

# Florida Officials Wait For Positive Signs From Bailout

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## SUMMARY OF ARTICLE

When the controversial \$700 billion bailout bill was signed by President Bush last week, state governments, investors and consumers were hoping it would kick start the flow of credit through the economy and ease the stock markets. So far, that hasn't happened. On Oct. 6, the Dow Jones industrial average plunged more than 800 points - its biggest drop ever during a single trading day - and ended below 10,000 for the first time since 2004.

**“People are scared to death,” says Steven Caruso, an attorney with Maddox Hargett and Caruso in New York City, in an Oct. 5 article in the Miami Herald. “This is about as close to the Great Depression as you can get.”**

South Florida is just one of many places where the problems of Wall Street are taking their toll on Main Street. On a daily basis, public officials across the nation are witnessing higher costs on city projects and delayed work in others.

So far, taxpayers haven't felt the repercussions, but that may change very soon.

In the bond market, when interest rates increase, so too do the debt payments of local government. In order to meet those costs, governments must find alternative revenue sources, reduce city services or, in many instances, increase taxes.

As reported in the Miami Herald article, the new reality facing governments is the fact that credit has dried up entirely, and people are unwilling to invest in anything that doesn't come with financial backing from the government.

Experts are hoping the \$700 billion will reverse the current financial situation. The cornerstone of the bailout plan is for the federal government to buy up the bad mortgages from banks, which in turn should allow lenders to extend credit. Once that occurs, interest rates on bond prices are likely to lessen.

**“It will give people more confidence that the capital markets have become more liquid,” said Caruso in the article.**

Even a small percentage drop in interest rates on bonds can make a difference. Miami-Dade County, for example, has about \$347 million in auction rate bonds. When the auction market for the bonds collapsed in February, interest rates on the debt skyrocketed. Now, county officials want to convert the auction debt to fixed-rate financing.

That, too, can be expensive. Variable-rate bonds, though lower in recent years, have jumped by as much as 1  $\frac{3}{4}$  percent in the past few weeks, according to the article. That means an additional yearly debt payment by Miami-Dade County of more than \$5 million.

In Broward County, the problem extends beyond public works projects. Officials there have been unable to find a buyer for \$2.6 million in short-term financing for the BankAtlantic Center, home of the Florida Panthers. With no other option, the county made the purchase itself, for 30 days, hoping the market will be restored soon.

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