | 107.8 | 95.0 | 70.1 |
| Jan-06 | 81.0 | 106.8 | 71.0 | 128.8 | 87.0 | 92.1 |
| Apr-06 | 76.0 | 109.8 | 77.0 | 136.2 | 76.0 | 92.3 |
| Jul-06 | 76.0 | 107.0 | 68.0 | 134.2 | 81.0 | 88.9 |
| Oct-06 | 101.0 | 105.1 | 86.0 | 125.1 | 111.0 | 91.9 |
| Jan-07 | 92.0 | 110.2 | 74.0 | 133.9 | 104.0 | 94.4 |
| Apr-07 | 97.0 | 106.3 | 89.0 | 133.5 | 102.0 | 88.2 |
| Jul-07 | 85.0 | 111.9 | 80.0 | 138.3 | 90.0 | 94.4 |

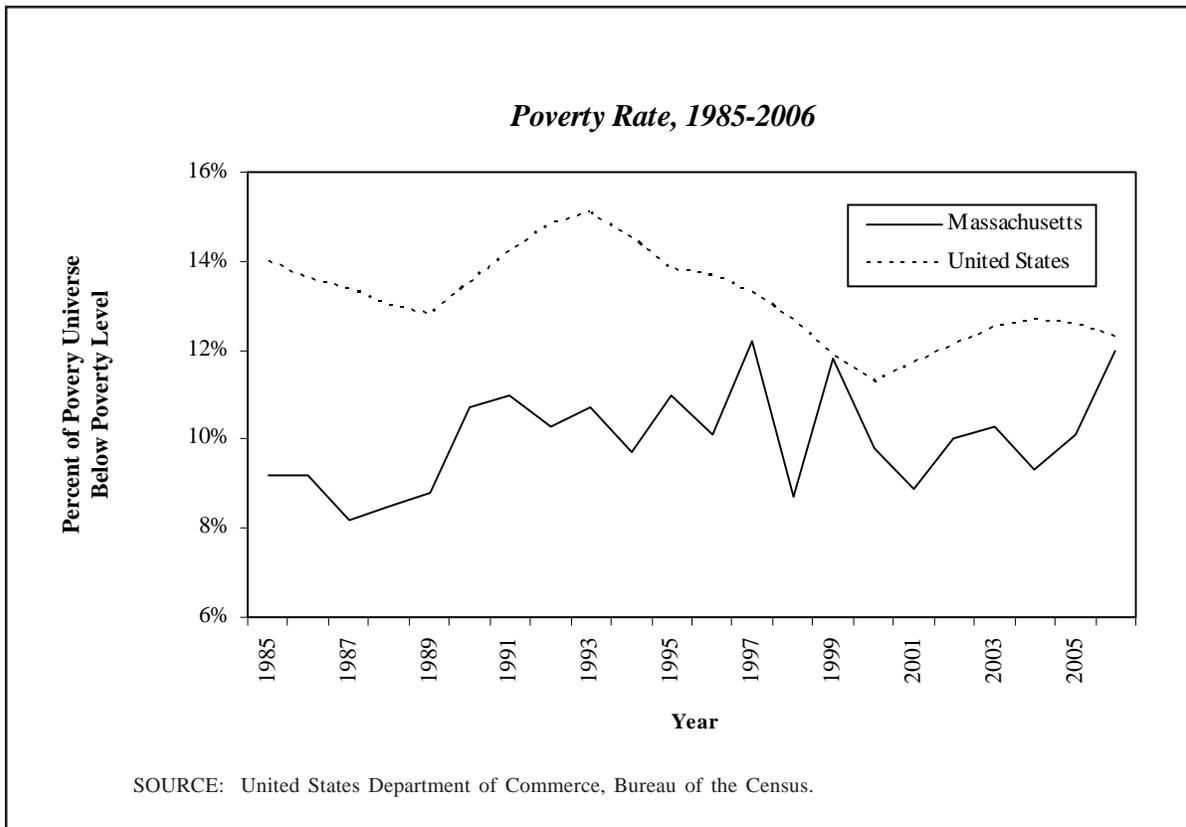
SOURCES: The Conference Board, Inc. (for U.S. measures, seasonally adjusted);
Mass Insight Corporation (for MA measures, not seasonally adjusted).

**Consumer Confidence: Massachusetts
and the U.S., January 1999 - October 2007**
(Massachusetts index not seasonally adjusted; 1985 = 100)



SOURCES: The Conference Board, Inc. (for U.S. index), Mass Insight Corporation (for MA index).

Poverty. The Massachusetts poverty rate remains well below the national average. Since 1980, the percentage of the Massachusetts poverty universe below the poverty line has varied between 7.7 percent and 12.2 percent. During the same time, the national poverty rate varied between 11.3 percent and 15.1 percent. In 2006, the estimated poverty rate in Massachusetts increased to 12.0 percent (a statistically significant increase) while the poverty rate in the United States dropped to 12.3 percent. These official poverty estimates are based on a sample of households and are not adjusted for regional differences in the cost of living. The following chart illustrates the lower poverty rates in Massachusetts (1985 - 2006) compared with the national average during similar periods. Poverty estimates for states are not as reliable as national estimates. One should use caution when comparing poverty rate estimates across states, or poverty rates for the same state across years, because their variability is high. In particular the estimated rates for Massachusetts are based on a sample of fewer than two thousand households,. Not everyone has a poverty status determined; the poverty universe excludes foster children, college students in dormitories, military personnel in barracks, nursing home residents, and other groups of people in institutionalized settings.

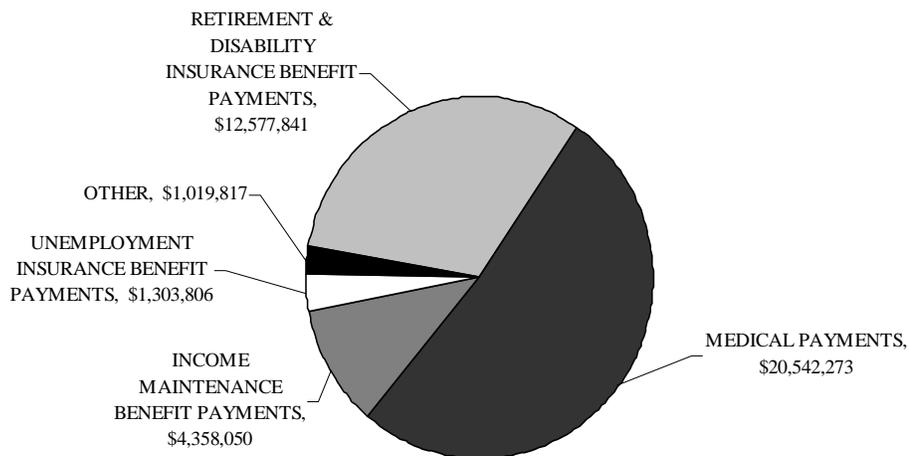


Transfer Payments. Transfer payment income is payment to individuals from all levels of government and from businesses, for which no current services are performed, including payments to nonprofit institutions serving individuals. These payments accounted for almost 14 percent of total personal income in Massachusetts in 2006. The chart below does not include transfer payments from business or payments to non-profit organizations. Total transfer payments to individuals in Massachusetts from governments & businesses totaled 40.1 billion dollars for 2006. Over 51 percent of government transfer payments to individuals were medical payments.

***Transfer Payments from Governments to Individuals in
Massachusetts in 2006***

(From Annual State Personal Income Estimates)

(in thousands of current dollars)



SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis.

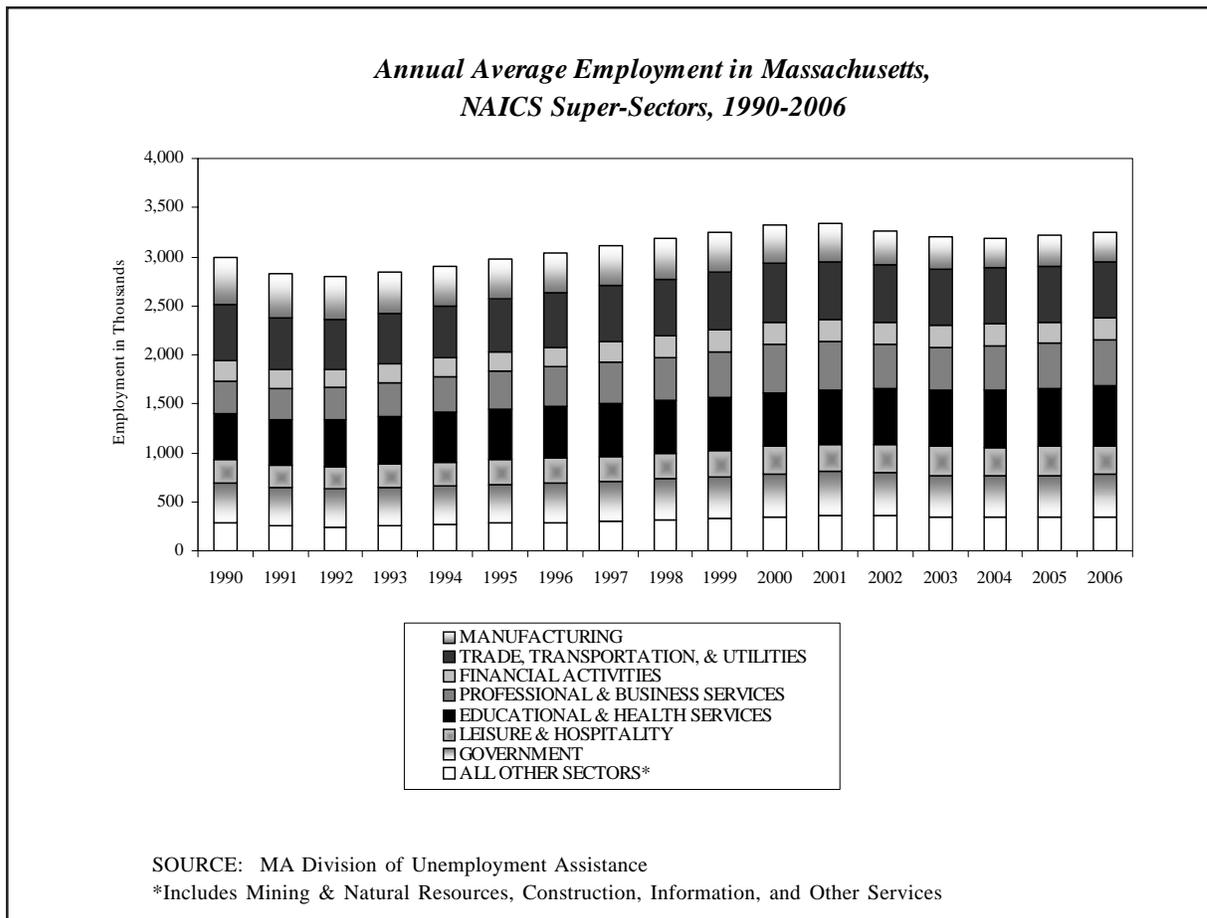
NOTE: The category "other" includes veterans' benefit payments, federal education and training assistance payments, and a small residual of miscellaneous other payments to individuals.

EMPLOYMENT

Employment by Industry The chart on this page shows the annual level of non-agricultural payroll employment in Massachusetts on the North American Industry Classification System (NAICS) basis for the seven largest NAICS supersectors starting with 1990, the earliest year for which NAICS data are available. The chart on the following page compares the super-sector shares for the 2005-2006 period with the corresponding shares for the 1990-1991 period. Like many industrial states, Massachusetts has seen a steady decline of its manufacturing jobs base over the last two decades, not only as a share of total employment, but in absolute numbers of jobs as well. Several NAICS service sectors and the Financial Activities sector have grown to take the place of manufacturing in driving the Massachusetts economy and now account for more than half of total payroll employment, while Government, Information, Trade, Transportation & Utilities have remained level or declined in share.

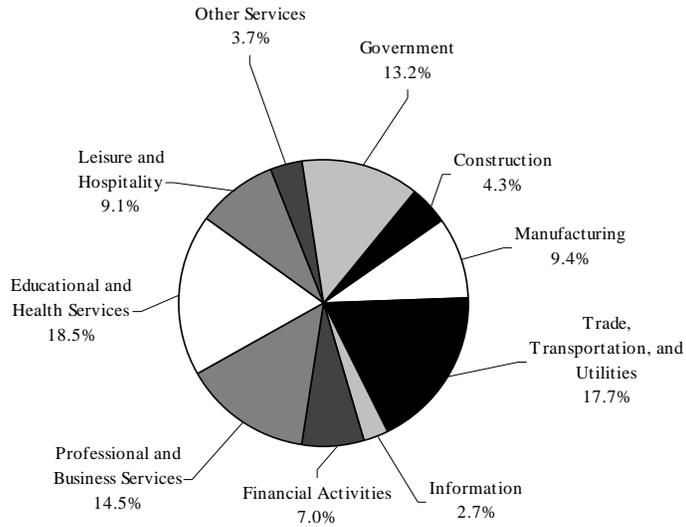
After significant declines in 2002 and 2003, total non-agricultural employment in Massachusetts declined only 0.1 percent in 2004 and increased 0.5 percent in 2005. The average level for 2006 was a healthier 1.0 percent above that of 2005, but the state still had 84 thousand (2.5percent) fewer jobs than in the peak year of 2001. The comparable growth rate for the nation was 1.8 percent. In the first eleven months of 2007, the estimates have continued to be about one percent above the corresponding 2006 figures. The latest seasonally adjusted estimate (3,285.3 for November, 2007) is about 54,000 below the 2001 annual average and 99,000 below the peak month (3,384.0 in February, 2001.)

In 2004, manufacturing employment declined 3.5 percent from the year before; a smaller decline than the steep annual declines in the previous three years. The estimate for manufacturing for 2005 was only 2.4 percent below the 2004 level, which was better than the long-term average rate of decline since 1990 (3.0 percent per year). The average for 2006 was 2.1 percent below the comparable 2005 level, the best year for manufacturing in Massachusetts since 2000. The estimates for the first eleven months of 2007 are even more encouraging, averaging only nine-tenths of one percent below the comparable 2006 figures.

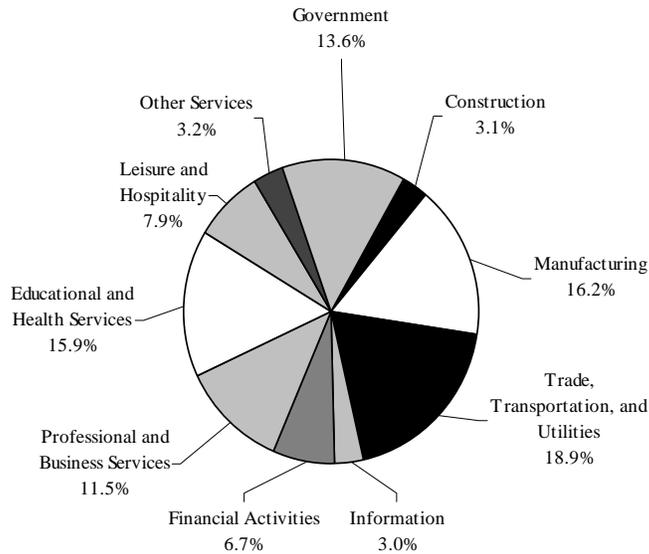


**Massachusetts Non-Farm Payroll Employment
(NAICS Industry basis)**

NAICS Super-Sectors: 2005-2006 Average Share



NAICS Super-Sectors: 1990-1991 Average Share



SOURCE: MA Division of Unemployment Assistance.

Largest Employers in Massachusetts. The following table lists the twenty-five largest private employers in Massachusetts based upon employment covered by the Unemployment Insurance system for June, 2006. The list is now the same as the lists released in 2005 except for name changes reflecting two corporate mergers.

