

JEB SPAULDING
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STATE OF VERMONT
OFFICE OF THE STATE TREASURER

REQUEST FOR PROPOSALS
TO SERVE AS SENIOR MANAGING UNDERWRITER
FOR
REFUNDING OF OUTSTANDING
GENERAL OBLIGATION STATE INDEBTEDNESS

OFFICE OF THE VERMONT STATE TREASURER

Issued December 15, 2003

Submission Deadline: December 22, 2003, by 5:00 p.m.

TO: Candidates For Senior Managing Underwriter

FROM: Office of the State Treasurer
State of Vermont

DATE: December 15, 2003

RE: Request For Proposal To Serve As Senior Manager
Refunding of Outstanding General Obligation State Indebtedness

Background

The Office of the State Treasurer, State of Vermont (the "State") is requesting proposals from a select number of underwriting firms for the purpose of selecting a senior managing underwriter for the above-referenced transaction. The State has evaluated a series of its outstanding general obligation bond issues to determine the extent refinancing opportunities exist in the current market and has concluded that there are several series of such bond issues that represent potential candidates for refunding purposes. A listing of the outstanding general obligation bond issues that are candidates for possible refunding is included following Exhibit 1 of this request for proposals. Normally, the State has issued its general obligation bonds on a competitive basis from a solicitation of underwriting firms throughout the country, but because of the possibly large size of the proposed refunding, combined with our desire to target a significant amount of the refunding to Vermont retail purchasers, it has been determined that the refunding will be conducted on a negotiated basis. Moreover, since Vermont retail purchasers have historically preferred shorter maturities, the shorter average life of the envisioned refunding issue, in comparison to the longer average life for a typical new money issue sold by the State, offers an opportunity to the State to target the refunding more efficiently to Vermont's retail customers. While this request for proposal is being issued for the purpose of retaining a senior managing underwriter for the bond sale, the State also expects to rely on the submitted proposals for establishing other roles in the distribution process, including other management positions and selling group membership. The State anticipates selling a "new money" issue of general obligation bonds on a competitive basis within thirty days following issuance of the refunding debt.

The selected firm will work with representatives of the State, with Orrick, Herrington & Sutcliffe LLP, bond counsel, and with Government Finance Associates, Inc., financial advisor, to ensure that the debt refunding is completed in a timely, cost-effective and efficient manner and the securities are well received by the market. The State will take responsibility for liaison with the rating agencies.

The refunding bonds are expected to be issued in one series with the size of the sale to be determined, based upon the State's criteria for inclusion of outstanding bonds. As a general policy matter, the State must achieve at least 3% present value savings in aggregate and at least 2% present value savings by individual maturity, except in those instances when there is little likelihood that another refunding can be accomplished in advance of the particular bonds being retired at maturity; in addition, it may be appropriate for certain bonds to be refunded for less economic savings in order to streamline the State's debt management operations. For example, with respect to each series of bonds, it may be in the State's best interest for administrative reasons to refund an entire debt issue if only one or two maturities remain, should the other maturities in that issue be selected for refunding purposes.

The State seeks refunding proposals incorporating only the use of treasury securities, or more likely (absent the use of any market dislocation) the use of SLGs, for the refunding escrows.

Proposal Preparation

Proposals must be submitted as described herein. Restate each question (A through E) prior to each response. Excluding requested tabular material and schedules, please limit your proposal to the specified number of pages.

A. Letter of Transmittal (not to exceed one page)

Each proposal should be accompanied by a letter of transmittal, signed by an officer authorized to enter into a contractual relationship with the State on behalf of the firm, which summarizes the key points of the proposal. The letter of transmittal should, at a minimum, describe the firm's long-term commitment to Vermont and to public finance generally. In addition, please include the name, address and telephone number of the key contacts at the firm who will be assigned to this transaction.

B. Firm Qualifications and Experience (not to exceed two pages)

List the negotiated tax-exempt bond issues in the State of Vermont for which your firm has served as senior manager since January 1, 1999. Please identify those issues that were sold for refunding purposes. For each issue, specify the capacity in which your firm served (i.e., sole senior or co-senior). Provide a description of each issue, including the par amount and the ratings on the securities and underlying ratings, if any.

C. Personnel Assigned (not to exceed two pages)

Please list the persons who will be assigned to the transaction. Indicate whether each person is trading, syndicate, sales, research and/or public finance personnel. Set forth a brief bio for each of these individuals with particular attention to their experience with and participation in tax-exempt debt programs. Respondents are advised that the inclusion of specific personnel will be considered by the State to be a commitment by the firm that those designated persons will be available to perform the roles represented in the proposal submitted.

D. Proposed Structure (not to exceed three pages, excluding numerical schedules)

Provide your structuring recommendations for the refunding. Include interest rate scales based on market conditions as of close of business on Friday, December 19, 2003. It should be emphasized that the State wishes to explore the possibility of allowing retail purchasers to invest in shorter maturities, not exceeding five years from the dated date, in denominations of up to \$5,000; if this structure, as outlined, can be achieved, the State may forego its Citizen Bond program for this fiscal year. The State expects each respondent to comment on the feasibility and desirability of adopting this denomination structure for a limited number of maturities.

