



NEWS RELEASE

CALIFORNIA STATE TREASURER BILL LOCKYER

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Treasurer Lockyer Announces Successful Completion of \$5 Billion Transaction to Meet State's Cash Flow Needs *Revenue Anticipation Note Sale Ensures Payments for Crucial Services*

SACRAMENTO – State Treasurer Bill Lockyer today announced California raised \$5 billion in a record-setting transaction that helps the state meet its fiscal 2008-09 cash flow needs and protects education, public safety, health care and other vital services.

“The success of this deal far surpassed all expectations,” said Lockyer. “Californians stepped up and invested in record numbers, showing their faith in the State’s strong credit. We also performed well among institutional buyers. Most important, the transaction safeguards the State’s ability to pay for services that educate our children, and keep our residents safe and healthy.”

The State’s sale of \$5 billion in revenue anticipation notes (RANs) ended today after investors placed an additional \$2 billion in orders. The offering was opened to institutional buyers today following a two-day early order period for individual investors, who snapped up \$3.92 billion of the RANs.

The huge demand from individual buyers led Lockyer on Wednesday to increase the size of the deal from \$4 billion to \$4.5 billion. Early Thursday, he bumped up the deal to \$5 billion after it became clear institutional investor demand would support the higher amount.

The RANs have two maturity dates: \$1.2 billion maturing on May 20, 2009; and \$3.8 billion maturing on June 22, 2009. The yield on the May 20 maturity is 3.75 percent, and the yield on the June 22 maturity is 4.25 percent. Thanks to the strong demand, both yields are at the low end of ranges initially quoted to individual investors.

The \$3.92 billion in individual purchases represents 98 percent of the original offering of \$4 billion, and 78.4 percent of the final \$5 billion deal. By either measure, the investment by individuals far exceeded the previous high of 50 percent, reached in a \$1.75 billion general obligation bond sale conducted in March 2008.

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The stream of tax revenues into State coffers slows in the Fall. The State sells RANs every year around this time to provide adequate cash flows until the receipt of taxes picks up again in the Spring. RAN transactions usually are routine. But this year's economic meltdown and credit-markets freeze made completion of the deal more difficult.

The State's total cash-flow borrowing need for fiscal 2008-09 is \$7 billion. Lockyer said his office will return to the market at a later date to obtain the remaining \$2 billion.

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