Twenty-five Largest Private Employers in Massachusetts in June, 2006
(listed alphabetically)

| | |
|--------------------------------------|---------------------------------------|
| Bank Of America NA | Harvard University |
| Baystate Medical Center, Inc. | Home Depot U.S.A., Inc. |
| Beth Israel Deaconess Medical Center | Massachusetts Institute of Technology |
| Big Y Foods, Inc. | Raytheon Company |
| Boston Medical Center Corporation | S & S Credit Company, Inc. |
| Boston University | Shaw's Supermarkets, Inc. |
| Brigham & Women's Hospital, Inc. | Southcoast Hospitals Group, Inc. |
| The Children's Hospital Corporation | State Street Bank & Trust Company |
| Demulas Super Markets, Inc. | UMass Memorial Medical Center, Inc. |
| EM.C. Corporation | United Parcel Service, Inc. |
| Federated Retail Holdings Inc. | Verizon New England, Inc. |
| Friendly Ice Cream Corporation | Wal-Mart Associates, Inc. |
| General Hospital Corporation | |

SOURCE: MA Division of Unemployment Assistance.

Unemployment. The economic recession of the early 1990s caused unemployment rates in Massachusetts to rise significantly above the national average, as much as 2.1 points above in 1991. Then from 1995 through 2005 the unemployment rate in Massachusetts was consistently below the national average. However the, 2006 annual rate for the state was 0.4 percentage points above the national rate, and the state average rate for the first eleven months of 2007 was again slightly above the national one. The following table compares the annual civilian labor force, the number unemployed, and the unemployment rates of Massachusetts, New England, and the United States from 1970 to 2006, along with 11-month averages for 2007.

Annual Average Civilian Labor Force and Unemployment, 1970 - 2007*

(in thousands)

| Year | Civilian Labor Force | | | Unemployed | | | Unemployment Rate | | | MA Rate as |
|-------|----------------------|-------|---------|------------|------|--------|-------------------|-------|------|--------------|
| | MA | N.E. | U.S. | MA | N.E. | U.S. | MA | N.E. | U.S. | Pct. of U.S. |
| 1969 | 2,581 | 5,201 | 80,733 | 100 | 198 | 2,831 | 3.9% | 3.8% | 3.5% | 111.0% |
| 1970 | 2,465 | 5,128 | 82,771 | 113 | 253 | 4,093 | 4.6% | 4.9% | 4.9% | 92.9% |
| 1971 | 2,459 | 5,157 | 84,383 | 163 | 364 | 5,016 | 6.6% | 7.1% | 5.9% | 111.8% |
| 1972 | 2,487 | 5,260 | 87,035 | 161 | 363 | 4,882 | 6.5% | 6.9% | 5.6% | 115.4% |
| 1973 | 2,557 | 5,387 | 89,430 | 171 | 336 | 4,365 | 6.7% | 6.2% | 4.9% | 136.7% |
| 1974 | 2,637 | 5,514 | 91,951 | 190 | 368 | 5,156 | 7.2% | 6.7% | 5.6% | 128.4% |
| 1975 | 2,725 | 5,633 | 93,775 | 305 | 578 | 7,928 | 11.2% | 10.3% | 8.5% | 132.2% |
| 1976 | 2,726 | 5,714 | 96,158 | 268 | 521 | 7,406 | 9.8% | 9.1% | 7.7% | 127.5% |
| 1977 | 2,760 | 5,820 | 99,009 | 218 | 437 | 6,991 | 7.9% | 7.5% | 7.1% | 112.1% |
| 1978 | 2,809 | 5,936 | 102,251 | 173 | 343 | 6,202 | 6.2% | 5.8% | 6.1% | 101.8% |
| 1979 | 2,863 | 6,080 | 104,962 | 156 | 326 | 6,137 | 5.5% | 5.4% | 5.8% | 93.4% |
| 1980 | 2,886 | 6,154 | 106,940 | 164 | 365 | 7,637 | 5.7% | 5.9% | 7.1% | 79.6% |
| 1981 | 2,938 | 6,268 | 108,670 | 189 | 400 | 8,273 | 6.4% | 6.4% | 7.6% | 84.6% |
| 1982 | 2,966 | 6,345 | 110,204 | 236 | 489 | 10,678 | 8.0% | 7.7% | 9.7% | 82.3% |
| 1983 | 2,972 | 6,386 | 111,550 | 209 | 434 | 10,717 | 7.0% | 6.8% | 9.6% | 73.2% |
| 1984 | 3,032 | 6,540 | 113,544 | 146 | 318 | 8,539 | 4.8% | 4.9% | 7.5% | 63.9% |
| 1985 | 3,049 | 6,630 | 115,461 | 125 | 290 | 8,312 | 4.1% | 4.4% | 7.2% | 56.8% |
| 1986 | 3,080 | 6,724 | 117,834 | 123 | 264 | 8,237 | 4.0% | 3.9% | 7.0% | 57.0% |
| 1987 | 3,114 | 6,827 | 119,865 | 104 | 228 | 7,425 | 3.4% | 3.3% | 6.2% | 54.1% |
| 1988 | 3,156 | 6,907 | 121,669 | 104 | 215 | 6,701 | 3.3% | 3.1% | 5.5% | 60.0% |
| 1989 | 3,189 | 7,004 | 123,869 | 132 | 274 | 6,528 | 4.2% | 3.9% | 5.3% | 78.9% |
| 1990 | 3,226 | 7,128 | 125,840 | 204 | 409 | 7,047 | 6.3% | 5.7% | 5.6% | 112.9% |
| 1991 | 3,199 | 7,112 | 126,346 | 283 | 558 | 8,628 | 8.8% | 7.8% | 6.8% | 129.4% |
| 1992 | 3,181 | 7,105 | 128,105 | 281 | 573 | 9,613 | 8.8% | 8.1% | 7.5% | 117.7% |
| 1993 | 3,173 | 7,062 | 129,200 | 232 | 486 | 8,940 | 7.3% | 6.9% | 6.9% | 105.8% |
| 1994 | 3,188 | 7,041 | 131,056 | 199 | 415 | 7,996 | 6.2% | 5.9% | 6.1% | 102.1% |
| 1995 | 3,205 | 7,053 | 132,304 | 176 | 375 | 7,404 | 5.5% | 5.3% | 5.6% | 97.9% |
| 1996 | 3,231 | 7,118 | 133,943 | 148 | 340 | 7,236 | 4.6% | 4.8% | 5.4% | 84.6% |
| 1997 | 3,293 | 7,228 | 136,297 | 135 | 315 | 6,739 | 4.1% | 4.4% | 4.9% | 82.6% |
| 1998 | 3,322 | 7,257 | 137,673 | 113 | 253 | 6,210 | 3.4% | 3.5% | 4.5% | 75.2% |
| 1999 | 3,355 | 7,327 | 139,368 | 110 | 234 | 5,880 | 3.3% | 3.2% | 4.2% | 77.4% |
| 2000 | 3,366 | 7,348 | 142,583 | 92 | 204 | 5,692 | 2.7% | 2.8% | 4.0% | 67.5% |
| 2001 | 3,401 | 7,424 | 143,734 | 126 | 266 | 6,801 | 3.7% | 3.6% | 4.7% | 78.7% |
| 2002 | 3,424 | 7,496 | 144,863 | 181 | 363 | 8,378 | 5.3% | 4.8% | 5.8% | 91.4% |
| 2003 | 3,409 | 7,534 | 146,510 | 198 | 409 | 8,774 | 5.8% | 5.4% | 6.0% | 96.7% |
| 2004 | 3,381 | 7,511 | 147,401 | 177 | 368 | 8,149 | 5.2% | 4.9% | 5.5% | 94.5% |
| 2005 | 3,374 | 7,552 | 149,320 | 163 | 353 | 7,591 | 4.8% | 4.7% | 5.1% | 94.1% |
| 2006 | 3,404 | 7,635 | 151,428 | 170 | 349 | 7,001 | 5.0% | 4.6% | 4.6% | 108.7% |
| 2007* | 3,413 | 7,685 | 153,062 | 162 | 348 | 7,027 | 4.7% | 4.5% | 4.6% | 103.2% |

SOURCE: United States Department of Labor, Bureau of Labor Statistics.

*Estimates for the first eleven months of 2007 calculated from Seasonally Adjusted monthly data.

**Annual Average Unemployment Rate, 1970 -2007*,
Massachusetts, New England, and United States**

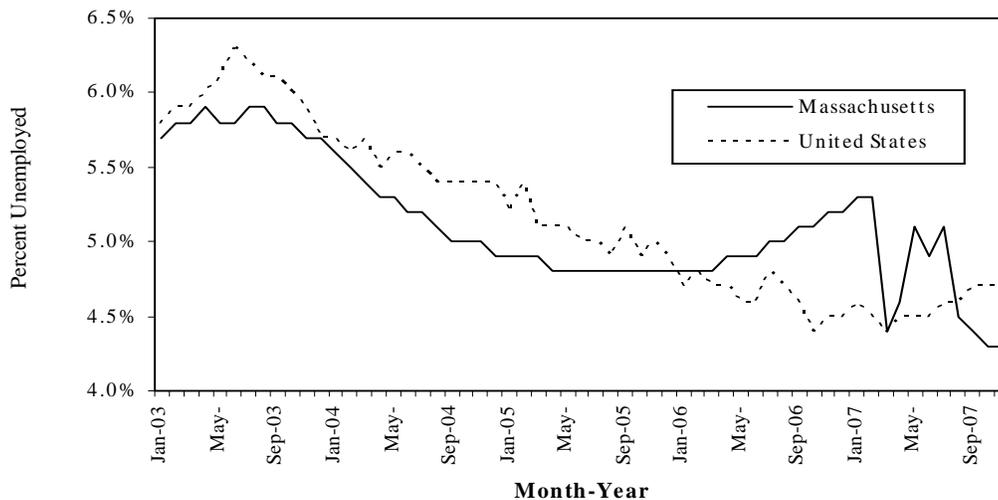


SOURCE: United States Department of Labor, Bureau of Labor Statistics.

*Estimates for the first eleven months of 2007 calculated from Seasonally Adjusted monthly data.

The unemployment rate in Massachusetts was consistently below the national average from mid-1995 to December, 2005. The two rates generally showed similar patterns of decline from their mid-2003 peaks through early 2005 when the rates became very close. The Massachusetts rate then equaled or exceeded the U.S. rate for nineteen consecutive months, with six of those differences exceeding 0.5percent. The most recent four months (August through November) have seen state rates drop below the comparable U.S. rates, seasonally adjusted. The following graph illustrates the movement of the state and national unemployment rates over the past fifty-nine months.

**Monthly Unemployment Rate, January 2003-November 2007
Massachusetts and United States
(seasonally adjusted)**



SOURCE: MA Division of Unemployment Assistance.

Unemployment Insurance Trust Fund. The unemployment insurance system is a federal-state cooperative program established by the Social Security Act and the Federal Unemployment Tax Act to provide for the payment of benefits to eligible individuals when they become unemployed through no fault of their own. Benefits are paid from the Commonwealth's Unemployment Insurance Trust Fund, financed through employer contributions. The assets and liabilities of the Commonwealth Unemployment Insurance Trust Fund are not assets and liabilities of the Commonwealth. As of December 31, 2007, the Massachusetts Unemployment Trust Fund had a balance of \$1.243 billion, of which the private contributory account portion was \$1.130 billion. The Division of Unemployment Assistance's January 2008 Unemployment Insurance Trust Fund report indicates that under the current economic outlook the refinancing measures included in Chapter 142 of the Massachusetts Acts of 2003 (effective January 1, 2004), provide for employer contributions that should result in private contributory account reserves of \$1.982 billion at the end of 2011.

ECONOMIC BASE AND PERFORMANCE

According to the Bureau of Economic Analysis, Gross Domestic Product by State (GDP) is the value added in production by the labor and property located in a state. GDP for a State is derived as the sum of the gross state product originating in all industries in a State. In concept, an industry's GDP, referred to as its "value added", is equivalent to its gross output (sales or receipts and other operating income, commodity taxes, and inventory change) minus its intermediate inputs (consumption of goods and services purchased from other U.S. industries or imported).

Real GDP is an inflation-adjusted measure of each state's gross product that is based on national prices for the goods and services produced within that state. The estimates of real GDP and of quantity indexes with a base year of 2000 are derived by applying national implicit price deflators to the current-dollar GDP estimates for the 63 SIC industries for years 1977-1997, and for the 81 NAICS industries for years 1997 forward. Then, the chain-type index formula that is used in the national accounts is used to calculate the estimates of total real GDP and of real GDP at more aggregated industry levels.

Between 1997 and 2006 gross domestic product in Massachusetts, New England and the sum of all states GDP grew approximately 52.2, 51.9 and 59.6 percent respectively in current dollars. Between 1997 and 2006 gross domestic product in Massachusetts, New England and the sum of all states GDP grew approximately 28.9, 25.7 and 27.5 percent respectively in chained 2000 dollars. The Massachusetts economy is the largest in New England, contributing 47.2 percent to New England's total GDP, and thirteenth largest in the U.S., contributing 2.6 percent to the nation's total GDP. Massachusetts had the third highest GDP per capita in 2006, \$46,721.

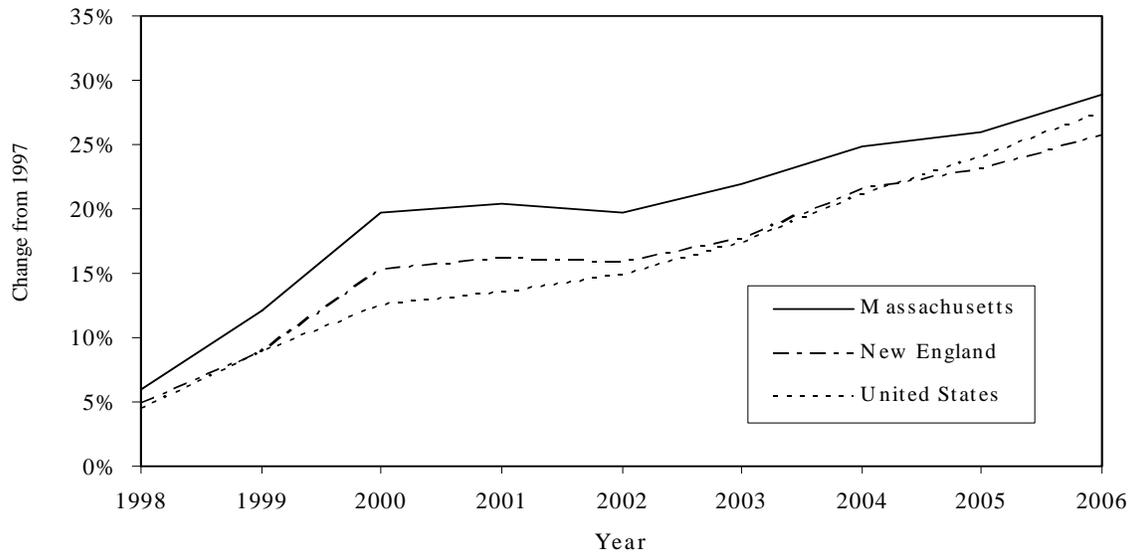
Gross Domestic Product - Cumulative Change, 1997-2006

(millions of chained 2000 dollars)

| Year | Massachusetts | | New England | | United States | |
|------|---------------|------------------|-------------|------------------|---------------|------------------|
| | GDP | Change from 1997 | GDP | Change from 1997 | GDP | Change from 1997 |
| 1997 | \$227,074 | | \$487,671 | | \$8,620,955 | |
| 1998 | \$240,617 | 6.0% | \$511,374 | 4.9% | \$9,004,670 | 4.5% |
| 1999 | \$255,189 | 12.0% | \$531,902 | 8.9% | \$9,404,251 | 8.9% |
| 2000 | \$274,949 | 19.8% | \$565,835 | 15.3% | \$9,749,103 | 12.6% |
| 2001 | \$276,634 | 20.4% | \$570,313 | 16.0% | \$9,836,576 | 13.5% |
| 2002 | \$274,997 | 19.8% | \$568,750 | 15.8% | \$9,981,850 | 14.9% |
| 2003 | \$280,881 | 21.9% | \$579,651 | 17.7% | \$10,225,679 | 17.4% |
| 2004 | \$289,295 | 24.9% | \$602,292 | 21.6% | \$10,608,934 | 21.1% |
| 2005 | \$292,225 | 25.9% | \$611,440 | 23.1% | \$10,923,951 | 24.1% |
| 2006 | \$300,753 | 28.9% | \$627,027 | 25.7% | \$11,291,375 | 27.5% |

Source: Bureau of Economic Analysis, U.S. Department of Commerce. Last revised: June 2007

**Gross Domestic Product - Cumulative Percent Change
1997-2006**
(chained 2000 dollars)



Source: Bureau of Economic Analysis, U.S. Department of Commerce. Last revised: June 2007

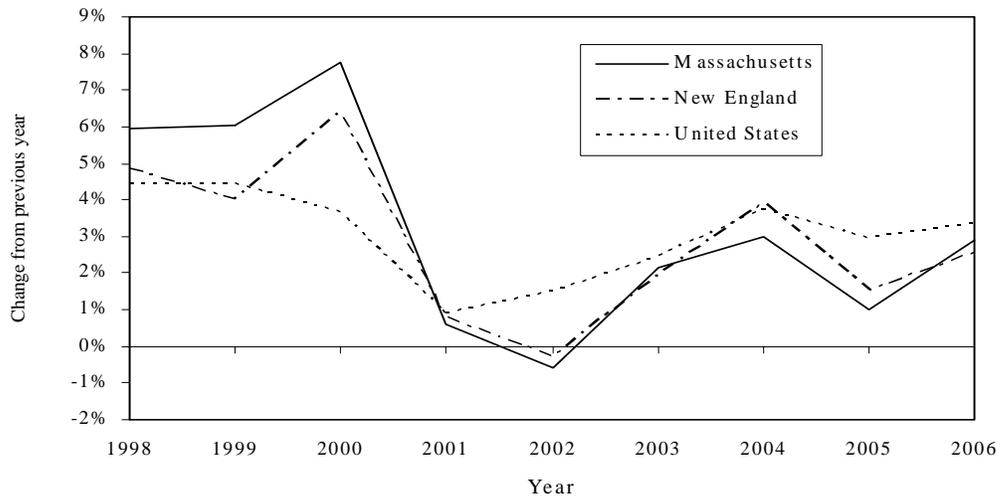
The table below indicates the Gross Domestic Product for Massachusetts, the New England states, and the United States. The United States figure is the sum of the fifty states.

