MEMORANDUM

TO: Board of Directors, Massachusetts School Building Authority

FROM: John K. McCarthy

DATE: July 23, 2014

RE: 2014 Series A Update

At the June 4, 2014 meeting of the Board of Directors ("Board") of the Massachusetts School Building Authority ("MSBA"), the Board authorized the issuance of $300 million of Bond Anticipation Notes ("BANs") in order to raise funds to support the MSBA's capital pipeline. On July 10, the MSBA sold a total par amount of $300 million subordinated dedicated sales tax bond anticipation notes by competitive bid. The notes were sold with a 364 day maturity at a true interest cost of 0.0987%. There were 29 bids received from 13 different bidders. The transaction closed with the delivery of the notes and receipt of proceeds on July 17.

Attached, please find a detailed summary of the transaction and results provided by Acacia Financial Group Inc. ("Acacia"). Acacia served as the financial advisor to the MSBA on the transaction.

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To: Massachusetts School Building Authority

From: Acacia Financial Group, Inc.

Date: July 17, 2014

Re: Pricing and Details of MSBA Bond Anticipation Notes, Series 2014A

The Massachusetts School Building Authority ("MSBA" or the "Authority") offered, by way of competitive sale, its Subordinated Dedicated Sales Tax Bond Anticipation Notes, 2014 Series A (the "Notes") on July 10, 2014. The Notes were issued for the purpose of (i) funding grants to cities, towns, and regional school districts for school construction and renovation projects, and paying other related project costs, and (ii) paying the costs of issuing the Notes. The Notes were rated MIG-1 by Moody's, F1+ by Fitch and SP-1+ by S&P. The date of the pricing was selected due to need for additional funds to continue making grants, and the absence of another large Massachusetts tax-exempt bond issuer in the market during the week. The Notes had a par of $300 million and a TIC of 0.0987%.

Structure

The Notes are subordinated special obligations of the Authority. The 1-year instrument represents the Authority's inaugural Bond Anticipation Note issuance; used effectively to access the short end of the yield curve and lock in extremely favorable cost of funds. It is the Authority's expectation that it will issue bonds on or before the Maturity Date of the Notes to provide the necessary funds for repayment at maturity.

The Notes were offered to prospective buyers through an online bidding platform known as Parity. Bids for the Notes placed on the electronic system prior to 11:00 AM (EST) on July 10, 2014 were evaluated and awarded to the bank(s) based on the lowest true interest cost. Detailed bidding options were provided to the banking community via a Notice of Sale as an appendix to the Preliminary Official Statement. Pursuant to the Notice of Sale, bidders were permitted to submit separate bids for any portion of the Notes, provided that no bid for less than $50 million was placed, and that all bids were in integral multiples of $5 million. The ability to submit bids for less than the entire $300 million helped to expand the field of prospective buyers and optimize the competitive process.

Ultimately, the Notes were awarded to three separate purchasers, Bank of America Merrill Lynch, J.P. Morgan Securities LLC, and U.S. Bancorp Investments, Inc. (the "Purchasers") in the purchase amounts of $150 million, $100 million, and $50 million and coupons of 5.00%, 1.00% and 1.50%, respectively. Please refer to ***Appendix A*** for a comprehensive list of bids received.

Pricing Environment

The Notes were priced in a relatively stable and quiet market. Long-term municipal issuance was approximately $3.5 billion, well below the weekly average, as market participants returned from a shortened July 4th holiday the week prior. Despite a slightly strong treasury market (30-year yield falling 6 basis points to 3.38% and the 10-year by 5 basis points to 2.56%), the tax-exempt market was slightly weaker entering the week of July 7th, driven by news coming out of Puerto Rico.

Puerto Rican Governor Alejandro Garcia Padilla passed a new law allowing its public corporations to restructure their debt. This resulted in a rating downgrade by Moody's, a sell off of Puerto Rico paper and a small increase in tax-exempt yields over most of the curve. The slight increase in tax-exempt yield could also be traced to the most recent financial releases showing strong economic growth and continued recovery. Non-farm payrolls increased by 288,000 (73,000 above expectations) and a reduction in the unemployment rate of 0.2% to 6.1% once again spurred discussion and expectations for the Federal Reserve to consider increasing the fed funds rate target.

However, despite the muted sell off, short-term tax-exempt rates remained unchanged through 2018 with the 1-year spot at an all-time low of 11 basis points.

