The Office Of State Treasurer
Denise L. Nappier
News

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CREDIT RATINGS FOR STATE BONDS AFFIRMED;
Treasurer Nappier Announces Two Bond Sales

HARTFORD, CT – State Treasurer Denise L. Nappier announced today that the four major credit rating agencies have reviewed and reaffirmed the State's high quality bond ratings for its General Obligation bonds.

Moody's Investors Service, Standard & Poor's, Fitch Ratings, and Kroll Bond Ratings reported that Connecticut's General Obligation bond ratings will remain rated at Aa3, AA, AA, and AA, respectively. The rating affirmations follow in-person meetings with all four credit rating agencies in New York last week, which included briefings by Treasurer Nappier and Benjamin Barnes, Secretary of the Office of Policy and Management.

Treasurer Nappier said, "The reaffirmation of Connecticut's credit worthiness is an endorsement of Gov. Malloy's recent accomplishments and on-going efforts at strengthening our state's financial footing, and recognition that the planned financings represent an important component to providing enhancements to the state's long-term fiscal health."

Moody's summarized its rating by stating: "The outlook for Connecticut is stable reflecting the positive steps the state has taken to address its long-standing balance sheet weakness and reduce its fixed post-employment benefit costs through pension reforms, as well as the adoption of a budget that largely relies on recurring solutions. We expect that Connecticut's revenue trends should improve as it emerges from the recession, and the state will maintain its new commitment to replenishing its rainy day fund over time and addressing its negative GAAP basis unassigned General Fund balance."

The rating news comes in advance of two State General Obligation bond sales this month, which were authorized by the General Assembly during the 2013 legislative session:

1. The first bond sale is an estimated **$575 million in General Obligation GAAP Conversion Bonds 2013 Series A** that were offered Wednesday during a special retail order period. A total of $132.7 million in retail orders were entered. Treasurer Nappier said, "It is always good to have strong demand during the retail order period to strengthen the overall sale and achieve the lowest interest cost for the

State. The retail orders even exceed the $123.5 million level achieved during the very successful UCONN 2000 bond sale this past summer."

The bonds will be offered to institutional investors today, and the bond closing is scheduled for October 24. Bonds will be available for purchase with maturities ranging from 2015 through 2027. The financing is part of an overall plan to fund the State's long-term accumulated GAAP deficit, currently estimated at $1.2 billion. The GAAP Conversion Bonds are being issued to fund half of the deficit and the bonds will include a unique bond covenant committing the State to funding the balance over a specified time though annual budget appropriations.

2. The second State bond sale is for approximately **$325 million of General Obligation Refunding Notes (Economic Recovery Notes 2013 Series A)**. This sale will refinance a portion of the State's outstanding Economic Recovery Notes 2009 Series A by extending the final maturity from 2016 to 2018. This transaction will also mark the inaugural issuance of "Variable-Rate Remarketed Obligations or "VROs", which is a new structure for variable rate notes issued without a liquidity bank. This sale is expected to be priced on October 23 to institutional investors and close on October 24.

"Both of these bond sales are unique and innovative. The GAAP conversion bonds are designed to permanently solve a long term structural and accounting issue with our General Fund which has had the impact of reducing available cash.The ERN refunding bonds are being issued with a new variable rate structure which will allow the State the flexibility to repay the debt early, if possible." said Treasurer Nappier.

Ramirez & Co. is the senior manager on the first sale (the GAAP Conversion Bonds) and Barclays is the sole underwriter on the second sale (the ERN Refunding Notes). Day Pitney LLP and Finn Dixon & Herling LLP are serving as disclosure counsel for the General Obligation sales, with Robinson & Cole LLP and Soeder & Associates, LLC serving as tax counsel. Acacia Financial Group, Inc. and A.C. Advisory are acting as financial advisors for both sales.

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