

## MEMORANDUM

**TO:** Board of Directors, Massachusetts School Building Authority  
**FROM:** John K. McCarthy  
**DATE:** July 24, 2013  
**RE:** 2013 Series A Bond Issuance Update

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At the April 3, 2013 meeting of the Board of Directors (“Board”) of the Massachusetts School Building Authority (“MSBA”), the Board authorized the issuance of up to \$750 billion of bonds to support the MSBA’s capital pipeline. On June 11<sup>th</sup> and 12<sup>th</sup>, the MSBA sold a total par amount of \$549 million fixed rate, tax-exempt bonds as senior lien debt of the MSBA.

Bank of America Merrill Lynch and Ramirez and Co. were the senior underwriters for the bond issue. In addition to the two senior underwriters, 20 firms pre-qualified to serve as co-managers and selling group members assisted in the issuance.

The 2013 Series A bonds were issued with a ten year call at par, and received ratings of AA+, Aa2, and AA+ by Fitch, Moody’s, and S&P, respectively. The issue was structured with \$110.4 million of serial bonds maturing in years 2016 through 2033 and \$438.6 million of term bonds maturing in years 2038 through 2043. The 2013 Series A bonds were sold with a true interest cost of 4.38%. Approximately \$21.0 million of bonds were sold during the retail order period on June 11<sup>th</sup> to retail investors. The yields on the 2013 Series A bonds ranged from 0.67% for the May 2016 maturity, to 4.15% to for the May 2038 maturity that was sold with a 4% coupon. The longest dated maturity in the issue was the May 2043 maturity that was sold with a 5% coupon at a yield of 4.07%. The May 2043 bond of the 2013 Series A was sold at the lowest yield of any MSBA bond issued to date maturing between 25-30 years.

The 2013 Series A bonds will require that interest and principal set-asides be made monthly by the trustee before any sales tax revenues are transferred over to the MSBA, which is a requirement for all other senior lien bonds issued by the MSBA to date. The interest on the outstanding bonds will be paid every six months to bondholders, and the principal on bonds will be paid on May 15 in the year of maturity.

The MSBA has approximately \$5.7 billion bonds outstanding following the issuance of the 2013 Series A bonds.