

MEMORANDUM

To: Board of Directors, Massachusetts School Building Authority
 From: John K. McCarthy, Executive Director
 Date: March 18, 2015
 Subject: Commercial Paper (“CP”) Program Update

At the November 19, 2014 meeting of the Board of Directors (“Board”) of the Massachusetts School Building Authority (“MSBA”), the Board authorized the establishment of a commercial paper program and issuance of notes with a maximum principal amount outstanding not to exceed \$450 million.

Since the Board authorization, staff has continued to work on the establishment of the program with the intention of beginning to issue these tax exempt notes during the third quarter of Fiscal Year 2015. The notes are subordinate to existing MSBA debt, and receive a pledge of the dedicated sales tax.

The notes are supported by Letters of Credit (“LOC”) from three banks. The three banks that submitted the lowest bids to provide a LOC were Bank of America, N.A., Barclays, and Citibank, N.A. The fee for the LOC from these three low bids ranged from 0.29%-0.45%. These three banks were each selected to provide a LOC in the principal amount of \$150 million.

The result of the procurement for issuing and paying agent services was the selection of U.S Bank to provide these services for the MSBA’s CP program. The issuing and paying agent will be responsible for a number of duties related to the CP program such as maintaining the master notes for the program, making all payments of principal and interest to holders of the notes, and providing access to reporting information about the notes to the MSBA.

The notes for the CP program will be sold as three separate \$150 million series as identified in the table below.

Series	CP Dealer	Letter of Credit Provider	Principal Amount
Series A Notes	Bank of America Merrill Lynch	Bank of America, N.A.	\$150,000,000
Series B Notes	U.S. Bank	Citibank, N.A.	\$150,000,000
Series C Notes	J.P Morgan	Barclays Bank, PLC	\$150,000,000

The notes received ratings of “F1”, “P-1”, and “A-1” from Fitch Ratings, Moody's Investors Service, Inc., and Standard and Poor’s Ratings Services, respectively. The initial notes of the CP program were sold on March 18th. A total of \$135 million of CP notes were sold upon the start of the program and have maturity dates from May 12, 2015 - July 13, 2015. The notes maturing in May were sold with an interest rate of 0.04%, the notes maturing in June with an interest rate of 0.05%, and the notes maturing in July with an interest rate of 0.06%. The balance remaining of the \$450 million program will be sold following the takeout of the 2014 Series A notes during the 4th quarter of Fiscal Year 2015. The sale of these CP notes will provide the MSBA with proceeds to support the grant payments to districts for the remainder of Fiscal Year 2015 and into the second quarter of Fiscal Year 2016.