Gross Domestic Product - Annual Change, 1997-2006
(millions of chained 2000 dollars)

| Year | Massachusetts | | New England | | United States | |
|------|---------------|---------------|-------------|---------------|---------------|---------------|
| | GDP | Annual change | GDP | Annual change | GDP | Annual change |
| 1997 | \$227,074 | | \$487,671 | | \$8,620,955 | |
| 1998 | \$240,617 | 6.0% | \$511,374 | 4.9% | \$9,004,670 | 4.5% |
| 1999 | \$255,189 | 6.1% | \$531,902 | 4.0% | \$9,404,251 | 4.4% |
| 2000 | \$274,949 | 7.7% | \$565,835 | 6.4% | \$9,749,103 | 3.7% |
| 2001 | \$276,634 | 0.6% | \$570,313 | 0.8% | \$9,836,576 | 0.9% |
| 2002 | \$274,997 | -0.6% | \$568,750 | -0.3% | \$9,981,850 | 1.5% |
| 2003 | \$280,881 | 2.1% | \$579,651 | 1.9% | \$10,225,679 | 2.4% |
| 2004 | \$289,295 | 3.0% | \$602,292 | 3.9% | \$10,608,934 | 3.7% |
| 2005 | \$292,225 | 1.0% | \$611,440 | 1.5% | \$10,923,951 | 3.0% |
| 2006 | \$300,753 | 2.9% | \$627,027 | 2.5% | \$11,291,375 | 3.4% |

Source: Bureau of Economic Analysis, U.S. Department of Commerce. Last revised: June 2007

Gross Domestic Product - Annual Percent Change, 1997-2006
(chained 2000 dollars)



U.S. Department of Commerce, Bureau of Economic Analysis. Revised October 2006

The commercial base of Massachusetts is anchored by the twenty 2007 Fortune 1000 companies (ten of which are Fortune 500) headquartered in Massachusetts. Exiting the Massachusetts 2006 Fortune 1000 list were PerkinElmer (897th) and Boston Properties (990th). Global Partners, an energy company, joined the Fortune 500 (491st). When comparing the 2007 Fortune 1000 to 2006's, seventeen Massachusetts companies gained and only three lost rank. Perini, the Framingham based construction services firm and Fortune 1000 member, climbed 236 places on the list (from 884th to 648th); the largest leap for a Massachusetts company.

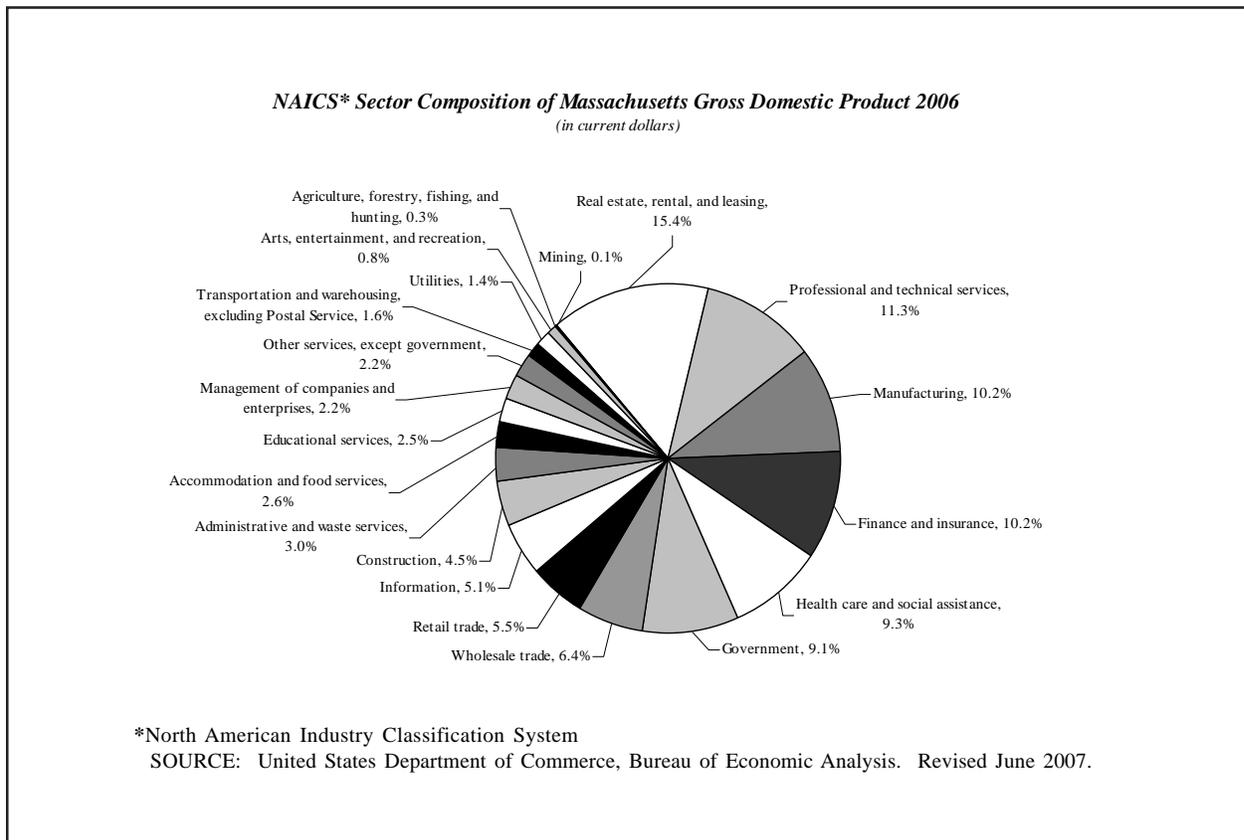
Massachusetts Companies in the 2007 Fortune 500 and 1000 Lists

| Rank | | Company | Industry | 2006 revenues (millions) |
|------|------|--------------------------------------|--|-----------------------------|
| 2007 | 2006 | | | |
| 90 | 92 | Mass. Mutual Life Ins. (Springfield) | Insurance: Life, Health (mutual) | \$24,863 |
| 95 | 102 | Liberty Mutual Ins. Group (Boston) | Insurance: P & C (stock) | \$23,520 |
| 96 | 97 | Raytheon (Waltham) | Aerospace and Defense | \$23,274 |
| 126 | 137 | Staples (Framingham) | Specialty Retailers | \$18,161 |
| 133 | 138 | TJX (Framingham) | Specialty Retailers | \$17,516 |
| 224 | 249 | EMC (Hopkinton) | Computer Peripherals | \$11,155 |
| 263 | 307 | State St. Corp. (Boston) | Commercial Banks | \$9,525 |
| 287 | 288 | BJ's Wholesale Club (Natick) | Specialty Retailers | \$8,524 |
| 308 | 346 | Boston Scientific (Natick) | Medical Products & Equipment | \$7,821 |
| 491 | | Global Partners (Waltham) | Energy | \$4,472 |
| 549 | 658 | Thermo Fisher Scientific (Waltham) | Scientific, Photo, Control Equipment | \$3,792 |
| 569 | 574 | NSTAR (Boston) | Utilities: Gas & Electric | \$3,578 |
| 620 | 643 | Genzyme (Cambridge) | Pharmaceuticals | \$3,187 |
| 648 | 884 | Perini (Framingham) | Engineering, Construction | \$3,043 |
| 698 | 706 | Biogen Idec (Cambridge) | Pharmaceuticals | \$2,683 |
| 710 | 622 | Hanover Insurance Group (Worcester) | Insurance: P & C (stock) | \$2,644 |
| 728 | 712 | Analog Devices (Norwood) | Semiconductors and Other Electronic Components | \$2,573 |
| 732 | 772 | Cabot (Boston) | Chemicals | \$2,543 |
| 780 | 783 | Iron Mountain (Boston) | Diversified Outsourcing | \$2,350 |
| 873 | 837 | Commerce Group (Webster) | Insurance: P & C (stock) | \$1,950 |

SOURCE: *Fortune*, April 30, 2007

ECONOMIC BASE AND PERFORMANCE - SECTOR DETAIL (NAICS BASIS)

The Massachusetts economy remains diversified among several industrial and non-industrial sectors. The four largest sectors of the economy (real estate and rental and leasing, professional and technical services, manufacturing, and finance and insurance, on the 2002 NAICS basis) contributed 47.2 percent of the GDP in 2006. The following pie chart displays the latest sector contributions to the Massachusetts GDP.



GDP subsectors. When measured in chained 2000 dollars, the cumulative change in Massachusetts total GDP was 5.6 percent between 2001 and 2005. Between 2001 and 2005 (the latest data available for subsector data), several industries grew much faster than the state average. Industry subsectors that experienced substantial cumulative growth or reduction are listed in the following chart.

Industry Subsectors with a Substantial Growth or Reduction
(chained 2000 dollars)

| NAICS* Industry Subsector | Cumulative percent change 2001-2005 |
|---|-------------------------------------|
| Motor vehicle, body, trailer, and parts manufacturing | 103.4% |
| Computer and electronic product manufacturing | 54.9% |
| Chemical manufacturing | 22.1% |
| Wood product manufacturing | 20.1% |
| Apparel manufacturing | -19.6% |
| Textile and textile product mills | -19.7% |
| Miscellaneous manufacturing | -23.1% |
| Primary metal manufacturing | -25.6% |

*North American Industry Classification System.
SOURCE: United States Department of Commerce, Bureau of Economic Analysis. Revised June 2007.

Gross Domestic Product by Industry in Massachusetts, 1999-2006
(millions of chained 2000 dollars)

| NAICS* Industry Sector | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Total Gross Domestic Product by State | \$255,189 | \$274,949 | \$276,634 | \$274,997 | \$280,881 | \$289,295 | \$292,225 | \$300,753 |
| Private industries | 231,945 | 251,645 | 253,140 | 251,272 | 257,997 | 266,675 | 269,593 | 278,071 |
| Agriculture, forestry, fishing, and hunting | 469 | 540 | 587 | 668 | 701 | 744 | 793 | 807 |
| Mining | 109 | 124 | 141 | 139 | 142 | 145 | 126 | 112 |
| Utilities | 3,218 | 3,453 | 3,162 | 3,137 | 3,486 | 3,594 | 3,607 | 3,663 |
| Construction | 10,995 | 11,159 | 11,850 | 11,412 | 10,544 | 10,611 | 10,548 | 10,193 |
| Manufacturing | 30,126 | 37,204 | 35,011 | 35,376 | 38,071 | 37,103 | 37,761 | 39,957 |
| Wholesale trade | 17,749 | 16,173 | 17,819 | 17,214 | 17,959 | 17,769 | 16,851 | 17,901 |
| Retail trade | 13,650 | 14,519 | 15,713 | 15,997 | 16,644 | 16,998 | 17,467 | 17,423 |
| Transportation and warehousing, excluding Postal Service | 4,766 | 5,172 | 5,063 | 4,915 | 4,835 | 4,907 | 4,975 | 4,946 |
| Information | 12,083 | 13,017 | 13,710 | 13,676 | 13,936 | 15,429 | 17,238 | 18,357 |
| Finance and insurance | 26,693 | 29,915 | 29,890 | 29,781 | 30,529 | 32,482 | 29,900 | 30,432 |
| Real estate, rental, and leasing | 34,129 | 35,587 | 37,683 | 37,379 | 37,952 | 39,671 | 40,170 | 42,027 |
| Professional and technical services | 24,648 | 28,560 | 28,572 | 27,397 | 27,486 | 30,504 | 32,421 | 33,876 |
| Management of companies and enterprises | 6,870 | 7,506 | 6,152 | 5,673 | 5,778 | 5,846 | 6,160 | 6,041 |
| Administrative and waste services | 8,252 | 8,382 | 7,400 | 7,042 | 7,459 | 7,502 | 7,802 | 8,108 |
| Educational services | 5,591 | 5,915 | 5,851 | 5,978 | 6,003 | 6,087 | 6,017 | 5,993 |
| Health care and social assistance | 19,496 | 20,363 | 20,484 | 21,179 | 22,241 | 22,722 | 23,608 | 24,569 |
| Arts, entertainment, and recreation | 1,906 | 1,911 | 2,023 | 2,152 | 2,244 | 2,245 | 2,221 | 2,159 |
| Accommodation and food services | 6,251 | 6,594 | 6,510 | 6,556 | 6,734 | 6,931 | 6,898 | 6,995 |
| Other services, except government | 5,307 | 5,549 | 5,477 | 5,570 | 5,596 | 5,511 | 5,438 | 5,454 |
| Government | 23,272 | 23,304 | 23,493 | 23,710 | 22,960 | 22,791 | 22,830 | 22,966 |

* North American Industry Classification System

SOURCE: United States Department of Commerce, Bureau of Economic Analysis. 2003-05 Revised June 2007