Comparable Issues

The Authority's Note offering was by far the largest issue on the week's calendar with the next largest offering coming from the State of Colorado's Tax & Revenue Anticipation Notes in the amount of $165 million. Commonwealth of Massachusetts' paper was relatively non-existent with only a sprinkling of sub $10 million offerings by various Commonwealth localities.

A review of Commonwealth note sales greater than $10 million and nationally issued note sales greater than $100 million since the beginning of June 2014 revealed a consistent trend of 8-12 basis points as the effective yield for most 1-year offerings.

Commonwealth Competitive Note Sales Beginning June 2014 - Par Greater than $10 Million

Sale Date	Maturity Date	Issuer	Amount	Winning Bidder	Rating	Coupon	TIC
6/25/2014	2/13/2015	City of Springfield	$23,153,426	Eastern Bank	SP-1+	0.750%	0.2199%
6/19/2014	5/29/2015	Wachusett Regional School District	$16,500,000	Jefferies	N/A	1.250%	0.3886%
6/17/2014	12/19/2014	Town of West Springfield	$38,323,700	Mitsubishi	SP-1+	1.000%	0.0095%
6/12/2014	5/15/2015	Town of Milford	$12,200,000	Eastern Bank	MIG-1	0.750%	0.1290%
6/11/2014	7/8/2015	Assabet Valley Regional Vocational SD	$25,000,000	Eastern Bank	MIG-1	1.000%	0.2919%
6/11/2014	6/19/2015	City of Marlborough	$18,520,000	Morgan Stanley	SP-1+	0.750%	0.1112%
6/11/2014	6/19/2015	Town of Holden	$10,500,000	Mitsubishi	SP-1+	0.750%	0.1252%
6/11/2014	7/2/2015	Town of Winchester	$42,280,715	Mitsubishi	MIG-1	0.500%	0.1000%
6/10/2014	6/19/2015	Essex North Shore Agricultural & Technical SD	$25,000,000	Oppenheimer	SP-1+	0.750%	0.3109%
6/5/2014	6/12/2015	City of Somerville	$25,500,000	Morgan Stanley	SP-1+	0.750%	0.1222%
6/5/2014	12/12/2014	Town of Framingham	$12,379,410	Mitsubishi	MIG-1	0.750%	0.0896%

National Competitive & Negotiated Note Sales Beginning June 2014 - Par Greater than $100 Million

Sale Date	Maturity Date	Issuer	Amount	Sale Method	Winning Bidder/Manager	Rating	Coupon	TIC
7/9/2014	6/29/2015	State of Colorado	$165,000,000	C		MIG-1/SP-1+		
6/18/2014	6/30/2015	City of Houston	$200,000,000	C	6 firms	F1+	1%/2%/5%	0.1000%
6/5/2014	6/30/2015	County of Kern, CA	$200,000,000	C	Wells Fargo	SP-1+	0.500%	0.1194%
6/2/2014	7/1/2015	County of Ventura, CA	$138,110,000	C	JP Morgan	MIG-1	1.500%	0.1262%
6/26/2014	6/1/2015	CA School Cash Reserve Program	$200,495,000	N	Piper Jaffray	SP-1+	2.000%	0.1100%
6/26/2014	6/25/2015	City of Los Angeles	$1,369,200,000	N	Ramirez	MIG-1/SP-1+/F1+	1.500%	0.1100%
6/25/2014	6/30/2015	State of Idaho	$475,000,000	N	Piper Jaffray	MIG-1/SP-1+/F1+	2.000%	0.1100%
6/25/2014	7/22/2015	University of Pittsburgh	$100,000,000	N	Barclays	MIG-1/SP-1+	2.000%	0.1200%
6/17/2014	6/15/2015	State of Oregon	$590,180,000	N	Citigroup	MIG-1/SP-1+/F1+	2.000%	0.1200%
6/13/2014	2/2/2015	Nassau County, NY	$314,325,000	N	JP Morgan	SP-1+/F1	2.000%	0.4000%
6/5/2014	6/30/2015	County of Riverside, CA	$250,000,000	N	JP Morgan	SP-1+/F1+	1.500%	0.1150%
6/4/2014	6/30/2015	County of Los Angeles, CA	$900,000,000	N	JP Morgan	MIG-1/SP-1+/F1+	1.500%	0.1200%
6/3/2014	6/30/2015	San Bernardino County, CA	$130,000,000	N	Citigroup	MIG-1/SP-1+	2.000%	0.1200%

Secondary Market Activity

There have been no trades in the secondary market following the initial offering of the Notes on July 10, 2014.

