The Office Of State Treasurer
Denise L. Nappier
News

PRESS RELEASE
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TWO GROUNDBREAKING STATE BOND SALES COMPLETED
Connecticut is the First State in the Nation to Issue New Structure

HARTFORD, CT -- State Treasurer Denise L. Nappier announced today that two unique State bond sales have been completed, generating strong investor interest.

The first transaction was the sale of **$560.4 million of General Obligation GAAP Conversion Bonds** that priced on October 3rd with a 15-year final maturity and an overall interest cost of 3.01%. The financing is part of a comprehensive plan to fund the State's long-term accumulated GAAP deficit, with the bonds featuring a unique covenant that commits the State to pay down the GAAP deficit (estimated at $1.2 billion) over a 15-year period through annual budget appropriations.

Treasurer Nappier said, "With the closing of this sale, a long-term structural problem with the State's General Fund has finally been addressed head-on, and we are on a disciplined path to resolve the GAAP deficit once and for all. And an added benefit is the improvement to the State's cash position – so much so that I will formally notify the bank providing the State a $300 million line of credit that there will be no need to renew."

Retail orders for the GAAP Conversion Bonds accounted for nearly 24 percent of the total bonds available for sale.

The second sale was for **$314.3 million of General Obligation Refunding Notes**, which will refund a portion of the State's outstanding Economic Recovery Notes 2009 Series A and extend the final maturity from 2016 to 2018, as approved by the Connecticut General Assembly during its 2013 legislative session. This transaction marks the inaugural issuance of "Variable-Rate Remarketed Obligations" or "VROs," a new structure for variable-rate notes.[1] The initial rate on the VROs was 0.5%, and they generated strong demand in excess of $550 million from a diverse mix of 18 different institutional investors.

[1] VROs are distinct from traditional variable-rate and other floating rate securities in that they do not require a standby bond purchase agreement from a bank, have a broader demand base of buyers, are callable at any time (which provides greater flexibility for early repayment of debt), and offer competitive pricing relative to other floating rate products currently available.

“We are excited to be the inaugural issuer of VROs in the country. We have been surveying the market for innovative variable-rate structures that can provide the State with optimal debt structures. I am delighted with the potential this product delivers,” Treasurer Nappier said.

Nappier added, “Both the GAAP Conversion Bonds and the VROs are unique and groundbreaking. We are pleased to continue our track record of pioneering first-of-its-kind financing solutions in the municipal market, which ultimately keep financing costs at the lowest possible level for Connecticut.”

Both bond sales were authorized during the 2013 legislative session and closed on October 24, 2013.

Moody’s Investors Service, Standard & Poor’s, Fitch Ratings, and Kroll Bond Ratings rated both GAAP Conversion Bonds and the ERNs at Aa3, AA, AA, and AA, respectively.

Ramirez & Co., Inc. led an underwriting syndicate on the GAAP Conversion Bonds, and Barclays was the creator and sole underwriter for the VROs. Day Pitney LLP and Finn Dixon & Herling LLP serves as disclosure counsel for General Obligation sales, with Robinson & Cole LLP and Soeder & Associates, LLC serving as tax counsel. Acacia Financial Group, Inc. and A.C. Advisory are the financial advisors for General Obligation sales.

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