

OLYMPIA, WASHINGTON

January 7, 2009

The State Finance Committee met in a special meeting after notice duly given to the press and radio of Thurston County.

Present: Michael J. Murphy, State Treasurer
Brad Owen, Lt. Governor

Also Present: Allan Martin, Office of the State Treasurer
William Tonkin, Foster Pepper PLLC
Nancy Adams, Office of the State Treasurer
Dean Torkelson, Seattle-Northwest Securities
Darlene Cimino-DeRose, Montague DeRose & Associates
Svein Braseth, Office of the State Treasurer
Andrew Scott, Attorney General's Office
Richard A. Patrick, Office of the State Treasurer
Shelly Sweeney, Office of the State Treasurer
Amy Arnis, Department of Transportation
Doug Vaughn, Department of Transportation
Jeff Caldwell, Department of Transportation
Wolfgang Opitz, Office of Financial Management
Tim Kerr, Treasurer-Elect McIntire Transition Team
Bill Starkey, Seattle-Northwest Securities
Rob Shelley, Seattle-Northwest Securities
Doug Extine, Office of the State Treasurer
Tom Saelid, Office of Financial Management
Karl Roeber, Office of the State Treasurer
Noah Crocker, Office of the State Treasurer
Wendy Kancianich, Office of the State Treasurer
Nancy Notter, Office of the State Treasurer
Pam Johnson, Office of the State Treasurer
Sue Melvin, Office of the State Treasurer
Susan Penley, Office of the State Treasurer

Chairman Murphy called the meeting to order.

Lt. Governor Owen moved to approve the minutes of the December 3, 2008 State Finance Committee meeting. Chairman Murphy seconded the motion. The motion passed and the minutes were adopted.

Mr. Patrick said proposed Resolution No. 1077 accepts a bid for the purchase of State of Washington Various Purpose General Obligation Bonds, Series 2009C in the aggregate principal amount of \$270,000,000, which is a portion of the Various Purpose General Obligation Bonds authorized by Resolution No. 1075 in the aggregate principal amount of not to exceed \$581,385,000; fixing the interest rates; in accordance with Resolution No. 1075. Due to market acceptance, the issue was downsized to \$270,000,000. The Series 2009C Bonds are tax-exempt

current interest Bonds. The interest will be paid semi-annually on the outstanding principal. The Series 2009C Bonds are structured to produce an approximate level debt service over the life of the Bonds. Five bids were received by the State's electronic bid provider, i-Deal/Parity, at 8:00 a.m. Pacific Time. Mr. Patrick said J.P. Morgan Securities Inc. submitted a true interest cost (TIC) of 4.5573437%; Barclays Capital, Inc. submitted a TIC of 4.5839082%; Merrill Lynch & Co. submitted a TIC of 4.5875584%; Citigroup Global Markets Inc. submitted a TIC of 4.5974775%; and Goldman, Sachs & Co. submitted a TIC of 4.6663894% with the apparent low bidder being J.P. Morgan Securities Inc.

Mr. Dean Torkelson, Seattle-Northwest Securities, stated that it has been a pleasure to be associated with Treasurer Murphy for nearly 12 years, a complete finance professional. He said that it has been an honor. He also recognized the staff for all of their dedication and hard work.

Mr. Torkelson said that it was conceivable if it were six weeks ago, that there may not have been bids today. The muni-market has not escaped the financial crisis and bond issues rated A or less have had difficulty, if being able to sell at all. Weekly volume which averaged \$6 billion prior to mid-September has been on average, less than \$2 billion. Since that time, muni-bond rates rose over a one-month period by about 1½ percent from mid-September to mid-October, and have since fallen back one percent. He noted that they spent the last six weeks on three occasions talking with underwriting desks about this bond sale, which was originally scheduled for \$860,000,000. They were reasonably sure that wasn't going to go, in fact they were concerned about anything going at all. He said that a lot of hard work was put into this sale by OST staff, Darlene DeRose and Seattle-Northwest, and as a result, got some incredible bids today. He said they compared them with other recent state bond sales of the state of Washington, as well as some sales in mid-December by other GO state issuers and we beat our previous averages from normal conditions, both in terms of interest rate in relation to an index, as well as underwriting fee. We got a terrific result.

Ms. Darlene DeRose expressed that it has been an honor to serve Treasurer Murphy's administration, and that the Treasurer will be missed.

Ms. DeRose stated that this is the kind of market where issuers distinguish themselves and she believes in part there was dumb-luck, but credit needs to be given to staff for their diligence in the normal course of business by meeting with the rating agencies and updating them on the goings-on in this state. She acknowledged that the state got all its ratings affirmed; there was a change in outlook from a positive to a stable, but that's happening everywhere. She feels the AA ratings were a reflection of the honesty, the commitment and the strength of the state's economy and resilience. She said that that was expressed. She congratulated all the agencies that participated.

Mr. Patrick presented proposed Resolution 1077 to the committee.

