



**STATE OF VERMONT**  
**OFFICE OF THE STATE TREASURER**

**NEWS RELEASE**

FOR IMMEDIATE RELEASE—January 28, 2010

Press Contacts: Jeb Spaulding (802) 828-1452; Lisa Helme (802) 828-3706

**Bond Sale Attracts Record Number of Bids & Low Rate Costs for State**

MONTPELIER, Vt.—Vermont State Treasurer Jeb Spaulding announced today that Vermont successfully sold \$52 million in general obligation bonds, in a competitive auction that marked the State's first-ever sale of "Build America Bonds." Yesterday's auction resulted in both the largest number of bids received and the lowest interest cost the State has incurred on a bond sale in decades.

Build America Bonds, often referred to simply as "BABs," were made available under the American Recovery and Reinvestment Act of 2009. Unlike traditional municipal bonds, BABs are subject to federal income tax, but are still exempt from Vermont State income tax. By using BABs, the State pays a higher interest rate, but receives a 35 percent subsidy on that rate from the federal government. When this subsidy is factored in, BABs often have a lower interest rate than traditional tax-exempt bonds.

"We are extremely pleased by the results of our bond offering," said State Treasurer Jeb Spaulding. "We received eleven bids, many from firms who were bidding on Vermont's bonds for the first time. Locking in an interest rate below 3 percent on a 20-year borrowing period is almost unheard-of. The strong response indicates that demand continues to be extremely high for Vermont's bonds. This benefits Vermont's citizens in that the interest rate the State pays on the bonds is lower, costing us less to borrow the money."

The bonds are scheduled to settle, or close, on February 3, 2010. The State locked in a total interest cost of 2.96 percent, the lowest rate in records dating back to the 1960s. The yield investors received on their bond purchases ranged from 0.25 percent for bonds maturing in one year to 5.21 percent for bonds maturing in 20 years.

The State's financial advisor, Government Finance Associates, assisted the State in running an innovative "hybrid" online auction that allowed investment banks to bid on each bond maturity as either a tax-exempt bond or a BAB. Bonds maturing in one to five years were sold as traditional tax-exempt bonds, while bonds maturing in six to 20 years were BABs.

Demand for the State's bonds was enhanced by Vermont's strong bond rating. The bonds offered were rated by Moody's Investors Service, Standard & Poor's Ratings Service, and Fitch Ratings as Aaa, AA+ and AA+, respectively, all with a stable outlook. The triple-A rating reflects the highest rating available to government issuers. High demand for the bonds allowed the State to offer a lower rate of return and consequently, lower the cost to the State for borrowing money for capital projects. Costs to the State would have been higher if Vermont's bond ratings were lower.

"The very favorable opinions of the rating agencies, which consistently cite Vermont's prudent fiscal management, vindicate the proactive efforts of the administration and the legislature to keep the State's budget balanced," Spaulding said.

Yesterday's bond sale will fund projects that were authorized by the State Legislature in the last legislative session. While the bonds were originally scheduled to be sold this past fall, the Treasurer's Office delayed the sale because the State's cash flow dictated that new funds were not needed until early 2010.

The State plans to sell an additional \$20 million of general obligation Vermont Citizens' Bonds on February 25, with a closing date in early March. The Citizens' Bonds will be sold as tax-exempt bonds through a negotiated offering with Citigroup Global Markets, Inc. Citizens' Bonds are free from state and federal taxes and may be purchased in denominations as low as \$1,000. These bonds are reserved first for purchase by Vermont residents and businesses.

"This year, we increased the Citizens' Bond sale from \$15 million to \$20 million, to give Vermont investors a greater opportunity to take advantage of savings on state and federal taxes on investment earnings, and also invest in bonds backed by the full faith and credit of the State of Vermont," explained Spaulding.

As part of the annual approval of capital bonding projects, the State is planning to again offer general obligation bonds for sale in October and November of 2010.