

# **Bond Case Briefs**

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## **More Wisconsin Issuers Could Redeem Direct-Pay Bonds.**

More than a dozen additional Wisconsin issuers have recently disclosed that they can redeem their Build America Bonds and other direct-pay bonds because of sequestration-mandated cuts in their federal subsidy payments. The issuers made the disclosures in event notices filed with the Municipal Securities Rulemaking Board's EMMA system since the middle of August.

The congressionally-mandated sequestration that began March 1 reduced the Treasury's subsidy payments to issuers of Build America Bonds and other direct-pay bonds. Those cuts triggered the extraordinary redemption provisions in bond documents, allowing the issuers to redeem their bonds. Generally, these issuers can redeem their direct-pay bonds at any time in the future. They can wait until it is financially advantageous for them to refund the taxable direct-pay bonds with tax-exempt bonds.

In recent weeks, at least 13 more Wisconsin local governments, which issued more than \$115 million of direct-pay bonds, have announced that the 8.7% reduction in their subsidies constituted extraordinary events. Quarles & Brady LLP, who was bond counsel for many of the previously disclosed possible redemptions, also served as bond counsel for nearly all of these more recent direct-pay bonds.

Under the extraordinary redemption provisions for the bonds, the issuer can redeem the bonds in whole or in part on any day at a price equal to all of the principal amount redeemed plus accrued interest to the date of redemption.

In each of the recent cases, the issuer said that its governing body had not taken steps toward redeeming the bonds at the time the event notices were filed but could do so in the future.

One of these latest issuers is the Wauwatosa. The city issued \$10.2 million of series 2010B BABs that are dated Oct. 25, 2010. About \$8.68 million of the bonds remain outstanding, according to the official statement. The bonds were issued to pay the costs of refunding note anticipation notes issued in 2009.

The Waunakee Community School District said extraordinary redemption provisions have been triggered for \$8.45 million of taxable general obligation refunding bonds issued on Oct. 4, 2010. The bonds include \$3.8 million qualified school construction bonds and \$4.65 million BABs, according to the official statement. Proceeds were used to refund note anticipation notes issued earlier in 2010.

The city of Muskego said an extraordinary event occurred for its outstanding BABs dated April 27, 2010. The general obligation promissory notes were issued to pay the costs of sewer and street improvements and water main extensions. About \$2.54 million of the BABs were issued, and \$2.33 million remain outstanding, according to the maturity schedule on the official statement.

Outagamie County said the extraordinary redemption provision was triggered for outstanding Build America Bonds dated Sept. 28, 2010. About \$5.15 million of the taxable general obligation promissory notes were issued and \$3.12 million are outstanding. Proceeds of the sale were used to

finance construction and improvement of roads and highways and to pay costs of regional projects, including the expansion of a landfill, according to the official statement.

West Bend disclosed it could redeem BABs with a date of issue of April 1, 2010. Roughly \$4.01 million of taxable general obligation corporate purpose bonds were issued to finance street and water system improvements and \$3.56 million remain outstanding, according to bond documents.

The village of Saukville announced that it could redeem BABs with an issue date of April 28, 2010. About \$2.01 million of BABs were issued and \$1.71 million of them are outstanding, according to bond documents.

The village of Poynette disclosed the extraordinary redemption provision was triggered for BABs dated April 7, 2010. About \$2.5 million taxable general obligation fire station bonds were issued to finance construction and equipping of a fire station, according to bond documents, and \$2.24 million of them remain outstanding.

Pewaukee said it could redeem BABs issued on April 1, 2010. Roughly \$2.91 million taxable general obligation promissory notes were used to finance street, park and fire station improvements, as well as the purchase of equipment. At least \$1.91 million of the bonds remain outstanding, according to offering documents.

Kenosha County said the extraordinary redemption provision was triggered for BABs issued in Sept. 2010. Proceeds from \$10.44 million of the taxable general obligation public safety building bonds were used to make improvements to a public safety building. Proceeds from \$12.33 million taxable general obligation promissory notes were used for public purposes including financing infrastructure improvements. Some of the bonds have matured, according to offering documents.

The Village of Germantown said an extraordinary event occurred for outstanding BABs dated March 12, 2010. Proceeds from \$1.80 million of taxable general obligation promissory notes were used for road improvements and equipment acquisition. Godfrey & Kahn, S.C. served as bond counsel. \$1.29 million of the bonds are still outstanding, according to bond documents.

Dodge County said it could redeem outstanding BABs with an issue date of May 12, 2010. The county issued \$30 million of general obligation county building bonds to finance construction of a long-term care and rehabilitation facility and \$25.5 million of them are outstanding, based on the maturity schedule on the official statement.

The Village of Plover said the extraordinary redemption provision was triggered for BABs dated April 21, 2010. About \$3.05 million taxable general obligation promissory notes were issued to refund note anticipation notes issued in 2008, and \$1.8 million of them are outstanding.

The School District of La Crosse disclosed it could redeem outstanding qualified school construction bonds dated March 1, 2011. Roughly \$5.34 million of bonds were issued, and \$5.03 million of them remain outstanding. Proceeds were used to finance the renovation and upgrading of existing school facilities.

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