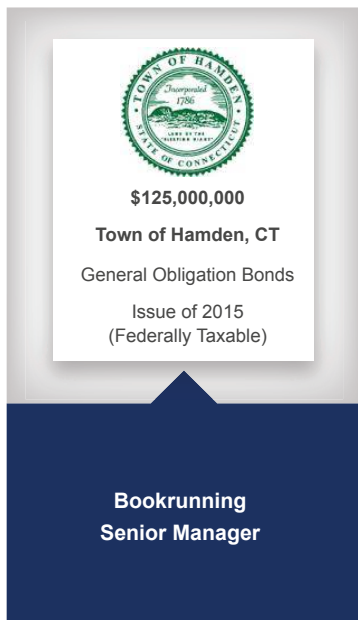


CASE STUDY: TOWN OF HAMDEN, CONNECTICUT



RAYMOND JAMES ADVANTAGE

- In early 2012, Raymond James' banking team met with the Town to discuss strategies to manage its significant unfunded pension liability. After identifying the drivers of the Town's unfunded liability and the potential result of further inaction, we proposed a comprehensive strategy to fully fund the Town's unfunded pension liability over time.
- Because of the pension fund's small asset base (approximately \$50 million on \$452 million in liabilities), a pension funding bond issue could be used to increase the asset base while legally binding future contributions of the pension ARC (as required by State statute after any pension funding bonds issuance). The Town could then fully fund the pension plan in 30 years by continuously paying the remaining ARC (assuming all actuarial assumptions are realized).
- The pension funding bonds not only required the Town to pass an amendment to its charter for non-capital debt issuance but also seek Town council approval. The Town was also required to notify the State of Connecticut's Office of Policy and Management and provide its pension funding plan for review prior to bond issuance.
- In light of the scrutiny on public pensions, the Raymond James team helped the Town customize its pension disclosure. Thorough and clear pension disclosure was imperative for investors to evaluate the credit of the Town. In addition, Raymond James helped the Town create an investor presentation describing the Town's financial status and plan to address its pension liability over time. As a result of these efforts, numerous investors approved the Town's credit and participated in the transaction.
- Leading up to the marketing process, the Town received positive news from S&P (upgraded to A+ from A) and Fitch (removed its negative outlook on BBB+) on its credit rating. However, Moody's surprisingly downgraded the Town to Baa1 from A3 (negative). We also assisted the Town in soliciting bond insurance. Both Assured and National declined. So with a capacity of only \$85 million from BAM, we performed a bond insurance breakeven analysis to identify the optimal maturities to insure the bonds.
- With the credit structure finalized, the Town's projected results were negatively impacted. To mitigate the anticipated change, Raymond James explored scenarios to improve the Town's potential results, including the use of discount and premium bonds and strategic use of bond insurance to reduce the overall cost and maximize bond proceeds.

SUCCESSFUL OUTCOME

- After an extensive, two week marketing period, Raymond James secured over \$358 million in orders from 53 unique investors with an average order size of approximately \$6.7 million. The sheer number of investors and significant order base allowed us to reduce the yield of several maturities by 5-10 basis points. A strategic use of the limited bond insurance capacity on a particular serial maturity also helped to reduce yields by 25 basis points.
- Despite all the challenges, Raymond James was able to help the Town secure a taxable financing with an all-in-cost of 5.225% on a 30-year level debt service structure that included a 10 year optional redemption feature.