Cumulative Percent Change in GDP by Industry in Massachusetts, 1999-2006
(millions of chained 2000 dollars)

| NAICS* Industry Sector | 1999 to | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|--|----------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Total Gross Domestic Product by State | | 7.7% | 8.4% | 7.8% | 9.9% | 12.9% | 13.9% | 16.8% |
| Private industries | | 8.5% | 9.1% | 8.3% | 11.0% | 14.4% | 15.5% | 18.6% |
| Agriculture, forestry, fishing, and hunting | | 15.1% | 23.8% | 37.6% | 42.6% | 48.7% | 55.3% | 57.1% |
| Mining | | 13.8% | 27.5% | 26.1% | 28.2% | 30.3% | 17.2% | 6.1% |
| Utilities | | 7.3% | -1.1% | -1.9% | 9.2% | 12.3% | 12.7% | 14.2% |
| Construction | | 1.5% | 7.7% | 4.0% | -3.6% | -3.0% | -3.6% | -6.9% |
| Manufacturing | | 23.5% | 17.6% | 18.6% | 26.3% | 23.7% | 25.5% | 31.3% |
| Wholesale trade | | -8.9% | 1.3% | -2.1% | 2.2% | 1.2% | -4.0% | 2.2% |
| Retail trade | | 6.4% | 14.6% | 16.4% | 20.4% | 22.6% | 25.3% | 25.1% |
| Transportation and warehousing, excluding Postal Service | | 8.5% | 6.4% | 3.5% | 1.9% | 3.3% | 4.7% | 4.2% |
| Information | | 7.7% | 13.1% | 12.8% | 14.7% | 25.4% | 37.1% | 43.6% |
| Finance and insurance | | 12.1% | 12.0% | 11.6% | 14.1% | 20.5% | 12.6% | 14.4% |
| Real estate, rental, and leasing | | 4.3% | 10.2% | 9.4% | 10.9% | 15.4% | 16.7% | 21.3% |
| Professional and technical services | | 15.9% | 15.9% | 11.8% | 12.1% | 23.1% | 29.4% | 33.9% |
| Management of companies and enterprises | | 9.3% | -8.8% | -16.6% | -14.7% | -13.5% | -8.2% | -10.1% |
| Administrative and waste services | | 1.6% | -10.1% | -15.0% | -9.1% | -8.5% | -4.5% | -0.6% |
| Educational services | | 5.8% | 4.7% | 6.9% | 7.3% | 8.7% | 7.6% | 7.2% |
| Health care and social assistance | | 4.4% | 5.0% | 8.4% | 13.4% | 15.6% | 19.5% | 23.6% |
| Arts, entertainment, and recreation | | 0.3% | 6.1% | 12.5% | 16.8% | 16.8% | 15.8% | 13.0% |
| Accommodation and food services | | 5.5% | 4.2% | 4.9% | 7.6% | 10.6% | 10.1% | 11.5% |
| Other services, except government | | 4.6% | 3.3% | 5.0% | 5.4% | 3.9% | 2.6% | 2.9% |
| Government | | 0.1% | 0.9% | 1.9% | -1.3% | -2.0% | -1.9% | -1.3% |

* North American Industry Classification System

SOURCE: United States Department of Commerce, Bureau of Economic Analysis. 2003-05 Revised June 2007

Gross Domestic Product by Industry in Massachusetts, 1999-2006
(as a percent of total GDP chained 2000 dollars)

| NAICS* Industry Sector | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Total Gross Domestic Product by State | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Private industries | 90.9% | 91.5% | 91.5% | 91.4% | 91.9% | 92.2% | 92.3% | 92.5% |
| Agriculture, forestry, fishing, and hunting | 0.2% | 0.2% | 0.2% | 0.2% | 0.2% | 0.3% | 0.3% | 0.3% |
| Mining | 0.0% | 0.0% | 0.1% | 0.1% | 0.1% | 0.1% | 0.0% | 0.0% |
| Utilities | 1.3% | 1.3% | 1.1% | 1.1% | 1.2% | 1.2% | 1.2% | 1.2% |
| Construction | 4.3% | 4.1% | 4.3% | 4.1% | 3.8% | 3.7% | 3.6% | 3.4% |
| Manufacturing | 11.8% | 13.5% | 12.7% | 12.9% | 13.6% | 12.8% | 12.9% | 13.3% |
| Wholesale trade | 7.0% | 5.9% | 6.4% | 6.3% | 6.4% | 6.1% | 5.8% | 6.0% |
| Retail trade | 5.3% | 5.3% | 5.7% | 5.8% | 5.9% | 5.9% | 6.0% | 5.8% |
| Transportation and warehousing, excluding Postal Service | 1.9% | 1.9% | 1.8% | 1.8% | 1.7% | 1.7% | 1.7% | 1.6% |
| Information | 4.7% | 4.7% | 5.0% | 5.0% | 5.0% | 5.3% | 5.9% | 6.1% |
| Finance and insurance | 10.5% | 10.9% | 10.8% | 10.8% | 10.9% | 11.2% | 10.2% | 10.1% |
| Real estate, rental, and leasing | 13.4% | 12.9% | 13.6% | 13.6% | 13.5% | 13.7% | 13.7% | 14.0% |
| Professional and technical services | 9.7% | 10.4% | 10.3% | 10.0% | 9.8% | 10.5% | 11.1% | 11.3% |
| Management of companies and enterprises | 2.7% | 2.7% | 2.2% | 2.1% | 2.1% | 2.0% | 2.1% | 2.0% |
| Administrative and waste services | 3.2% | 3.0% | 2.7% | 2.6% | 2.7% | 2.6% | 2.7% | 2.7% |
| Educational services | 2.2% | 2.2% | 2.1% | 2.2% | 2.1% | 2.1% | 2.1% | 2.0% |
| Health care and social assistance | 7.6% | 7.4% | 7.4% | 7.7% | 7.9% | 7.9% | 8.1% | 8.2% |
| Arts, entertainment, and recreation | 0.7% | 0.7% | 0.7% | 0.8% | 0.8% | 0.8% | 0.8% | 0.7% |
| Accommodation and food services | 2.4% | 2.4% | 2.4% | 2.4% | 2.4% | 2.4% | 2.4% | 2.3% |
| Other services, except government | 2.1% | 2.0% | 2.0% | 2.0% | 2.0% | 1.9% | 1.9% | 1.8% |
| Government | 9.1% | 8.5% | 8.5% | 8.6% | 8.2% | 7.9% | 7.8% | 7.6% |

* North American Industry Classification System

SOURCE: United States Department of Commerce, Bureau of Economic Analysis. 2003-05 Revised June 2007

Rank of Industry Contribution to GDP in Massachusetts, 1999-2006
(millions of chained 2000 dollars)

| NAICS* Industry Sector | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Total Gross Domestic Product by State | | | | | | | | |
| Private industries | | | | | | | | |
| Agriculture, forestry, fishing, and hunting | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 |
| Mining | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 |
| Utilities | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 |
| Construction | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Manufacturing | 2 | 1 | 2 | 2 | 1 | 2 | 2 | 2 |
| Wholesale trade | 7 | 7 | 7 | 7 | 7 | 7 | 9 | 8 |
| Retail trade | 8 | 8 | 8 | 8 | 8 | 8 | 7 | 9 |
| Transportation and warehousing, excluding Postal Service | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 |
| Information | 9 | 9 | 9 | 9 | 9 | 9 | 8 | 7 |
| Finance and insurance | 3 | 3 | 3 | 3 | 3 | 3 | 4 | 4 |
| Real estate, rental, and leasing | 1 | 2 | 1 | 1 | 2 | 1 | 1 | 1 |
| Professional and technical services | 4 | 4 | 4 | 4 | 4 | 4 | 3 | 3 |
| Management of companies and enterprises | 12 | 12 | 13 | 14 | 14 | 14 | 13 | 13 |
| Administrative and waste services | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 |
| Educational services | 14 | 14 | 14 | 13 | 13 | 13 | 14 | 14 |
| Health care and social assistance | 6 | 6 | 6 | 6 | 6 | 6 | 5 | 5 |
| Arts, entertainment, and recreation | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 |
| Accommodation and food services | 13 | 13 | 12 | 12 | 12 | 12 | 12 | 12 |
| Other services, except government | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| Government | 5 | 5 | 5 | 5 | 5 | 5 | 6 | 6 |

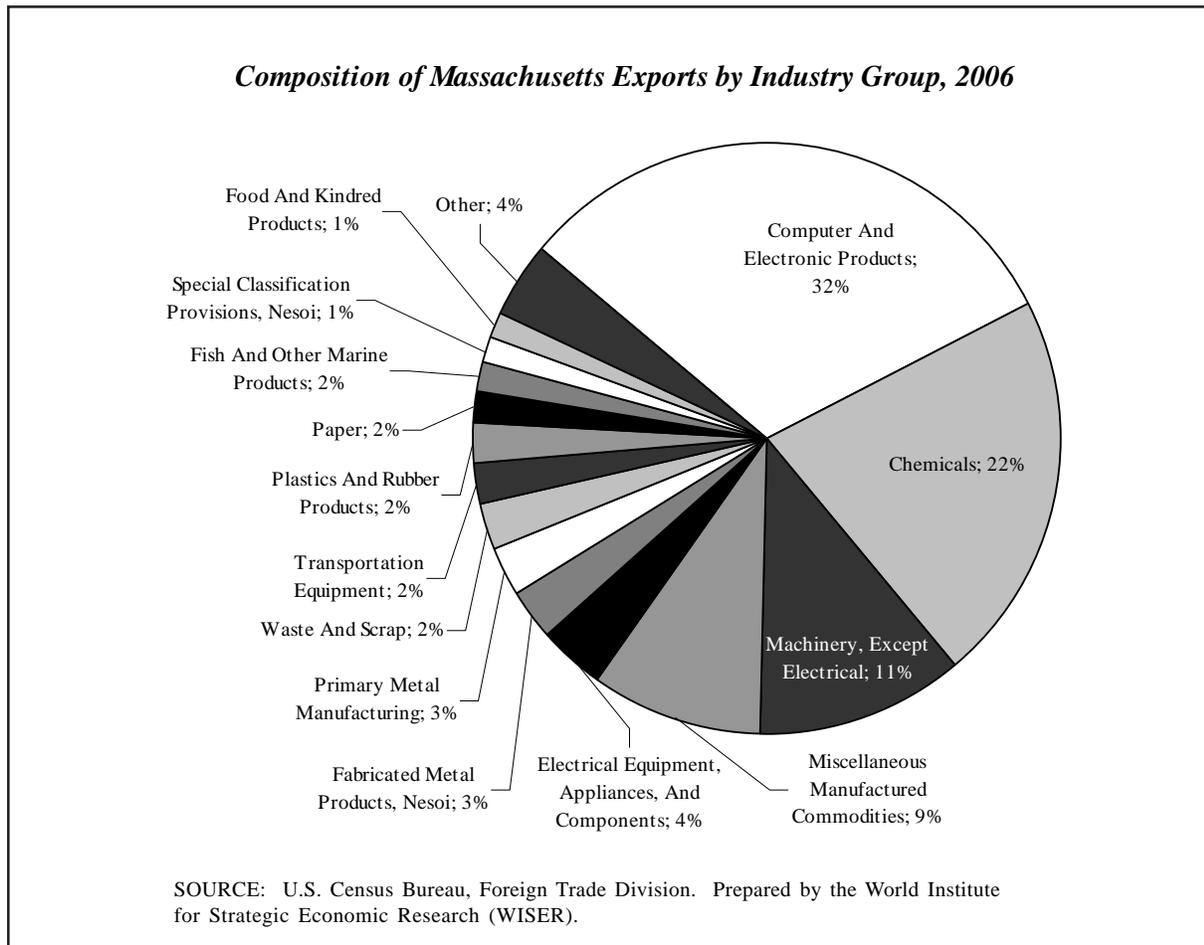
* North American Industry Classification System

SOURCE: United States Department of Commerce, Bureau of Economic Analysis. 2003-05 Revised June 2007

GDP Overview. Between 1999 and 2006, the portion of the total GDP in chained 2000 dollars, from the private industry sector increased 1.6 percent and it decreased 1.5 percent in the government sector. Contributions by each industry to total GDP have remained steady for most sectors. The exceptions were professional and technical services, up 1.6 percent, manufacturing, up 1.5 percent and information, up 1.4 percent. When the 1999 to 2006 industry contributions to total annual GDP are ranked according to their dollar value, the top five have remained fairly constant. In 2006 they were real estate, rental and leasing, manufacturing, professional and technical services, finance and insurance, and health care and social assistance.

Trade and International Trade. Massachusetts ranked 12th in the United States, and first in New England, with \$24.05 billion in international exports in 2006. This represents a 9.1 percent increase from the previous year's exports from the Commonwealth, while national exports increased by 14.7 percent in the same period. Through October 2007, Massachusetts's exports totaled \$21.0 billion, an increase of 5.7 percent compared with exports in the first ten months of 2006. National exports were up 11.8 percent and New England, 5.3 percent during the same period. It is not possible to provide balance of trade comparisons for Massachusetts because import data are not compiled on a state-by-state basis.

Massachusetts' five most important trading partners for 2006 were: Canada, with \$3.16 billion in purchases of Massachusetts exports; the Netherlands, with \$2.70 billion; Germany, with \$2.51 billion; Japan, with \$2.29 billion; and the United Kingdom, with \$1.97 billion in purchases. Between 2005 and 2006, the most significant growth in Massachusetts's exports among its top ten trading partners was in exports to China, 46.3 percent, and Japan, 20.5 percent.



Value of International Shipments from Massachusetts, 1998-2006

(top ten industry groups ranked by value of 2006 exports, in millions)

| Major Industry Group | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Computer And Electronic Products | \$7,458 | \$8,056 | \$10,215 | \$8,122 | \$7,024 | \$7,688 | \$7,475 | \$7,004 | \$7,520 |
| Chemicals | \$1,223 | \$1,357 | \$1,600 | \$1,534 | \$2,267 | \$3,216 | \$4,907 | \$5,284 | \$5,188 |
| Machinery, Except Electrical | \$1,694 | \$1,705 | \$2,545 | \$2,044 | \$1,786 | \$1,668 | \$2,456 | \$2,315 | \$2,736 |
| Miscellaneous Manufactured Commodities | \$835 | \$925 | \$1,053 | \$1,213 | \$1,210 | \$1,571 | \$1,927 | \$2,111 | \$2,240 |
| Electrical Equipment, Appliances, And Component | \$596 | \$720 | \$834 | \$691 | \$649 | \$592 | \$752 | \$815 | \$872 |
| Fabricated Metal Products, Nesoi | \$597 | \$601 | \$649 | \$569 | \$692 | \$539 | \$621 | \$664 | \$679 |
| Primary Metal Manufacturing | \$335 | \$283 | \$358 | \$272 | \$248 | \$425 | \$423 | \$405 | \$647 |
| Waste And Scrap | \$104 | \$75 | \$106 | \$146 | \$183 | \$190 | \$322 | \$328 | \$597 |
| Transportation Equipment | \$637 | \$698 | \$659 | \$449 | \$346 | \$383 | \$453 | \$481 | \$547 |
| Plastics And Rubber Products | \$357 | \$389 | \$374 | \$400 | \$406 | \$375 | \$404 | \$469 | \$530 |
| Total Exports, Top Massachusetts Industries | \$13,836 | \$14,809 | \$18,393 | \$15,438 | \$14,812 | \$16,648 | \$19,739 | \$19,877 | \$21,556 |
| Total Massachusetts Exports | \$15,878 | \$16,805 | \$20,514 | \$17,490 | \$16,708 | \$18,663 | \$21,837 | \$22,043 | \$24,047 |
| Percent Change from Prior Year | -3.9% | 5.8% | 22.1% | -14.7% | -4.5% | 11.7% | 17.0% | 0.9% | 9.1% |

SOURCE: World Institute for Strategic Economic Research (WISER). These figures reflect the changeover in export statistics reporting to the NAICS system from the SIC system. Categories and state totals are not comparable between systems. Pre-1997 data is not available.

Transportation and Warehousing, and Utilities. Between 1999 and 2006, the combined real gross domestic product of the transportation and warehousing and utilities sector increased 7.8 percent when measured with year 2000 chained dollars. These combined sectors contributed 2.8 percent to the total Massachusetts Real Domestic Product in 2006; 0.4 percent less than it did in 1999.

Massachusetts's major air and seaports are managed by the Massachusetts Port Authority (Massport), an independent public authority. Massport reported fiscal 2007 operating income of \$39.8 million, down 9.1 percent from fiscal 2006, operating revenues up 5.9 percent, \$526.8 million in 2007 versus \$497.6 million in 2006 and operating expenses up 7.3 percent, \$487.0 million in 2007 versus \$453.8 million in 2006.

According to Massport, Boston Logan International Airport is currently served by 56 scheduled and non scheduled air carriers, of which 45 are scheduled airlines, including 16 foreign flag carriers. Boston Logan International Airport has domestic service to 76 destinations and international service to 33 destinations. Based on total passenger volume in calendar year 2006 data, Logan Airport was the most active airport in New England and remained the 19th most active in the U.S. according to the Federal Aviation Authority. Massport reported that in 2006, Logan flights and passenger counts were down 0.7 and up 2.4 percent respectively compared to 2005. Massport also reported that as of August, year-to-date 2007, total airport flight operations were down slightly, -0.1 percent and total airport passengers were up 2.4 percent from the same period in 2006.

