NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

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TREASURER ANGELIDES ANNOUNCES STRONG CREDIT RATINGS FOR ECONOMIC RECOVERY BONDS, AFFIRMS SCHEDULE FOR BOND SALE

Angelides Says Strong Ratings and Credit Structure, Reflecting Dedicated Sales Tax Revenues To Secure Bonds, Will Help Attract Broad Investor Participation

SACRAMENTO, CA – California State Treasurer Phil Angelides announced today that the state's Economic Recovery Bonds, or ERBs, have been assigned strong investment-grade ratings, reflecting the benefits of using dedicated sales tax revenues to secure the bonds. The assigned ratings are: Moody's Investors Service, Aa3; Standard and Poor's, AA- (preliminary, subject to final documentation); and Fitch Ratings, A+.

The ERB ratings significantly surpass the ratings on the State's other general obligation bonds, which do not have a dedicated revenue stream and currently are rated Baa1 by Moody's and BBB by both S & P and Fitch. The Treasurer worked successfully with lawmakers last December to ensure that the ERB legislation – approved by voters in March – included a dedicated revenue stream, so the State could achieve high-grade ratings on the bonds.

The pricing for the first, fixed-rate series of ERBs – expected to be approximately $7 billion – will occur on May 5th, preceded by a two-day retail order period. The fixed-rate bonds will close on May 11th. The pricing and closing of the next series of ERBs – expected to be approximately $5.3 billion in various floating-rate securities – will take place in early June.

The ERBs will be repaid from a quarter-cent state sales tax, deposited into the Fiscal Recovery Fund and irrevocably pledged for repayment of the bonds. These bonds also are payable from the General Fund, secured by a pledge of the State's full faith and credit. But the ERBs would be paid from the General Fund only if moneys in the Fiscal Recovery Fund were insufficient, which is not expected to occur. Today's favorable ratings also reflect other strong statutory protections, including a pledge in the voter-approved bond act not to reduce the rate of the sales tax that secures the ERBs until the bonds are fully repaid.

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