

To: Board of Directors, Massachusetts School Building Authority
From: John K. McCarthy, Maureen Valente
Date: July 23, 2015
Subject: Commercial Paper (“CP”) Program Update

At the March meeting of the Board of Directors (“Board”) of the Massachusetts School Building Authority (“MSBA”), the Board was informed that the CP program was underway with initial issuance of \$135 million. On July 1, 2015 an additional \$315 million of CP was issued by the MSBA. The total authorization of \$450 million has now been issued. The CP proceeds will be used to support grant payments for the balance of CY 2015.

The CP notes continue to sell at attractive rates for the MSBA. The current notes outstanding range from a low yield of 6 bp¹ to a high yield of 12 bp. The difference in yields is driven in large part by the maturity length. A longer maturity usually results in a higher yield. The maturity ranges from the shortest being 33 days and the longest being 124 days. There also is a difference in yield depending upon the perceived credit quality of the bank providing a Letter of Credit backing the CP notes.

The CP 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 notes for the CP program are 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.

¹ bp stands for basis point. A basis point is the smallest measure used in quoting yields on bonds and notes. One basis point is .01%, or one one-hundredth of a per cent of yield or 100 basis points equal 1% of yield.