As of June 30, 2006, Logan was served by 11 all-cargo and small package/express carriers. According to the FAA, Logan Airport ranked 26th in the nation in total air cargo volume in calendar year 2006. In 2006, the airport handled 1.10 billion pounds of cargo, a 4.2 percent decrease from 2005. Massport reported that as of August, year-to-date 2007, the combined cargo and mail volume was down 6.9 percent from the same period in 2006. Please refer to the Aviation Activity charts on the following page.

At Massport's Port of Boston properties, 2006 total cargo throughput was 15.3 million metric tons, a 6 percent decrease from 2005. Automobile processing increased 11 percent to 12,149 units, and cruise passenger trips decreased 11 percent to 208,883. Total containerized cargo increased 7 percent to 1.6 million short tons. Massport reported that between December 2006 and November 2007, total containerized cargo was up 9.8 percent compared to the same period the previous year. The Army Corps of Engineers reported Massachusetts total waterborne cargo shipped or received in 2005, decreased 9.4 percent to 28.8 million short tons, from 2004. Waterborne cargo in New England and the U.S. decreased 1.9 and 1.0 percent respectively. Please refer to the Waterborne Tonnage by State charts on the following page.

Aviation Activity for Massachusetts Primary Airports

| <i>Passenger Boardings</i> | <i>2000</i> | <i>2001</i> | <i>2002</i> | <i>2003</i> | <i>2004</i> | <i>2005</i> | <i>2006</i> |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| General Edward Lawrence Logan International | 13,613,507 | 11,739,553 | 11,077,238 | 11,087,799 | 12,758,020 | 13,214,923 | 13,544,552 |
| Nantucket Memorial | 296,451 | 272,460 | 253,422 | 229,300 | 243,313 | 252,757 | 276,866 |
| Barnstable Municipal-Boardman/Polando Field | 205,906 | 197,106 | 180,807 | 158,360 | 167,522 | 177,761 | 206,980 |
| Worcester Regional | 52,916 | 79,653 | 37,298 | 2,234 | 1,274 | 2,086 | 14,823 |
| Laurence G Hanscom Field | 82,204 | 71,381 | 40,419 | 19,375 | 17,049 | 13,887 | 14,560 |
| Martha's Vineyard | 71,150 | 65,374 | 59,500 | 53,011 | 49,480 | 48,977 | 45,881 |
| New Bedford Regional | 22,882 | 21,786 | 21,667 | 21,097 | 19,686 | 17,960 | 15,211 |
| Provincetown Municipal | 15,694 | 12,986 | 10,533 | 11,801 | 11,424 | 10,236 | 11,375 |
| Total | 14,360,710 | 12,460,299 | 11,680,884 | 11,582,977 | 13,267,768 | 13,738,537 | 14,130,248 |

| <i>Cargo - Gross Landed Weight (lbs.)</i> | <i>2000</i> | <i>2001</i> | <i>2002</i> | <i>2003</i> | <i>2004</i> | <i>2005</i> | <i>2006</i> |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| General Edward Lawrence Logan International | 1,405,482,600 | 1,301,842,100 | 1,272,185,900 | 1,199,383,800 | 1,172,103,700 | 1,148,881,400 | 1,100,485,850 |

Change in Aviation Activity at Massachusetts Primary Airports

| <i>Passenger Boardings</i> | <i>2000-2001</i> | <i>2001-2002</i> | <i>2002-2003</i> | <i>2003-2004</i> | <i>2004-2005</i> | <i>2005-2006</i> |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| General Edward Lawrence Logan International | -13.8% | -5.6% | 0.1% | 15.1% | 3.6% | 2.5% |
| Nantucket Memorial | -8.1% | -7.0% | -9.5% | 6.1% | 3.9% | 9.5% |
| Barnstable Municipal-Boardman/Polando Field | -4.3% | -8.3% | -12.4% | 5.8% | 6.1% | 16.4% |
| Worcester Regional | 50.5% | -53.2% | -94.0% | -43.0% | 59.8% | 628.0% |
| Laurence G Hanscom Field | -13.2% | -43.4% | -52.1% | -12.0% | -18.5% | 4.8% |
| Martha's Vineyard | -8.1% | -9.0% | -10.9% | -6.7% | -1.0% | -6.3% |
| New Bedford Regional | -4.8% | -0.5% | -2.6% | -6.7% | -8.8% | -15.3% |
| Provincetown Municipal | -17.3% | -18.9% | 12.0% | -3.2% | -10.4% | 11.1% |
| Total | -13.2% | -6.3% | -0.8% | 14.5% | 3.5% | 2.9% |

| <i>Cargo</i> | <i>2000-2001</i> | <i>2001-2002</i> | <i>2002-2003</i> | <i>2003-2004</i> | <i>2004-2005</i> | <i>2005-2006</i> |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| General Edward Lawrence Logan International | -7.4% | -2.3% | -5.7% | -2.3% | -2.0% | -4.2% |

SOURCE: Federal Aviation Administration Oct 2007.

Waterborne Tonnage by State (In Units of 1000 Tons)

| <i>State</i> | <i>2000</i> | <i>2001</i> | <i>2002</i> | <i>2003</i> | <i>2004</i> | <i>2005</i> |
|---------------|-------------|-------------|-------------|-------------|-------------|-------------|
| U.S. total | 2,424,596 | 2,386,558 | 2,340,292 | 2,394,199 | 2,551,939 | 2,527,622 |
| Maine | 31,769 | 30,586 | 29,140 | 31,698 | 32,447 | 32,353 |
| Massachusetts | 26,973 | 26,446 | 26,117 | 30,655 | 31,787 | 28,812 |
| Connecticut | 18,959 | 18,267 | 17,610 | 18,579 | 20,075 | 19,617 |
| Rhode Island | 9,089 | 9,170 | 8,437 | 9,417 | 9,764 | 10,972 |
| New Hampshire | 4,462 | 4,447 | 4,108 | 4,971 | 4,795 | 5,254 |
| Vermont | 0 | 0 | 0 | 0 | 0 | 0 |
| New England | 91,252 | 88,916 | 85,412 | 95,320 | 98,868 | 97,008 |

Waterborne Tonnage by State - Percent Change from Previous Year

| <i>State</i> | <i>2000-2001</i> | <i>2001-2002</i> | <i>2002-2003</i> | <i>2003-2004</i> | <i>2004-2005</i> |
|---------------|------------------|------------------|------------------|------------------|------------------|
| U.S. total | -1.6% | -1.9% | 2.3% | 6.6% | -1.0% |
| Maine | -3.7% | -4.7% | 8.8% | 2.4% | -0.3% |
| Massachusetts | -2.0% | -1.2% | 17.4% | 3.7% | -9.4% |
| Connecticut | -3.6% | -3.6% | 5.5% | 8.1% | -2.3% |
| Rhode Island | 0.9% | -8.0% | 11.6% | 3.7% | 12.4% |
| New Hampshire | -0.3% | -7.6% | 21.0% | -3.5% | 9.6% |
| Vermont | - | - | - | - | - |
| New England | -2.6% | -3.9% | 11.6% | 3.7% | -1.9% |

SOURCE: Army Corps of Engineers, Waterborne Commerce Statistics Center (WCSC).

Construction and Housing. In 2006, construction activity contributed 3.4 percent to the total Massachusetts Gross Domestic Product (GDP) when measured in 2000 chained dollars. The construction sector contributed 4.3 percent to state GDP in 1999. Overall loss between 1999 and 2006 was 6.9 percent in real dollars.

Housing Permits Authorized, 1969-2006

| <i>Year</i> | <i>Massachusetts</i> | | <i>New England</i> | | <i>United States</i> | |
|-------------|----------------------|-----------------------|----------------------|-----------------------|----------------------|-----------------------|
| | <i>Total Permits</i> | <i>Percent Change</i> | <i>Total Permits</i> | <i>Percent Change</i> | <i>Total Permits</i> | <i>Percent Change</i> |
| 1969 | 33,572 | | 70,539 | | 1,330,161 | |
| 1970 | 38,330 | 14.2% | 74,068 | 5.0% | 1,354,746 | 1.8% |
| 1975 | 17,697 | -27.5% | 41,645 | -21.0% | 934,511 | -12.4% |
| 1980 | 16,055 | -20.4% | 40,195 | -25.1% | 1,171,763 | -23.6% |
| 1981 | 15,599 | -2.8% | 38,067 | -5.3% | 985,600 | -15.9% |
| 1982 | 15,958 | 2.3% | 39,470 | 3.7% | 1,000,500 | 1.5% |
| 1983 | 22,950 | 43.8% | 57,567 | 45.9% | 1,605,221 | 60.4% |
| 1984 | 28,471 | 24.1% | 72,356 | 25.7% | 1,689,667 | 5.3% |
| 1985 | 39,360 | 38.2% | 96,832 | 33.8% | 1,732,335 | 2.5% |
| 1986 | 43,877 | 11.5% | 108,272 | 11.8% | 1,771,832 | 2.3% |
| 1987 | 40,018 | -8.8% | 101,222 | -6.5% | 1,542,499 | -12.9% |
| 1988 | 31,766 | -20.6% | 82,123 | -18.9% | 1,450,583 | -6.0% |
| 1989 | 21,634 | -31.9% | 53,543 | -34.8% | 1,345,084 | -7.3% |
| 1990 | 15,276 | -29.4% | 36,811 | -31.2% | 1,125,583 | -16.3% |
| 1991 | 12,624 | -17.4% | 31,111 | -15.5% | 953,834 | -15.3% |
| 1992 | 16,346 | 29.5% | 36,876 | 18.5% | 1,105,083 | 15.9% |
| 1993 | 17,715 | 8.4% | 39,225 | 6.4% | 1,210,000 | 9.5% |
| 1994 | 18,302 | 3.3% | 40,459 | 3.1% | 1,366,916 | 13.0% |
| 1995 | 15,946 | -12.9% | 37,357 | -7.7% | 1,335,835 | -2.3% |
| 1996 | 17,360 | 8.9% | 40,425 | 8.2% | 1,419,083 | 6.2% |
| 1997 | 17,554 | 1.1% | 42,047 | 4.0% | 1,442,251 | 1.6% |
| 1998 | 18,958 | 8.0% | 47,342 | 12.6% | 1,619,500 | 12.3% |
| 1999 | 18,967 | 0.0% | 47,632 | 0.6% | 1,663,533 | 2.7% |
| 2000 | 18,000 | -5.1% | 45,335 | -4.8% | 1,592,267 | -4.3% |
| 2001 | 17,034 | -5.4% | 44,594 | -1.6% | 1,636,676 | 2.8% |
| 2002 | 17,465 | 2.5% | 49,031 | 9.9% | 1,747,678 | 6.8% |
| 2003 | 20,257 | 16.0% | 52,395 | 6.9% | 1,889,214 | 8.1% |
| 2004 | 22,477 | 11.0% | 57,858 | 10.4% | 2,070,077 | 9.6% |
| 2005 | 24,549 | 9.2% | 58,742 | 1.5% | 2,155,316 | 4.1% |
| 2006 | 19,580 | -20.2% | 46,782 | -20.4% | 1,838,903 | -14.7% |

SOURCES: Federal Reserve Bank of Boston; United States Department of Commerce.

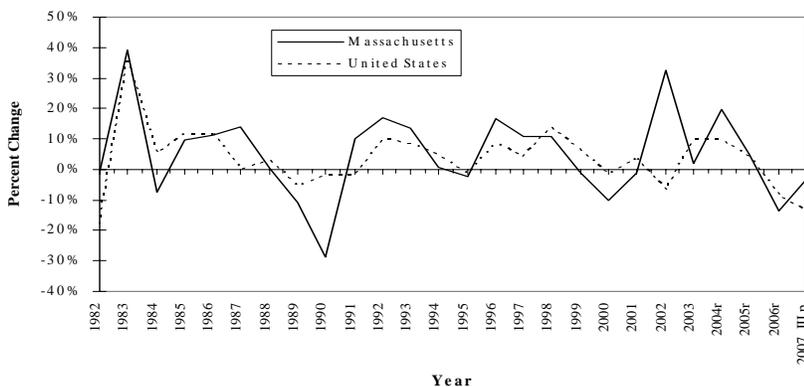
Home Sales. Sales of existing single-family homes for the Boston metropolitan area and the United States are presented in the following chart and graph. Seasonally adjusted rates are used in reporting quarterly data to factor out seasonal variations in resale activity.

Existing Home Sales, 1981-2007 3rd Quarter
(Quarterly rates are seasonally adjusted, rates in thousands)

| Year | Massachusetts | | United States | |
|-------------|---------------|----------|---------------|----------|
| | Sales | % Change | Sales | % Change |
| 1981 | 43.0 | | 2,575.0 | |
| 1982 | 42.6 | -0.8% | 2,117.5 | -17.8% |
| 1983 | 59.2 | 39.0% | 2,875.0 | 35.8% |
| 1984 | 54.9 | -7.3% | 3,027.5 | 5.3% |
| 1985 | 60.2 | 9.7% | 3,382.5 | 11.7% |
| 1986 | 67.0 | 11.3% | 3,772.5 | 11.5% |
| 1987 | 76.4 | 14.1% | 3,767.5 | -0.1% |
| 1988 | 76.6 | 0.2% | 3,882.5 | 3.1% |
| 1989 | 68.2 | -10.9% | 3,672.0 | -5.4% |
| 1990 | 48.6 | -28.8% | 3,603.5 | -1.9% |
| 1991 | 53.4 | 10.0% | 3,533.3 | -1.9% |
| 1992 | 62.5 | 17.0% | 3,889.5 | 10.1% |
| 1993 | 70.9 | 13.4% | 4,220.3 | 8.5% |
| 1994 | 71.4 | 0.7% | 4,409.8 | 4.5% |
| 1995 | 69.6 | -2.6% | 4,342.3 | -1.5% |
| 1996 | 81.2 | 16.6% | 4,705.3 | 8.4% |
| 1997 | 90.1 | 11.0% | 4,908.8 | 4.3% |
| 1998 | 99.9 | 10.8% | 5,585.3 | 13.8% |
| 1999 | 98.5 | -1.3% | 5,922.8 | 6.0% |
| 2000 | 88.7 | -10.0% | 5,831.8 | -1.5% |
| 2001 | 87.5 | -1.4% | 6,026.3 | 3.3% |
| 2002 | 115.9 | 32.5% | 5,631.0 | -6.6% |
| 2003 | 118.3 | 2.1% | 6,175.0 | 9.7% |
| 2004r | 141.7 | 19.8% | 6,778.0 | 9.8% |
| 2005r | 148.6 | 4.9% | 7,076.0 | 4.4% |
| 2006r | 128.1 | -13.8% | 6,478.0 | -8.5% |
| 2007. III p | 133.6 | -3.3% * | 5,423.0 | -13.7% * |

SOURCES: National Association of Realtors. Federal Reserve Bank of Boston.
p= preliminary, *=change from previous year's quarter, r=revised

Percentage Change in Existing Home Sales
(Massachusetts and the United States 1981-2007)



SOURCES: National Association of Realtors. Federal Reserve Bank of Boston. r=revised.

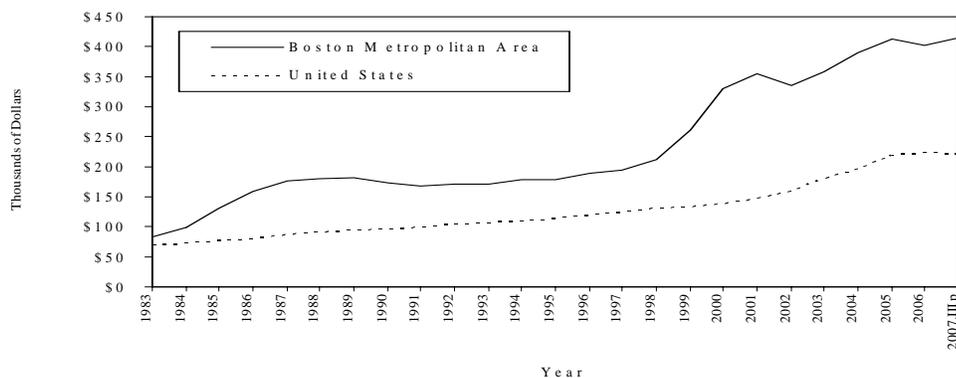
Median Home Prices. Median sales price of existing single-family homes for the Boston metropolitan area and the United States are presented in the following chart and graph.

