To: Board of Directors, Massachusetts School Building Authority
From: Katherine Craven, Executive Director
Date: November 9, 2011
Subject: Results of 2011 Series B Bond Issue

On October 26, 2011 the MSBA sold $1,000,000,000 of long-term, tax-exempt bonds. The bonds were sold with an overall 4.24% interest rate and a final maturity of October 15, 2041. The issue was structured with $333,060,000 of serial bonds maturing in years 2012 through 2027 and $666,940,000 of term bonds maturing in years 2031 through 2041. The bonds received excellent ratings of AA+/Aa1/AA+ from the three rating agencies. These ratings are one notch lower than the highest rating of AAA/Aaa/AAA.

The MSBA had planned to price and sell the bonds over a two-day period. The bonds attracted sufficient orders to allow the MSBA to increase the size of the issue and reduce the interest rate on the bonds. Also due to the strong demand the sale was concluded on day one of the two-day planned sale period.

The MSBA conducted a strong marketing effort prior to the sale of these bonds. The MSBA hosted an investor meeting in Boston, conducted an investor presentation over the internet, and ran newspaper advertisements and radio spots. These actions may account for the success in selling over 25% of the issue to retail investors.

The 2011 B bond issue had a lower overall interest rate than the MSBA's two previous long-term, tax-exempt bond issues. The 2005 issue had a 4.37% rate, and the 2007 issue had a 4.48% rate. Unlike the MSBA's recent Qualifed School Construction Bonds ("QSCBs") or Build America Bonds ("BABs") bond issues, there are no federal interest subsidies for these bonds.

The bonds were issued as senior lien debt of the MSBA. This means the existing senior bondholders of MSBA bonds are paid first, and then the subordinate bondholders are paid. The bond trust agreement associated with this bond sale requires the MSBA to make monthly interest and principal deposits. The interest is paid every six months to bondholders, and the principal on maturing bonds is paid on October 15 of each year.

Barclays Capital, BofA Merrill Lynch, and Citigroup were the senior underwriters for the bond issue. There were 28 additional firms assisting in the underwriting.