SUMMARY

The Authority's Notes were offered by competitive method and therefore, the pricing can be considered a true reflection of the market at the time of sale. The Authority's strong credit profile, the lack of supply in the market at the time of issuance and the strategically flexible bid parameters all contributed to a favorable all-in true interest cost of 0.0987%. This yield is on the low end of the spectrum when analyzing notes of comparable size, duration and credit quality and represents a fair market pricing in Acacia's opinion.

APPENDIX A

Massachusetts Sch Bldg Auth
$300,000,000 Subordinated Dedicated Sales Tax Bond Anticipation Notes, 2014 Series A

	07/16/2015			
	Amount	Coupon	TIC	Purchase Price
Bank of America Merrill Lynch	100,000M	5.0000	0.093778	$104,888,000.00
US Bancorp Investments, Inc.	50,000M	1.5000	0.098709	$50,698,000.00
J.P. Morgan Securities LLC	100,000M	1.0000	0.101572	$100,895,000.00
Bank of America Merrill Lynch	100,000M	5.0000	0.103343	$104,878,000.00
RBC Capital Markets	50,000M	1.0000	0.104555	$50,446,000.00
Barclays Capital Inc.	50,000M	1.0000	0.110522	$50,443,000.00
US Bancorp Investments, Inc.	50,000M	1.5000	0.110584	$50,692,000.00
J.P. Morgan Securities LLC	100,000M	1.0000	0.111517	$100,885,000.00
Bank of America Merrill Lynch	100,000M	5.0000	0.112910	$104,868,000.00
RBC Capital Markets	50,000M	1.0000	0.115495	$50,440,500.00
Wells Fargo Bank, National Association	300,000M	1.0000	0.115992	$302,641,500.00
Barclays Capital Inc.	150,000M	1.0000	0.120468	$151,314,000.00
J.P. Morgan Securities LLC	100,000M	1.0000	0.121463	$100,875,000.00
US Bancorp Investments, Inc.	50,000M	1.5000	0.124440	$50,685,000.00
Morgan Stanley & Co. LLC	75,000M	2.0000	0.127388	$76,398,750.00
RBC Capital Markets	200,000M	1.0000	0.127431	$201,738,000.00
Barclays Capital Inc.	100,000M	1.0000	0.130416	$100,866,000.00
Morgan Stanley & Co. LLC	75,000M	2.0000	0.132314	$76,395,000.00
US Bancorp Investments, Inc.	150,000M	1.5000	0.134339	$152,040,000.00
Morgan Stanley & Co. LLC	150,000M	2.0000	0.138225	$152,781,000.00
Raymond James & Associates, Inc.	50,000M	2.0000	0.142166	$50,925,000.00
Piper Jaffray & Company	50,000M	2.0000	0.145121	$50,923,500.00
Citigroup Global Markets Inc.	300,000M	2.0000	0.145121	$305,541,000.00
Stifel Nicolaus & Company, Inc.	50,000M	2.0000	0.148077	$50,922,000.00
Jefferies LLC	50,000M	1.5000	0.160084	$50,667,000.00
TD Securities	50,000M	1.0000	0.170221	$50,413,000.00
Jefferies LLC	50,000M	1.5000	0.174941	$50,659,500.00
Jefferies LLC	100,000M	1.5000	0.185839	$101,308,000.00
Jefferies LLC	100,000M	1.5000	0.195747	$101,298,000.00

Massachusetts Sch Bldg Auth
$300,000,000 Subordinated Dedicated Sales Tax Bond Anticipation Notes, 2014 Series A

The following bids were submitted using ***PARITY***® and displayed ranked by lowest TIC.
Click on the name of each bidder to see the respective bids.

	Amount Awarded (M)	Bidder Name	TIC	Bid Amount
Reoffering	100,000	Bank of America Merrill Lynch	0.093778	100,000M
Reoffering	50,000	US Bancorp Investments, Inc.	0.098709	50,000M
Reoffering	100,000	J.P. Morgan Securities LLC	0.101572	100,000M
Reoffering	50,000	Bank of America Merrill Lynch	0.103343	100,000M