Median Sales Price for Existing Single-Family Homes - 1983 to 2007 3rd Quarter
(Quarterly price not seasonally adjusted, price in thousands)

| Year | Boston Metropolitan Area | United States | Boston Prices as a Percent of the U.S. | Boston Annual Percent Change |
|------------|--------------------------|---------------|--|------------------------------|
| 1983 | \$82 | \$70 | 118.1% | |
| 1984 | \$98 | \$72 | 135.4% | 19.1% |
| 1985 | \$131 | \$75 | 173.7% | 33.5% |
| 1986 | \$158 | \$80 | 197.3% | 20.9% |
| 1987 | \$177 | \$86 | 205.7% | 11.6% |
| 1988 | \$181 | \$90 | 201.9% | 2.4% |
| 1989 | \$182 | \$93 | 195.0% | 0.4% |
| 1990 | \$174 | \$95 | 182.6% | -4.2% |
| 1991 | \$169 | \$99 | 169.5% | -3.0% |
| 1992 | \$171 | \$104 | 164.6% | 1.2% |
| 1993 | \$171 | \$107 | 160.9% | 0.5% |
| 1994 | \$179 | \$109 | 164.7% | 4.4% |
| 1995 | \$179 | \$113 | 158.6% | -0.2% |
| 1996 | \$189 | \$119 | 158.7% | 5.7% |
| 1997 | \$195 | \$124 | 157.1% | 3.0% |
| 1998 | \$212 | \$130 | 162.9% | 8.9% |
| 1999 | \$261 | \$133 | 196.2% | 23.1% |
| 2000 | \$330 | \$138 | 238.3% | 26.4% |
| 2001 | \$355 | \$146 | 242.4% | 7.6% |
| 2002 | \$335 | \$158 | 212.1% | -5.5% |
| 2003 | \$359 | \$180 | 198.9% | 6.9% |
| 2004 | \$390 | \$195 | 199.6% | 8.7% |
| 2005 | \$413 | \$219 | 188.7% | 6.0% |
| 2006 | \$402 | \$222 | 181.3% | -2.7% |
| 2007.III p | \$415 | \$221 | 187.8% | 0.6%* |

SOURCES: National Association of Realtors. Federal Reserve Bank of Boston.
p= preliminary, *=change from previous year's quarter, r=revised

Median Sales Price, Existing Single-Family Homes
(U.S. and Boston Metro, 1983-2007 3rd Quarter)

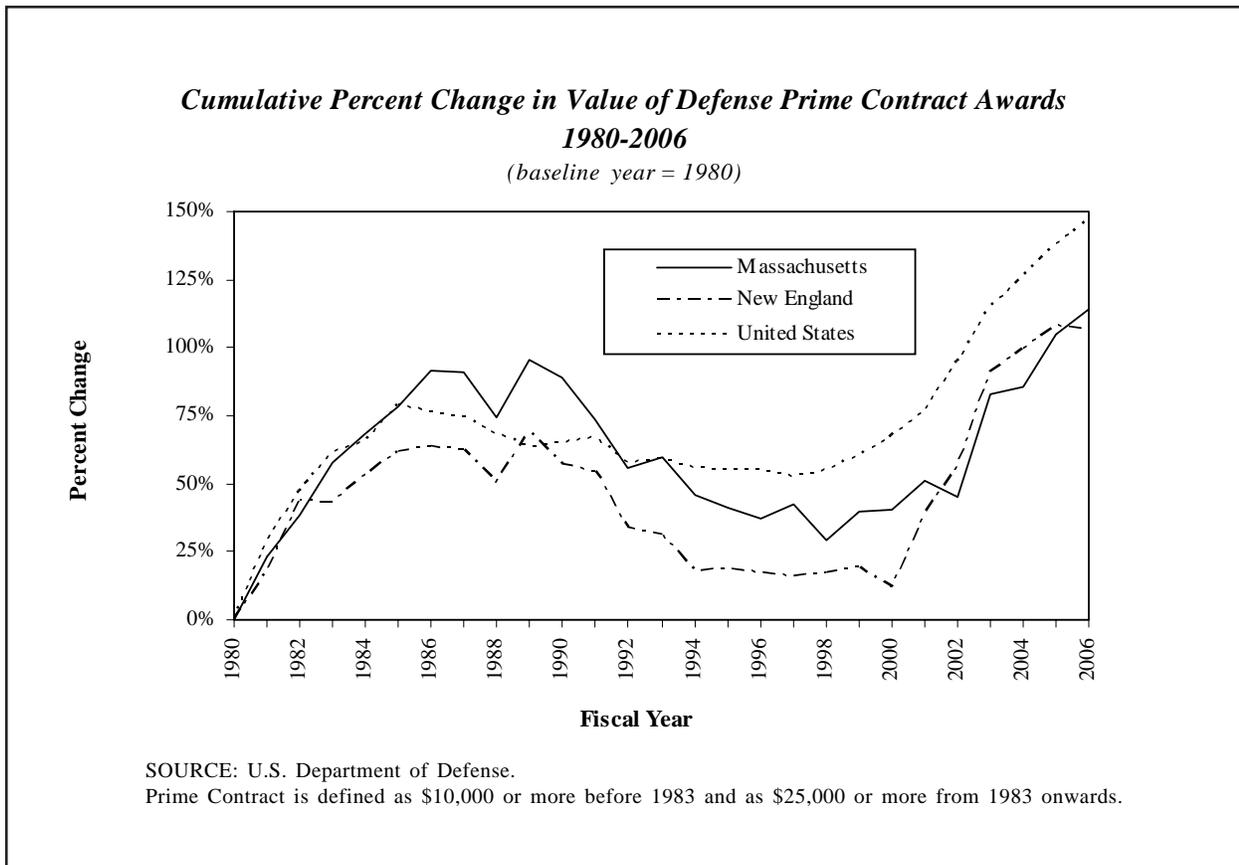


SOURCES: Federal Reserve Bank of Boston; National Association of Realtors. p=preliminary
Note: Boston-Cambridge-Quincy, MA-NH - Data from New Hampshire not available for 2004-2005.

Defense Industry. Massachusetts contract awards have increased every year since 1988 with the exception of 2002. The value of military prime contracts awarded to Massachusetts companies peaked in FY 2006 at \$9.1 billion and troughed in 1998 at \$4.3 billion. U.S. Navy contracts to Massachusetts companies increased by over a billion dollars in FY 2006. The chart below illustrates the yearly changes in the value of Massachusetts military prime contracts from 1980 to 2006.

From the early 1980 to 1993, the Commonwealth's share of total prime contract awards in the U.S. remained around 5 percent. In 2002, the Commonwealth's share of the national total reached its lowest point in over two decades, 3.1 percent, and has increased slightly to 3.5 percent in 2005. While Massachusetts' contract total has increased significantly in the past four years, its share of the U.S. total was only 3.5% in 2006. Massachusetts is the eighth largest recipient in defense spending.

The importance of the defense industry to the Massachusetts economy is reflected in the table on the following page, which shows the value of Department of Defense prime contract awards between 1980 and 2006.



Net Value of Department of Defense Prime Contract Awards Since 1980-2006

(in millions)

| <i>Fiscal Year</i> | <i>MA</i> | <i>N.E.</i> | <i>U.S.</i> | <i>Massachusetts' Share (as a Percent)</i> | |
|--------------------|-----------|-------------|-------------|--|----------------|
| | | | | <i>of New England</i> | <i>of U.S.</i> |
| 1980* | \$3,743 | \$8,775 | \$68,070 | 42.7% | 5.5% |
| 1981* | 4,605 | 10,372 | 87,761 | 44.4% | 5.2% |
| 1982* | 5,317 | 13,037 | 103,858 | 40.8% | 5.1% |
| 1983 | 6,328 | 12,967 | 118,744 | 48.8% | 5.3% |
| 1984 | 7,029 | 14,249 | 123,995 | 49.3% | 5.7% |
| 1985 | 7,714 | 15,487 | 140,096 | 49.8% | 5.5% |
| 1986 | 8,735 | 15,748 | 136,026 | 55.5% | 6.4% |
| 1987 | 8,685 | 15,606 | 133,262 | 55.7% | 6.5% |
| 1988 | 7,212 | 13,673 | 125,767 | 52.7% | 5.7% |
| 1989 | 8,757 | 16,268 | 119,917 | 53.8% | 7.3% |
| 1990 | 8,166 | 14,271 | 121,254 | 57.2% | 6.7% |
| 1991 | 6,933 | 13,889 | 124,119 | 49.9% | 5.6% |
| 1992 | 5,686 | 11,033 | 112,285 | 51.5% | 5.1% |
| 1993 | 5,936 | 10,779 | 114,145 | 55.1% | 5.2% |
| 1994 | 5,106 | 9,329 | 110,316 | 54.7% | 4.6% |
| 1995 | 4,846 | 9,375 | 109,005 | 51.7% | 4.4% |
| 1996 | 4,675 | 9,237 | 109,408 | 50.6% | 4.3% |
| 1997 | 4,910 | 9,152 | 106,561 | 53.6% | 4.6% |
| 1998 | 4,245 | 9,284 | 109,386 | 45.7% | 3.9% |
| 1999 | 4,715 | 9,456 | 114,875 | 49.9% | 4.1% |
| 2000 | 4,737 | 8,745 | 123,295 | 54.2% | 3.8% |
| 2001 | 5,248 | 11,094 | 135,225 | 47.3% | 3.9% |
| 2002 | 4,929 | 13,029 | 158,737 | 37.8% | 3.1% |
| 2003 | 6,800 | 17,544 | 191,221 | 38.8% | 3.6% |
| 2004 | 6,961 | 19,062 | 212,740 | 36.5% | 3.3% |
| 2005 | 8,333 | 20,699 | 236,986 | 40.3% | 3.5% |
| 2006 | 9,077 | 20,243 | 257,456 | 44.8% | 3.5% |

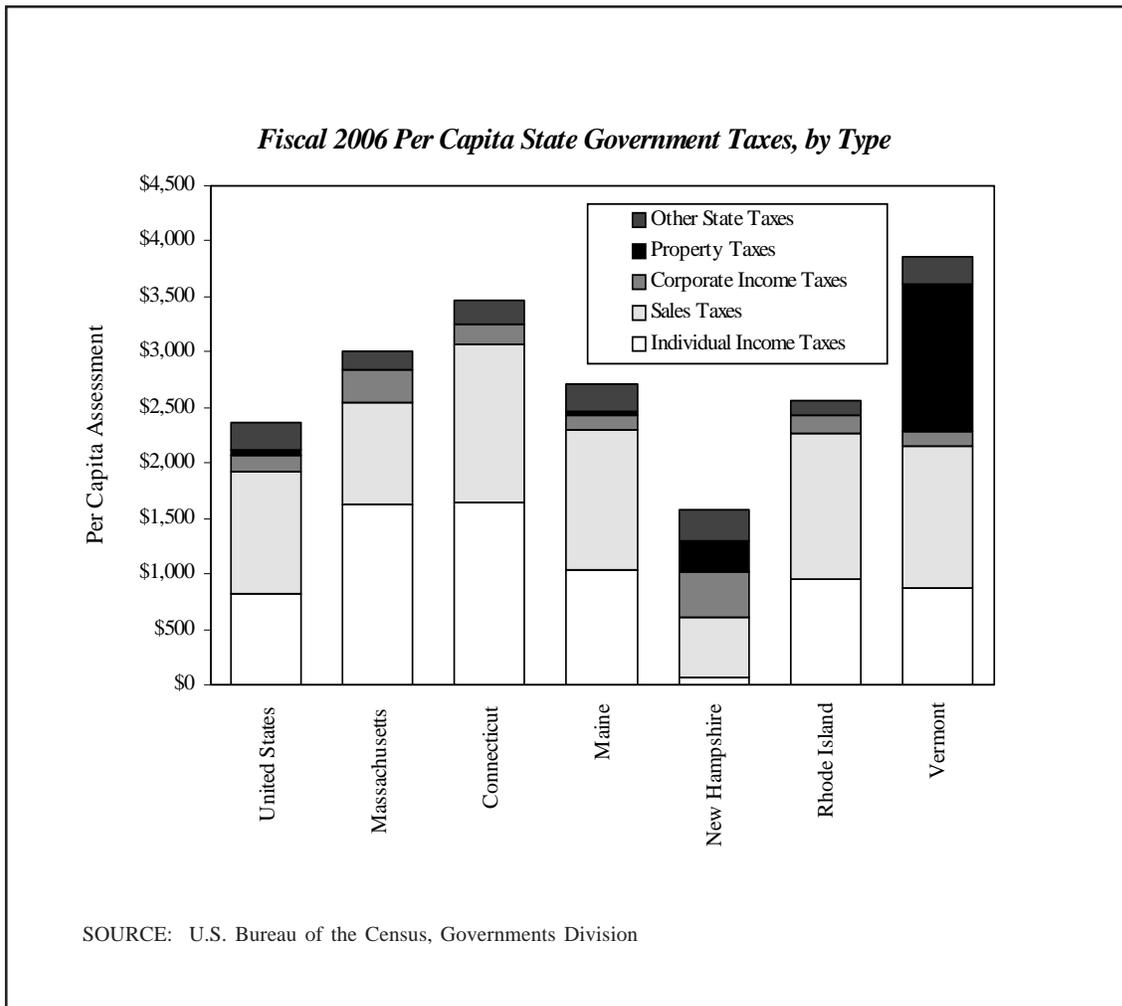
SOURCE: United States Department of Defense. *Prime Contract is defined as \$10,000 and above for these years; beginning in 1983 it is defined as \$25,000 and above.

Travel and Tourism. The travel and tourism industry represents an important component of the overall Massachusetts economy. In 2006, the arts, entertainment, recreation and accommodations industries contributed 3.4 percent to Massachusetts total GDP. The Massachusetts Office of Travel and Tourism reported an annual increase of 4.8 percent in museum and attraction attendance in 2006. September 2007 year-to-date attendance, 9.3 million, is 2.5 percent more than the same period in 2006.

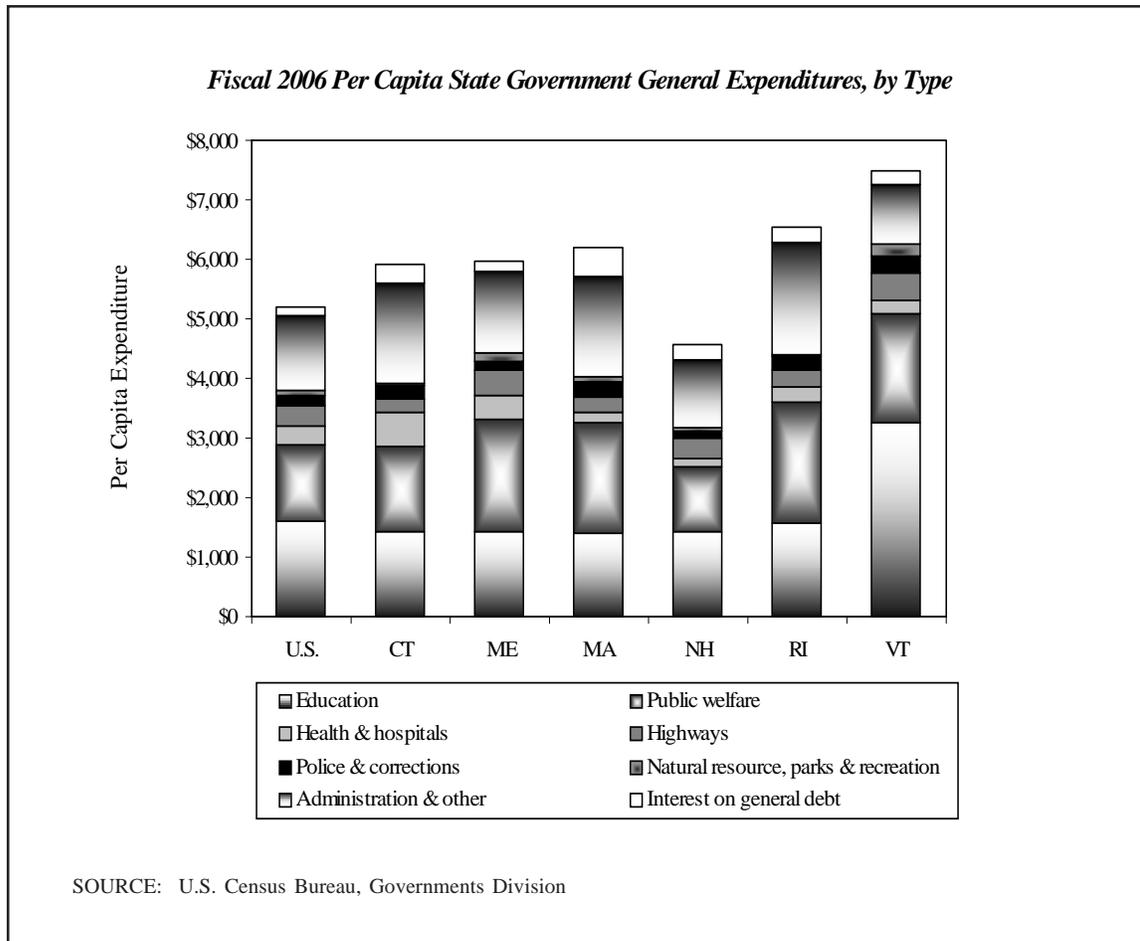
The Massachusetts Office of Travel and Tourism (MOTT) estimated that 23.3 million domestic travelers traveled to or within the Commonwealth in 2006, an increase of 3.3 percent from 2005. Additionally, MOTT estimated that 1.6 million international travelers visited Massachusetts in 2006, an increase of 14.3 percent from 2005.

