



DENISE L. NAPPIER
TREASURER

State of Connecticut
Office of the Treasurer

November 30, 2010

The Honorable M. Jodi Rell
Governor, State of Connecticut
State Capitol
210 Capitol Avenue
Hartford, CT 06106

Dear Governor Rell,

I am writing to follow up on our recent exchange of letters concerning the timing of the sale of Economic Recovery Revenue Bonds ("ERRBs").

At this juncture, after consulting with the State's bond counsel, financial advisors and underwriting team concerning the feasibility of closing this transaction by calendar year end, it appears certain that the ERRBs cannot be issued in that timeframe given a myriad of relevant factors, including the following:

Ratings and Timing: We have been advised by Fitch Ratings that the earliest point at which the ratings for this transaction can be finalized is December 13th. Thereafter, optimal pricing of these AAA-rated asset-backed securities would require as much as a week to adequately market the bonds – a requirement that is even more compelling given the extraordinary call provision (discussed more fully below) that would be a requisite feature of the bonds. Pricing of bonds during the week leading up to Christmas is least desirable, and could come at additional cost. After December 20th, there is difficulty finding adequate investors to complete the sale at reasonable interest rates because these markets essentially close down for the holidays.

Pending Litigation: The existence of pending litigation further impacts the ability to complete this transaction by year end. As long as the litigation is outstanding, investors will require an extraordinary call provision which could add as much as \$10.5 million in added interest over the life of the bonds. Such a provision would protect bond holders in the event that an adverse court ruling rendered us unable to implement the charges to repay the bonds. Because these bonds are non-recourse to the State, we would need to escrow the bond proceeds with the trustee until litigation was settled and the appeal period has expired. Only then could funds be released to the General Fund.

Taking all of these factors together, this transaction cannot be consummated by the end of this calendar year in a manner that maximizes the State's financial interest.

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As always, please feel free to call on me should you wish to discuss this matter further.

You and yours have my very best wishes for a happy and healthy holiday season.

Sincerely,

A handwritten signature in cursive script that reads "Denise". The signature is written in black ink and is positioned above the printed name.

Denise L. Nappier  
State Treasurer