Resolution 1077 awards the sale of \$270,000,000 State of Washington Various Purpose General Obligation Bonds, Series 2009C, authorized by Chapter 14, Laws of 1989, 1st Ex. Sess; Chapter 15, Laws of 1990, 1st Ex. Sess; Chapter 147, Laws of 2003; Chapter 18, Laws of 2003, 1st Sp. Sess.; Chapter 167, Laws of 2006; Chapter 521, Laws of 2007; Chapter 179, Laws of 2008; and Chapter 39.42 RCW; and Resolution No. 1075 of the Committee.

Lt. Governor Owen moved to adopt Resolution 1077. Chairman Murphy seconded the motion and the resolution was adopted.

Lt. Governor Owen asked what would happen if there were no bidders. Mr. Torkelson stated that they would try again in another six weeks. Another alternative he mentioned would be to sell Bond Anticipation Notes, which are short-term obligations and have a bit of a better market than the long-term bonds. He mentioned that OST will be back on the market between now and the end of June to do the remainder of these issues.

Mr. Martin said that typically the Debt Section is set up to carry two or three months of cash on hand should there have been a failed sale.

Mr. Patrick said proposed Resolution No. 1078 accepts a bid for the purchase of State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2009D in the aggregate principal amount of \$130,000,000, which is a portion of the Motor Vehicle Fuel Tax General Obligation Bonds authorized by Resolution No. 1076 in the aggregate principal amount of not to exceed \$282,690,000; fixing the interest rates; in accordance with Resolution No. 1076. Due to the market acceptance, the issue was downsized to \$130,000,000. The Series 2009D Bonds are tax-exempt current interest bonds. The interest will be paid semi-annually on the outstanding principal. The Series 2009D Bonds are structured to produce an approximate level debt service over the life of the Bonds. Five bids were received by the State's electronic bid provider, i-Deal/Parity, at 7:30 a.m. Pacific Time. Mr. Patrick said J.P. Morgan Securities Inc. submitted a true interest cost (TIC) of 4.5649324%; Barclays Capital, Inc. submitted a TIC of 4.5964553%; Merrill Lynch & Co. submitted a TIC of 4.6178070%; Citigroup Global Markets Inc. submitted a TIC of 4.6189552%; and Goldman, Sachs & Co. submitted a TIC of 4.6594626% with the apparent low bidder being J.P. Morgan Securities Inc.

Mr. Patrick presented proposed Resolution 1078 to the committee.

Resolution 1078 awards the sale of \$130,000,000 State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2009D, authorized by Chapter 431, Laws of 1993 (RCW 47.10.812); Chapter 321, Laws of 1998 (Referendum 49) (RCW 47.10.843); Chapter 147, Laws of 2003 (RCW 47.10.861); Chapter 315, Laws of 2005 (RCW 47.10.873); and Chapter 39.42 RCW; and Resolution No. 1076 of the Committee.

For the record, Chairman Murphy noted that typically surety bonds are received in advance of the deal, however, because the surety bond business through these tough financial times has gone by the wayside, the State Treasurer's Office has administratively, in accordance with the previously adopted resolutions, set up a process by a good faith check coming after the award of the apparent winner following receipt of the bids. The cash has been received for today's deals.

Lt. Governor Owen moved to adopt Resolution 1078. Chairman Murphy seconded the motion and the resolution was adopted.

Mr. Bill Tonkin, Foster Pepper PLLC, expressed on behalf of Foster Pepper and the other folks who work there in public finance, Hugh Spitzer, Mark Greenough, himself and others, their admiration for Treasurer Murphy and the great staff he put together in the Treasurer's Office and their appreciation for being able to work with him.

Mr. Richard Patrick notified the committee that this will be his last State Finance Committee meeting. He said that it has been a great pleasure and honor to serve as secretary of the committee, and it has also been an honor to work with all the staff.

There being nothing further to come before the committee, the State Finance Committee meeting was adjourned at 10:15 a.m.

Following the Public Deposit Protection Commission meeting, Treasurer Murphy shared some final comments. He stated that it has been a fun ride working in the Office of the State Treasurer (OST), and he feels that the office has added to the growth of the state. He said that he and his staff are very pleased with today's bond deal. He expressed that this has been a very remarkable period for the state, and OST has been able to put together a lot of bond related things such as the Local Program, COP Program, all the various bond deals, with the Tacoma Narrows Bridge project being the most notable. He shared with the group that Speaker Frank Chopp invited him to attend a joint session at 11:30 a.m. on January 13, in where the Speaker and others will have an opportunity to thank him for his service and wish him well in his retirement. Staff were invited as well.

Lt. Governor Owen wished Treasurer Murphy all the luck and a great retirement.

STATE FINANCE COMMITTEE
STATE OF WASHINGTON

James L. McIntire, State Treasurer & Chairman

Christine O. Gregoire, Governor & Member

Brad Owen, Lieutenant Governor & Member

Ellen Evans
Deputy State Treasurer & Secretary