MEMORANDUM

TO: Board of Directors, Massachusetts School Building Authority

FROM: John K. McCarthy

DATE: July 18, 2012

RE: 2012 Series A Refunding – Results

At the June 6, 2012 meeting of the MSBA Board of Directors ("the Board"), the Board authorized the issuance of up to $1.2 billion of refunding bonds to refund a portion of the MSBA's outstanding callable debt through the issuance of one or more series of refunding bonds. On June 19, the MSBA sold the first series, $766.1 million of refunding bonds, after identifying the outstanding bond candidates that would result in the significant debt service savings for the MSBA. This transaction will reduce the MSBA's future gross debt service by more than $77.1 million. In present value terms, this savings is $56.6 million, or 7.003% of the bonds being refunded. This refunding will reduce the MSBA's debt service annually in each of the next 17 years. While the savings will occur annually over the next 17 years, most of the savings will occur between 2021 and 2027. All of the bonds refunded were bonds originally sold as part of the MSBA's first bond issue in 2005.

The refunding bonds have a par amount of $766,140,000 and a true interest cost of 2.95%. The refunded bonds all had a 5% coupon and a par amount totaling $808,215,000. The refunding bonds are callable after 10 years, at par. The refunding bonds were rated AA+, Aa1, and AA+ by Fitch, Moody's, and S&P, respectively. As expected, the investors purchasing the refunding bonds were primarily institutional buyers. Approximately $20 million or 2.6% of the bond issue was sold to retail investors.

Staff will continue to monitor the interest rates and the municipal market environment to determine other opportunities to achieve savings by refunding additional MSBA bonds. At this time, staff anticipates that, by the end of the 2nd quarter of fiscal year 2013, a second refunding may present another opportunity for the MSBA to achieve significant debt service savings.