OFFICE OF
STATE TREASURER
DENISE L. NAPPIER

NEWS

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NAPPIER ANNOUNCES SPECIAL TAX OBLIGATION BOND ISSUE WILL SAVE CONNECTICUT TAXPAYERS $21 MILLION

Bond sale is the largest and has the lowest interest rate of any such bond sale in state history; earned ratings upgrade from Moody's; was delayed but not adversely impacted by World Trade Center tragedy

Connecticut State Treasurer Denise L. Nappier today announced the successful completion of the State's $708 million issue of Special Tax Obligation bonds. The transaction was the largest Special Tax Obligation bond sale in the State's history, and included a $533 refunding issue to refinance existing bonds to today's lower interest rates, saving Connecticut taxpayers $21 million. The combined true interest cost was 4.28%, the lowest on any bond sale of its kind in state history.

The sale also included $175 million of bonds to provide continued funding of the State's share of the cost of a variety of transportation projects and improvements throughout the State of Connecticut.

The bond sale was in its second day of a retail order period on September 11 when the World Trade Center tragedy brought the financial markets to an abrupt halt. After assessing the condition of the market and ensuring market participants had reestablished operations, the sale was rescheduled for September 25, creating only a two-week delay in the overall schedule.

In preparation for this issue, Moody's Investors Service upgraded this major State bond program from A1 to Aa3 citing the State's effective management of the Special Transportation Fund, the Legislature's commitment to maintaining the Fund's strong and solvent position, and a history of favorable coverage of debt service secured by a diversified stream of dedicated revenues.

"Despite the delay and the extraordinary circumstances," Nappier said, "the bond sale was not adversely impacted as both individual and institutional investors showed their confidence in the Office of the Treasurer and the State of Connecticut. "Individual investors purchased $94 million of the bonds, which is 50% more than for recent bond issues under this program. The response to this issue also underscores the inherent strength

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of our economy and the full faith and confidence of both individual and institutional investors."

The Treasurer also expressed strong confidence in the vitality of the U.S. economy, and the ability of businesses and consumers to respond to the changed circumstances following the September 11 attack. "These horrific attacks did not diminish my confidence in our economy or the market. We are an active participant and a long-term investor," Nappier said, referring to the State's $21 billion pension fund and regular debt issuances, "and we deploy an investment strategy that embraces a long-term view of the financial markets. That outlook remains strong."

A number of the bond underwriting firms involved in the bond sale were impacted by the World Trade Center disaster, and Treasurer Nappier expressed her "deepest appreciation to the bond underwriting team for the dedication they demonstrated in assisting the State of Connecticut in completing this very important transaction under the most trying of circumstances."

The tax-exempt fixed rate bonds were structured over 20 years. The 2002 through 2004 maturities carry underlying ratings of Aa3/AA-/AA-. The 2005 through 2021 maturities will be insured by FSA and rated Aaa/AAA/AAA. Final pricing took place Tuesday, September 25, 2001 and the bond closing is scheduled for October 11, 2001.

Salomon Smith Barney is the bookrunning senior manager and Goldman, Sachs & Co., Lehman Brothers, and Ramirez & Co., Inc. serve as co-senior managers. Public Financial Management and Loop Capital are the State's financial advisors. Updike, Kelly & Spellacy and Lewis & Munday are bond counsel for the State. Pullman & Comley is representing the underwriters.

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