State Taxes. Per capita state taxes in Massachusetts are significantly higher, 27.7 percent, than the national average. In fiscal year 2006, the total per capita state tax bill in the United States was \$2,359. Citizens of the Commonwealth however, paid \$3,013 on average, the ninth highest (seventh last year) in the nation and an increase of 7.0 percent from the previous year's \$2,815. In New England, citizens in Connecticut and Vermont paid more per capita, and all New England states except New Hampshire (48th), ranked in the top fifth for per capita state tax collections.

In fiscal year 2006, over half (54.1 percent) of the state taxes in Massachusetts came from the state income tax. Per capita individual income taxes in Massachusetts were \$1,629, up 7.5 percent from \$1,514 in fiscal year 2005. Also increasing in fiscal year 2006 were sales receipts, 2.1 percent and corporate net income, 38.7 percent. Other taxes (licenses, death and gift, and documentary and stock transfer) decreased 8.4 percent in Massachusetts on a per capita basis. Across the New England states, there is wide variation in both total per capita state taxes and in the breakdown of those taxes, as illustrated in the following chart.



State Government Spending in Massachusetts. The following chart depicts fiscal 2006 per capita state general expenditures by category for the six New England states and the U.S. average state expenditure. Massachusetts ranked 11th in the nation in per capita expenditures, \$6,198 in 2006 while it ranked 9th and spent less, \$5,911 in 2005. This represents a 4.9 percent increase in per capita expenditures from 2005 to 2006. Massachusetts spent more state funds per capita on debt service, \$487 in 2006 than any of its New England neighbors.



Fiscal 2006 Per Capita State Government General Expenditures, by Type
For the U.S. and New England States

| <i>General expenditures, by function</i> | <i>U.S.</i> | <i>CT</i> | <i>ME</i> | <i>MA</i> | <i>NH</i> | <i>RI</i> | <i>VT</i> |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Education | \$1,613 | \$1,440 | \$1,420 | \$1,401 | \$1,440 | \$1,560 | \$3,264 |
| Public welfare | \$1,267 | \$1,408 | \$1,893 | \$1,843 | \$1,066 | \$2,049 | \$1,818 |
| Health & hospitals | \$321 | \$568 | \$400 | \$187 | \$142 | \$252 | \$226 |
| Highways | \$333 | \$229 | \$430 | \$261 | \$340 | \$284 | \$456 |
| Police & corrections | \$184 | \$233 | \$147 | \$248 | \$124 | \$214 | \$303 |
| Natural resource, parks & recreation | \$86 | \$42 | \$142 | \$81 | \$59 | \$51 | \$180 |
| Administration & other | \$1,262 | \$1,687 | \$1,368 | \$1,690 | \$1,130 | \$1,881 | \$1,007 |
| Interest on general debt | \$127 | \$307 | \$174 | \$487 | \$263 | \$260 | \$235 |
| Total | \$5,193 | \$5,914 | \$5,974 | \$6,198 | \$4,565 | \$6,552 | \$7,487 |
| State's rank of total per capita expenditures | | 14 | 13 | 11 | 35 | 8 | 4 |

US Census Bureau, Governments Division

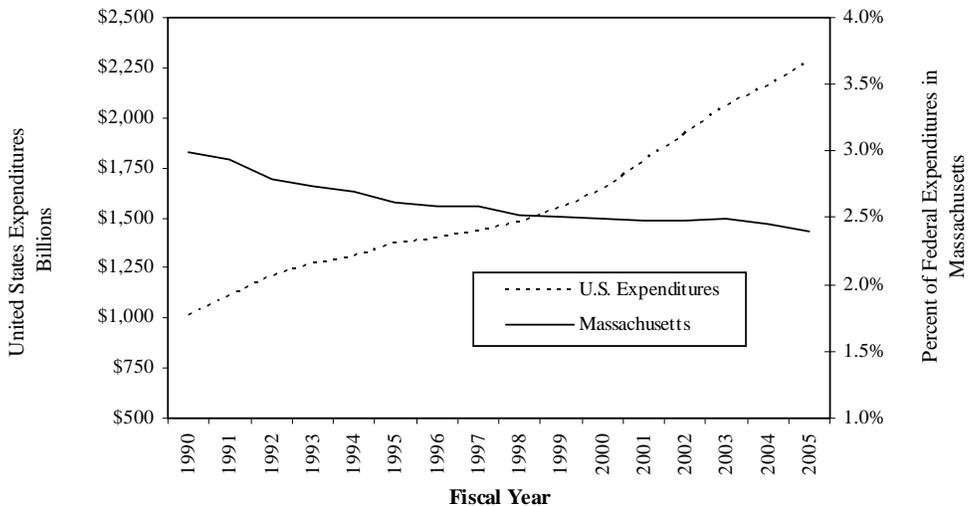
**Massachusetts Per Capita State Government General Expenditures, by Type
FY2000 to 2006**

| <i>General expenditures, by function</i> | <i>2000</i> | <i>2001</i> | <i>2002</i> | <i>2003</i> | <i>2004</i> | <i>2005</i> | <i>2006</i> |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Education | \$890 | \$1,026 | \$1,020 | \$1,055 | \$1,183 | \$1,346 | \$1,401 |
| Public welfare | \$1,030 | \$1,135 | \$932 | \$824 | \$1,647 | \$1,719 | \$1,843 |
| Health & hospitals | \$308 | \$363 | \$377 | \$372 | \$172 | \$177 | \$187 |
| Highways | \$439 | \$400 | \$427 | \$378 | \$471 | \$276 | \$261 |
| Police & corrections | \$191 | \$213 | \$223 | \$230 | \$215 | \$222 | \$248 |
| Natural resource, parks & recreation | \$58 | \$88 | \$86 | \$95 | \$90 | \$76 | \$81 |
| Administration & other | \$1,392 | \$1,473 | \$1,630 | \$1,755 | \$1,815 | \$1,660 | \$1,690 |
| Interest on general debt | \$335 | \$371 | \$418 | \$386 | \$401 | \$435 | \$487 |
| Total | \$4,643 | \$5,067 | \$5,115 | \$5,095 | \$5,994 | \$5,911 | \$6,198 |

US Census Bureau, Governments Division

Federal Government Spending in Massachusetts. Federal government spending contributes significantly to the Massachusetts economy. In fiscal 2005, Massachusetts ranked fourteenth among states in per capita distribution of federal funds, with total spending of \$8,678 per person, excluding loans and insurance. While federal spending in Massachusetts has increased every year since 1990, its share of total U.S. spending has declined every year since 1990. The following chart shows total federal expenditures and the percentage of federal expenditures in Massachusetts. Federal spending includes grants to state and local governments, direct payments to individuals, wage and salary employment, and procurement contracts, and includes only those expenditures that can be associated with individual states and territories.

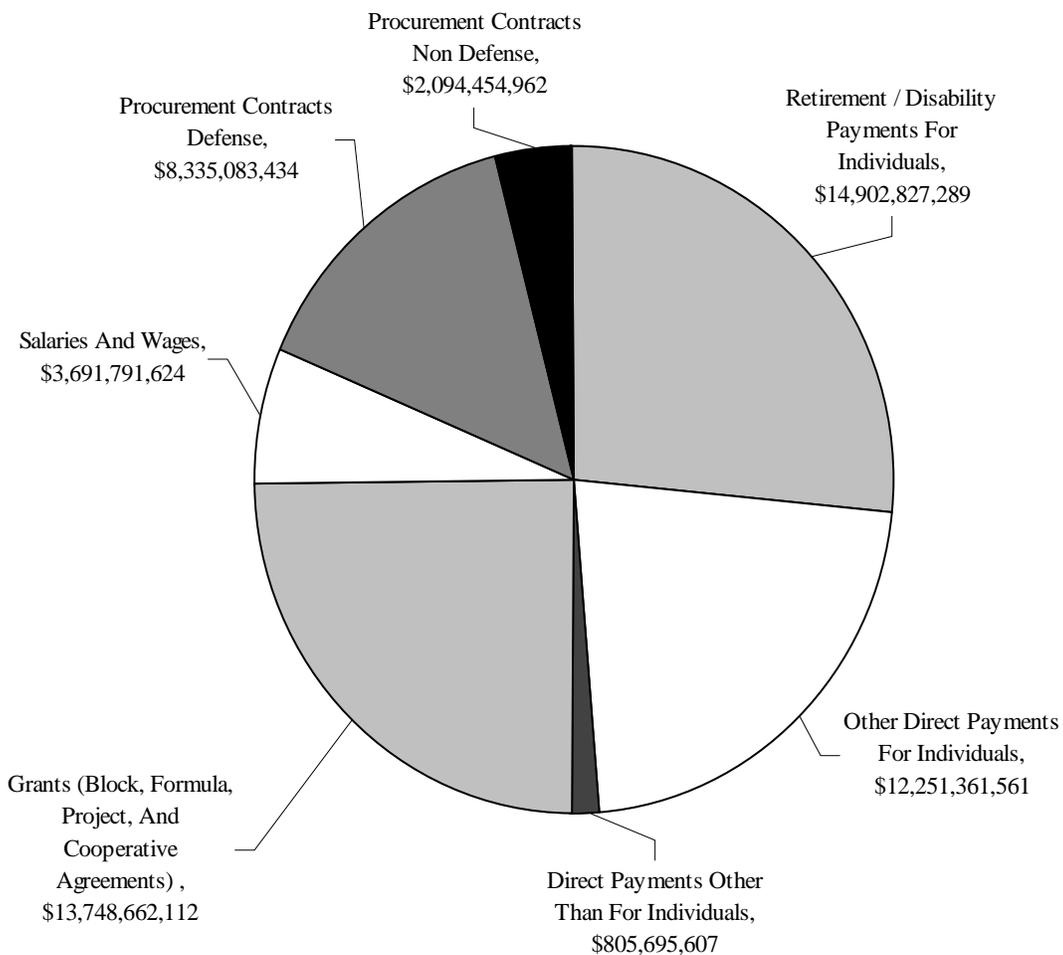
**Total Federal Expenditures and Percentage of
Federal Expenditures in Massachusetts, 1990 - 2005**



SOURCE: U.S. Department of Commerce, Bureau of the Census, 2004 Consolidated Federal Funds Report.

Half of FY 2005 federal spending in Massachusetts was composed of health care and social programs like Medicare, Medicaid, Social Security, unemployment benefits and Section 8 Housing Vouchers. Massachusetts was above the national average in per capita federal grants to state and local governments, receiving \$2,137 per capita compared to a national average of \$1,560. Per capita federal spending on salaries and wages in 2005 was lower in Massachusetts than in the rest of the nation, \$574 compared to a national average of \$762, but Massachusetts was above the national average in per capita direct federal payments to individuals, \$4,346 compared to a national average of \$4,024. Massachusetts ranked 9th among states in per capita procurement contract awards, \$1,621 compared to a national average of \$1,222 in 2005. The following chart shows the composition of direct federal spending within Massachusetts in fiscal 2005, excluding loans and insurance.

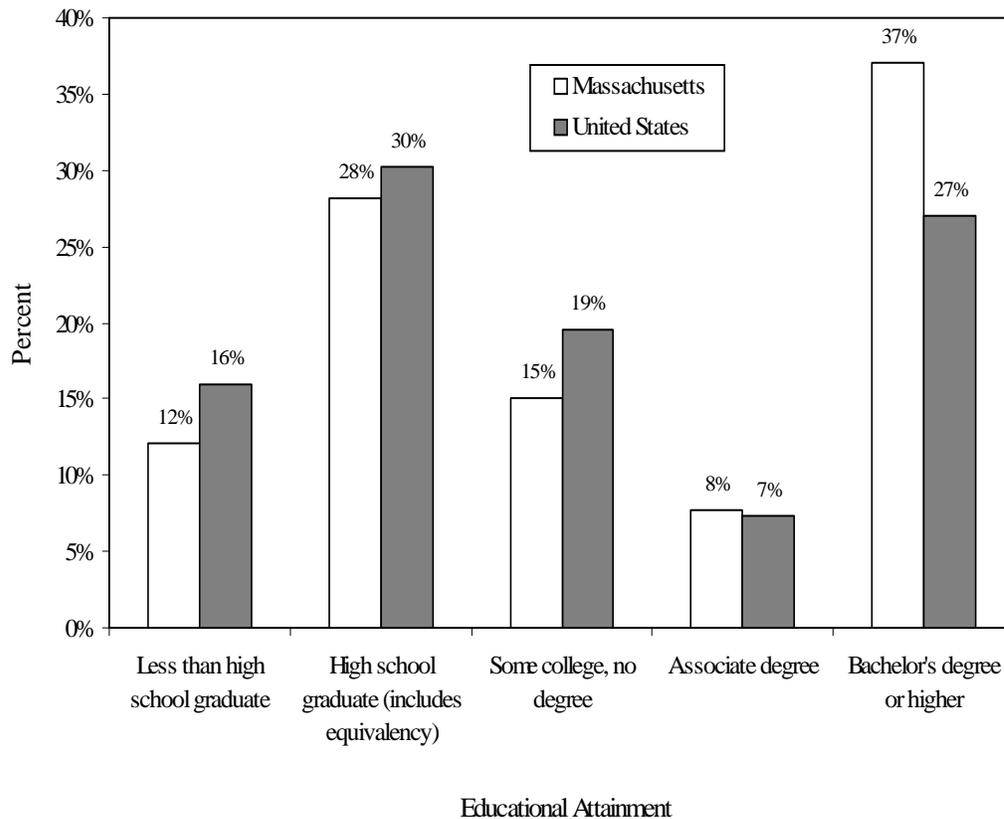
***Composition of Direct Federal Spending in Massachusetts by Program
Fiscal 2005***



