



AUGUST 2009
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Public Finance News

Robinson & Cole Closes First Build America Bonds Issued in New England

On August 13, 2009, Robinson & Cole closed \$50 million of General Obligation Bonds (Taxable Build America Bonds-Direct Payment) for the City of Stamford, Connecticut, the first Build America Bonds ("BABs") issued in New England, according to *Bond Buyer* statistics. The net true interest cost on the BABs issue was 3.09 percent over the 20-year term, the lowest rate recorded in Connecticut in the past 20 years, based on Bloomberg statistics.

BABs were enacted as part of the American Recovery and Reinvestment Tax Act of 2009 signed into law by President Obama on February 17, 2009. The law allows issuers of tax-exempt bonds the option of issuing the bonds at taxable rates and claiming a 35 percent payment back from the U.S. Treasury on each interest payment. The 35 percent subsidy is designed to approximate the tax differential between taxable and tax-exempt rates. However, since the taxable bond market is much larger and more efficient, BABs are supposed to provide a lower cost of financing, especially in later maturities. This was certainly the case for Stamford.

Stamford's bonds were competitively bid as both taxable Build America Bonds and tax-exempt bonds simultaneously on July 28th to get a true comparison of the savings offered by BABs. Robinson & Cole's Public Finance Group prepared a customized notice of sale for the comparison bid and drafted the additional tax disclosure required for taxable bonds, including disclosure to potential non-U.S. purchasers. Webster Bank, the city's financial advisor, analyzed the bids and prepared comparisons of debt service on the day of pricing. The city received six bids for BABs and three bids for tax-exempt bonds.

As anticipated, although yields for earlier maturities were higher, the BABs yields on later maturities were significantly lower. The overall net true interest cost for the winning BABs bid was 3.09 percent after the 35 percent credit, compared to 3.39 percent for the lowest tax exempt bid, a difference of 30 basis points. Annual budgetary savings over the term of the bonds is more than \$2 million, or \$1.2 million on a present value basis, compared to the lowest tax-exempt bid. "I am very pleased the City sought to lower interest rates by simultaneously going to bid with both tax-exempt and taxable bonds. It saved taxpayers over \$2 million," said Mayor Dan Malloy. Sandy Dennies, Director of Administration, remarked, "I am thrilled with the results of the comparison bid. These are the lowest rates the City has ever seen and were significantly improved by the BABs feature."

Robinson & Cole Ranked #1 for First Half of 2009

Robinson & Cole's Public Finance Group has been ranked first in Connecticut as bond counsel by *The Bond Buyer*, based on volume of \$513.5 million in principal amount for 28 issues through June 30, 2009. Many of our clients have capitalized on historic low rates by issuing refunding bonds for debt service savings or to restructure debt service payments to help offset projected budget shortfalls over the next several years. If you have outstanding bonds subject to optional redemption or burdensome debt service requirements, please give us a call to see if a refunding or restructuring can benefit you.

David Panico Named Chair of Public Finance Practice Group

Robinson & Cole is pleased to announce that David Panico, a partner in the Public Finance

Practice Group for more than 12 years, has been named Chair, succeeding Frank D'Ercole. Frank, although relinquishing his administrative duties as Chair after more than 30 years, will continue as a partner in the Public Finance Practice Group and has no immediate plans to retire.

If you have any questions regarding the topics covered above, please do not hesitate to call any member of Robinson & Cole's Public Finance Practice Group.

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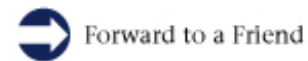
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