



NEWS RELEASE

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Treasurer Lockyer Announces State Secures \$5.4 Billion Bridge Loan to Prevent Potential Harm If Federal Government Fails to Raise Debt Ceiling by Aug. 2

SACRAMENTO – State Treasurer Bill Lockyer announced the State today secured a \$5.4 billion bridge loan to help California cope with a failure in Washington D.C. to raise the federal debt ceiling by Aug. 2.

“California had to obtain this interim financing to protect the State from the immediate, drastic consequences of a failure by Washington to resolve the debt ceiling impasse by the Aug. 2 deadline,” said Lockyer. “I’m hopeful Congress and the President will do the responsible thing, solve the problem before it’s too late and not risk pushing the country into a financial and economic abyss.”

Lockyer had planned to go to the market in late August and sell about \$5.4 billion of revenue anticipation notes (RANs) to meet the State’s FY 2011/12 cash flow borrowing needs.

But if Congress and the President do not reach an agreement to raise the debt ceiling by Aug. 2, capital markets likely would be thrown into chaos. Additionally, if the federal government prioritizes payments to conserve cash and avoid default, California and other states could see a disruption in their payments for health care, transportation and other services.

Given the potential financial fallout from a debt ceiling impasse, Lockyer decided the State’s best course was to act before Aug. 2 to obtain the cash-flow financing.

The State obtained the bridge loan by selling “interim” revenue anticipation notes (RANs). The yield on the notes is 0.237 percent. That compares with 1.4 percent the State paid in 2010 when it sold \$6.7 billion of interim RANs.

The notes will have a Nov. 22, 2011 maturity date, but the State can pay them off before that time. The sale was conducted on a competitive-bid basis. Following are the buyers awarded bids, and their allocations:

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- Goldman Sachs: \$1.472.725 billion
- Wells Fargo: \$1.472.725 billion
- Citigroup: \$736.365 million
- Barclays: \$490.910 million
- JPMorgan: \$490.910 million
- Bank of America Merrill Lynch: \$245.455 million
- Morgan Stanley: \$245.455 million
- US Bank: \$245.455 million

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