SOURCE: U.S. Census Bureau, Consolidated Federal Funds Report: FY 2005

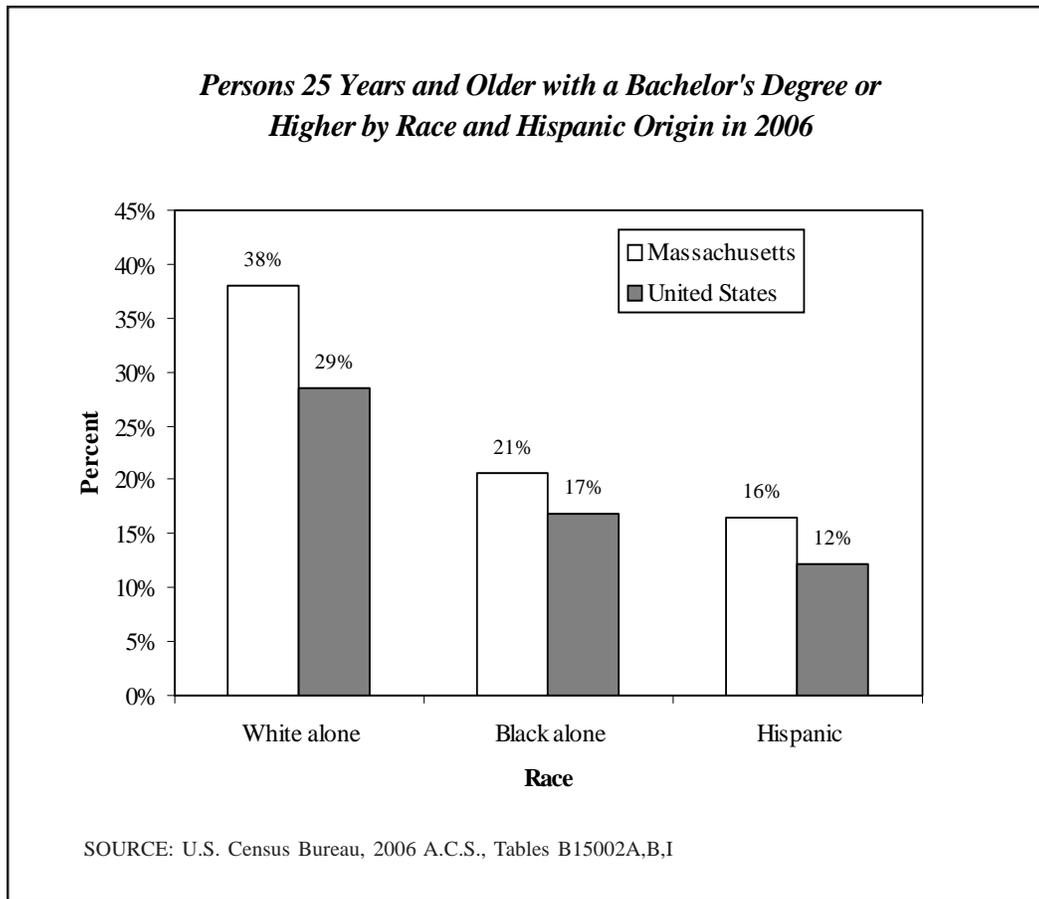
Human Resources. The availability of a skilled and well-educated population is an important resource for the Commonwealth. The level of education reached by the population of Massachusetts compares favorably with the level in the United States as a whole. In 2006, the Census's American Community Survey (ACS) reported that Massachusetts had a smaller proportion of persons who had not completed high school (12.1 percent) than the national average (15.9 percent) and a much higher proportion of persons with a bachelor's degree or more (37.0 percent) than the nation (27.0 percent).

Educational Attainment of Persons 25 Years and Older in 2006



SOURCE: U.S. Census Bureau, 2006 American Community Survey, Selected Social Characteristics

While Massachusetts' black and Hispanic population achieved college degrees at roughly half the rate of the white population, they fared much better than the national average.



Higher Education Data. Massachusetts has a higher minority enrollment in institutions of higher education than New England. However, the percentage of enrollment of blacks, Hispanics, and Asians in higher education in Massachusetts is below the national average. These percentages, which do not include military academy enrollment, are seen in the chart below.

Higher Education Enrollment by Race and Hispanic Origin in 2006

| | White alone | Black alone | Asian alone | Indian/Alaskan Native alone | Other race | Hispanic or Latino |
|---------------|-------------|-------------|-------------|-----------------------------|------------|--------------------|
| Massachusetts | 77.4% | 7.8% | 8.6% | 0.3% | 5.8% | 6.8% |
| New England | 80.6% | 7.5% | 6.3% | 0.3% | 5.2% | 6.3% |
| United States | 71.0% | 13.8% | 7.0% | 0.7% | 7.4% | 11.7% |

SOURCE: U.S. Census Bureau, 2006 A.C.S., Tables B14001 A-I.

Massachusetts is an internationally recognized center for higher education, with 443,316 students in undergraduate, professional and graduate private and public programs in the 2005/2006 school year, according to the New England Board of Higher Education. According to Institute of International Education, 28,680 foreign students were enrolled in Massachusetts colleges and universities in the 2006/2007 school year. This was a 2.4 percent increase from the previous year and Massachusetts is still ranked 4th among states for foreign student enrollment.

The Massachusetts public higher education system is composed of universities, state colleges, and community colleges with a combined enrollment of 187,913 students in 2005, 43.4 percent of whom attended part-time. In addition, Massachusetts has a system of private higher education that accounted for 57.6 percent of total enrollment in Massachusetts in 2005. More than a fifth of the students attending private institutions were enrolled on a part-time basis. The strength of both public and private colleges and universities as centers for research and education contributes to the high quality of the Massachusetts work force and plays a key role in attracting and retaining business and industry within the state.

The higher education system in Massachusetts is particularly strong in post-graduate, scientific, and technical education, with 1,632 science and engineering doctorates awarded in 2005, 4th in the nation. Massachusetts conferred a total of 2,676 doctorates in 2005. Massachusetts was also ranked 2nd in the U.S. in science and engineering postdoctorates in doctorate granting institutions in 2005, with 6,502.

The pre-eminence of higher education in Massachusetts contributes not only to the quality of its work force, but also to its stature in the nation and the world as a center for basic scientific research and for academic and entrepreneurial research and development. Doctorate-granting institutions in Massachusetts received 4.5 percent or \$2.2 billion of total national academic expenditures on R&D in fiscal 2006. Massachusetts is still ranked sixth in the nation behind California, New York, Texas, Maryland and Pennsylvania.

The diversity of federal funding sources reflects the variety of research and development work performed at Massachusetts educational institutions. Of the \$1.5 billion in total fiscal 2005 federal outlays for science and engineering research to universities and colleges in Massachusetts, 62.9 percent was from the Department of Health and Human Services, 17.5 percent was from the National Science Foundation, 7.8 percent from the Department of Defense, 5.9 percent was from the Department of Energy, and 2.3 percent was from the National Aeronautics and Space Administration. Massachusetts ranked 4th in the nation in 2004 in total federal outlays, \$5.3 billion, for research and development.

Given the quality of the Commonwealth's research and development sector, it is not surprising that Massachusetts fares better than the national average in homes with computer and internet access. According to Census's October 2003 Current Population Survey, 64.2 percent of Massachusetts households had access to a computer, compared to 61.8 percent nationally and 58.1 percent of its households were connected to the internet while the national average was 54.7 percent.

Primary and Secondary Education Data. Although spending on education is not necessarily an indicator of results, Massachusetts has spent from 12 to 29 percent more per pupil on primary and secondary education than the national average since at least 1981. During the 2004-2005 school year, Massachusetts increased per student expenditures to \$11,267; 29 percent higher than the national average. The table on the following page shows expenditures per pupil for Massachusetts and the United States since fiscal 1981.

***Per Pupil Expenditure in Public Elementary and Secondary Schools
1981-2005***

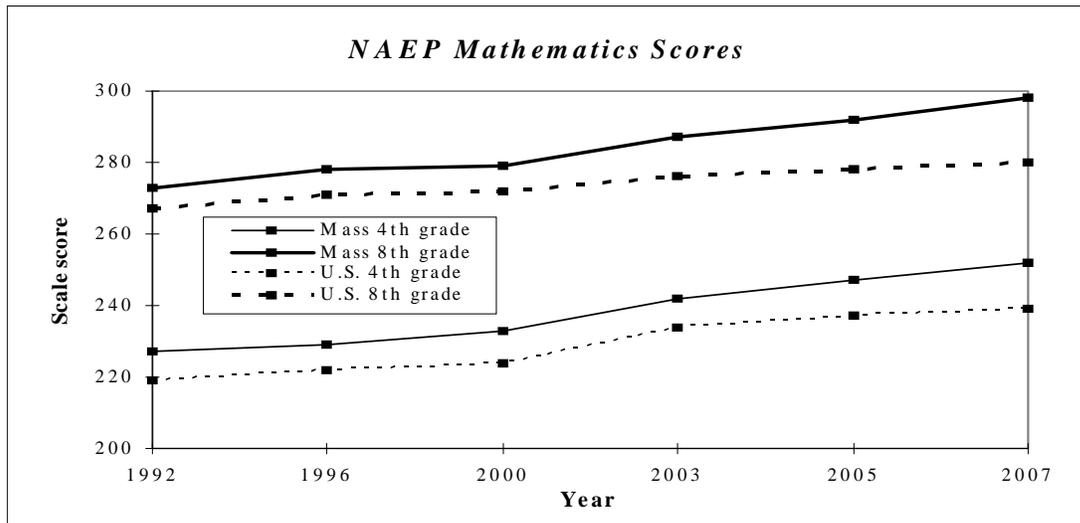
(in current, unadjusted dollars)

| <i>Fiscal Year</i> | <i>Massachusetts</i> | <i>United States</i> | <i>Ratio (MA/U.S.)</i> |
|--------------------|----------------------|----------------------|------------------------|
| 1981 | \$2,735 | \$2,307 | 1.19 |
| 1982 | 2,823 | 2,525 | 1.12 |
| 1983 | 3,072 | 2,736 | 1.12 |
| 1984 | 3,298 | 2,940 | 1.12 |
| 1985 | 3,653 | 3,222 | 1.13 |
| 1986 | 4,031 | 3,479 | 1.16 |
| 1987 | 4,491 | 3,682 | 1.22 |
| 1988 | 4,965 | 3,927 | 1.26 |
| 1989 | 5,485 | 4,307 | 1.27 |
| 1990 | 5,766 | 4,643 | 1.24 |
| 1991 | 5,881 | 4,902 | 1.20 |
| 1992 | 5,952 | 5,023 | 1.18 |
| 1993 | 6,141 | 5,160 | 1.19 |
| 1994 | 6,423 | 5,327 | 1.21 |
| 1995 | 6,783 | 5,529 | 1.23 |
| 1996 | 7,033 | 5,689 | 1.24 |
| 1997 | 7,331 | 5,923 | 1.24 |
| 1998 | 7,651 | 6,137 | 1.25 |
| 1999 | 8,106 | 6,458 | 1.26 |
| 2000 | 8,444 | 6,836 | 1.24 |
| 2001 | 9,038 | 7,284 | 1.24 |
| 2002 | 9,856 | 7,701 | 1.28 |
| 2003 | 10,223 | 8,019 | 1.27 |
| 2004 | 10,693 | 8,287 | 1.29 |
| 2005 | 11,267 | 8,701 | 1.29 |

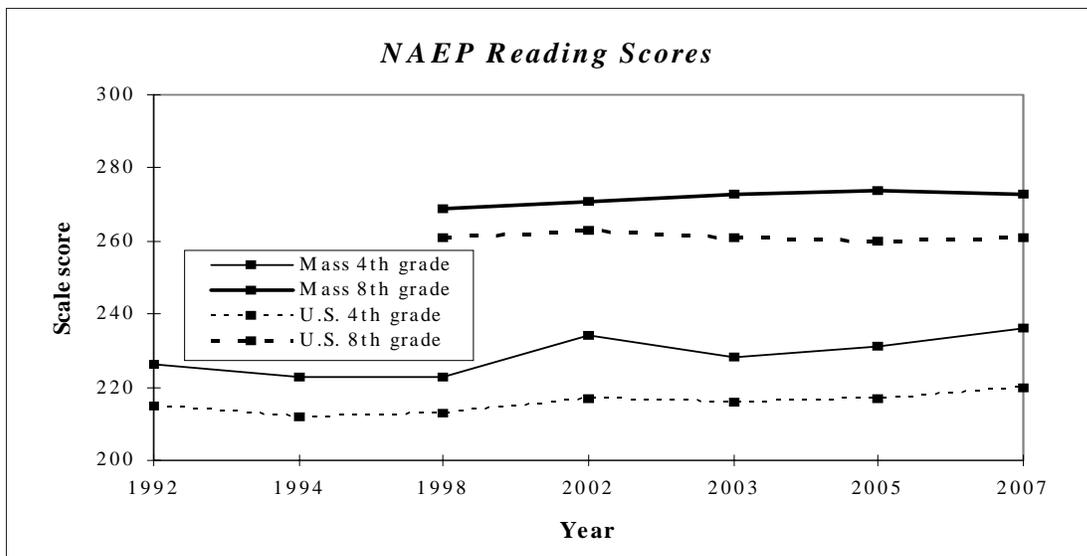
SOURCE: U.S. Census Bureau, <http://www.census.gov/govs/www/school.html>

The National Assessment of Educational Progress (NAEP), also known as "the Nation's Report Card," is the only nationally representative and continuing assessment of what America's students know and can do in various subject areas. Since 1969, assessments have been conducted periodically in reading, mathematics, science, writing, U.S. history, civics, geography, and the arts. Under the current structure, the Commissioner of Education Statistics, who heads the National Center for Education Statistics in the U.S. Department of Education, is responsible by law for carrying out the NAEP project.

Since 1990, NAEP assessments have also been conducted to give results for participating states. Those that choose to participate receive assessment results that report on the performance of students in that state. In its content, the state assessment is identical to the assessment conducted nationally. However, because the national NAEP samples were not, and are not currently designed to support the reporting of accurate and representative state-level results, separate representative samples of students are selected for each participating jurisdiction/state. The graphs on the following page compare the data available for Massachusetts to the nation.



SOURCE: National Center for Education Statistics



SOURCE: National Center for Education Statistics

Sources List

Listed below are the the web sites of the original data sources used to compile this section (Exhibit A) of the Economic Due Diligence report. The sites are listed in section title order.

Population Characteristics

United States Department of Commerce, Bureau of the Census

<http://www.census.gov>

Personal Income, Consumer Prices, and Poverty

U.S. Department of Commerce, Bureau of Economic Analysis

<http://www.bea.gov/regional/index.htm>

United States Department of Labor, Bureau of Labor Statistics

<http://www.bls.gov>

The Conference Board, Inc.

<http://www.conference-board.org>

Mass Insight Corporation

<http://www.massinsight.com/index.asp>

U.S. Department of Commerce, Bureau of the Census

<http://www.census.gov>

Employment

Mass. Executive Office of Labor and Workforce Development, Division of Unemployment Assistance

<http://lmi2.detma.org/Lmi/LMIDataProg.asp>

U.S. Department of Labor, Bureau of Labor Statistics

<http://www.bls.gov/data/home.htm>

Economic Base and Performance

U.S. Department of Commerce, Bureau of Economic Analysis

<http://www.bea.gov/regional/index.htm>

Fortune Magazine

<http://www.fortune.com/fortune/>

Economic Base and Performance - Sector Detail (NAICS Basis)

U.S. Department of Commerce, Bureau of Economic Analysis

<http://www.bea.gov/regional/index.htm>

U.S. Census Bureau, Foreign Trade Division. Prepared by the World Institute for Strategic Economic Research (WISER)

<http://www.wisertrade.org>

Massport

<http://www.massport.com>

Airports Council International

<http://www.aci.aero>

Federal Aviation Administration

http://www.faa.gov/airports_airtraffic/airports/planning_capacity/passenger_allcargo_stats/

Army Corps of Engineers

<http://www.iwr.usace.army.mil.ndc/>

Federal Reserve Bank of Boston

<http://www.bos.frb.org>

United States Department of Commerce

<http://www.census.gov>

National Association of Realtors; Federal Reserve Bank of Boston

<http://www.bos.frb.org/economic/needi/needidata.htm>

U.S. Department of Defense

<http://web1.whs.osd.mil/peidhome/geostats/geostat.htm>

Massachusetts Office of Travel and Tourism

<http://www.massvacation.com>

U.S. Census Bureau, Governments Division

<http://www.census.gov/govs/www/statetax.html>

<http://www.census.gov/govs/www/state.html>

U.S. Department of Commerce, Bureau of the Census, 2003 Consolidated Federal Funds Report

<http://www.census.gov/govs/www/cffr.html>

Human Resources and Infrastructure

U.S. Census Bureau, 2003 A.C.S. PCT35A-I

<http://www.census.gov/acs/www/>

New England Board of Higher Education

<http://www.nebhe.org.connection.html>

National Science Foundation

<http://www.nsf.gov/statistics>

United States Department of Education, National Center for Education Statistics

<http://nces.ed.gov>

Institute of International Education

<http://www.iese.org>