



TAMPA BAY BANKRUPTCY CENTER, P.A.

PHONE: (813) 200-4133

TOLL FREE: (800) 965-5074

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## **R.I. Offers Bonds in the face of Central Falls Bankruptcy**

In the wake of Central Fall's bankruptcy, the state of Rhode Island has offered \$6.75 million of AA rated bonds maturing in 2021 at a yield of 2.6%. That's only 0.04% point below an AA+ index of 10-year tax-exempt debt. About \$11 million of the bonds maturing in 2031 priced at par with a 4% yield, or 0.15 point below an AA+ index of 20-year tax exempts. Analysts agree that the pricing of these bonds has been fairly competitive. Rhode Island has traditionally not been a frequent issuer, which may have enabled it to offer lower yields than otherwise. Michael Pietronico, chief executive officer of Miller Tabak Asset Management said, "... there just hasn't been a lot of debt at the state level coming out of Rhode Island, so there could be some investors who have interest in diversifying."

According to Dara Chadwick, a spokeswoman for Rhode Island Treasurer Gina Raimondo , the offer resulted in more than \$15 million of bids from investors so far. The transaction includes \$4.8 million of bonds maturing August 2014 with a yield of 0.63% or 31 basis points below an August 12 trade of Rhode Island general obligations sold in 2010 and due October 2014 (a basis point is 0.01 percentage point). An offer of five-year bonds sold yesterday yielded 1.2% or 47 basis points below an August 22 trade of Rhode Island debt sold in 2007 and maturing in August 2016.

Generally, Treasury yields have fallen faster than those on municipal debt. According to Bloomberg, tax-exempt yields represented about 100.93% of Treasuries, compared with an average of 91.75% in 2011. And municipal and Treasury bonds have become more expensive following Standard & Poor's downgrading of the country's credit rating to AA+ and amidst fears the economy is not going to improve anytime soon. Weekly municipal issuance is set for \$4.2 billion, according to data compiled by Bloomberg (down from last week's \$6.4 billion of sales). Chadwick says that the money raised will be used to fund capital projects for transportation, education and open-space initiatives in addition to refinancing debt.

Since February, Rhode Island's Treasury Department has been working with the Securities and Exchange Commission to draft out the state's bond documents. The new content of the bond documents include additional information about Rhode Island's pension system. The state Treasury department has also set up an investor website that provides financial documents. Training programs have been implemented for state employees regarding bond disclosure practices to ensure greater transparency.