Base your numerical analyses on the following assumptions:

General Obligation Bonds:

Current underlying ratings: "Aa1" by Moody's Investors Service;
"AA+" by Standard & Poor's; and
"AA+" by Fitch

Dated: February 15, 2004

Settlement: February 18, 2004

Interest Payment Dates: Semi-annually on each February 1 and August 1, commencing August 1, 2004

For purposes of this analysis, no costs of issuance need be assumed in the schedules (other than proposed underwriter's fees and expenses; we do not think that bond insurance will be cost-effective, based on recent State of Vermont bond issues).

E. Marketing Plan (not to exceed two pages)

The marketing strategy should identify your firm's view as to the mix of potential buyers for the refunding issue (i.e., Vermont retail, property and casualty, bank trust, money managers, other) and your recommended method of pre-sale marketing to maximize local retail distribution. Describe your firm's marketing and distribution capabilities, municipal research services and any publications your firm routinely uses or distributes to inform buyers of bonds sold by Vermont issuers. Please note that the State reserves the right to direct the underwriting team to establish a priority of orders at the time of pricing that favors individual in-State retail investors.

Discuss briefly your firm's marketing recommendations in the context of expected market conditions at the time of the sale of the refunding bonds.

F. Fees and Expenses (not to exceed one page, excluding the requested form for each issue)

Include a firm indication of the total proposed spread (in dollars/\$1,000). Complete the fees and expenses form provided as Exhibit 1. All fees and expenses must be provided on a not-to-exceed basis.

G. Form of Submission

Questions may be directed to J. Chester Johnson, Government Finance Associates, Inc., at 212-521-4090. Each of the following should receive three proposals from your firm by 5:00 p.m. (New York time) on Monday, December 22, 2003. Make sure that you send your proposal so that it arrives at both locations no later than the deadline. Each proposal must be bound separately and no fax or email proposals will be allowed. Please make sure you use font size no smaller than 12.

George B. "Jeb" Spaulding
State Treasurer
State of Vermont
133 State Street
Montpelier, Vermont 05633-6200
Tel: 802-828-2301

J. Chester Johnson
Chairman
Government Finance Associates, Inc.
590 Madison Avenue, 21st Floor
New York, NY 10022
Tel: 212-521-4090

H. Selection Criteria

Proposals will be evaluated based upon the following criteria:

1. Firm experience/performance (20%)
2. Personnel assigned (20%)
3. Proposed structure (20%)
4. Marketing plan (20%)
5. Fees and expenses (20%)

The State reserves the right to reject any one and all proposals, to waive any informality with respect to any proposal, and to modify or amend, with the consent of the bidder, any proposal prior to acceptance, as the State, in its sole judgment, may deem to be in its best interests. The State can give no assurance that the proposed transaction will take place. Neither the State nor GFA shall be liable for any damages or harm suffered by the bidders under any circumstances. Neither the State nor GFA shall be liable for any expenses incurred in the preparation of this response.

Please refrain from contacting State officials; the only contact during the selection process should be with the State's financial advisor. Please be advised that the State expects to complete the transaction in a relatively short period. The State appreciates your continuing interest in the debt management operations of the State of Vermont and looks forward to receiving your proposals.

EXHIBIT 1

**State of Vermont
General Improvement Refunding Bonds
Fees And Expenses Worksheet**

Total Spread (in dollars per thousand):

(1)	Average Takedown	\$ _____
(2)	Management Fee	\$ _____
(3)	Underwriter's Expenses*	\$ _____
(4)	Underwriting Fee (Risk)	\$ _____

Total Spread: \$ _____

*Breakdown of Underwriter's Expenses (actual dollar amount):

(1)	Underwriter's Counsel (1)	\$ _____
(2)	Travel	\$ _____
(3)	Fed Funds (2)	\$ _____
(4)	Document Printing (3)	\$ _____
(5)	Overnight Delivery	\$ _____
(6)	Other (specify)	\$ _____

Sub-Total Expenses: \$ _____

Submitted By: _____

Title: _____

Firm Name: _____

Telephone: _____

1. Assume separate underwriter's counsel; provide fee for such legal services on a "not-to-exceed" basis.
2. Assume closing with same-day funds.
3. Exclude POS/OS printing; the financial advisor will oversee printing of the Official Statement.

STATE OF VERMONT
General Obligation Bonds
Universe of Refunding Candidates

Series	Maturity	Par Amount	Coupon Rate	Call Date	Call Price
1993A	2/1/2004	6,530,000	4.400%	2/1/2003	102.00%
	2/1/2005	6,035,000	4.500%	2/1/2004	101.00%
	2/1/2006	5,345,000	4.600%	2/1/2005	100.00%
	2/1/2007	7,220,000	4.700%	Callable in whole at	
	2/1/2008	6,920,000	4.800%	any time or in part on	
	2/1/2009	6,620,000	4.850%	any interest payment	
	2/1/2010	6,005,000	4.900%	date in inverse order	
	2/1/2011	2,515,000	5.000%	of maturity.	
	2/1/2012	2,480,000	5.000%		
		<u>49,670,000</u>			
1993B	10/15/2004	4,000,000	4.300%	10/15/2003	102.00%
	10/15/2005	4,000,000	4.400%	10/15/2004	101.00%
		<u>8,000,000</u>		10/15/2005	100.00%
				Callable in whole at	
				any time or in part on	
				any interest payment	
				date in inverse order	
				of maturity.	
1994A	1/15/2004	3,510,000	6.100%	1/15/2005	102.00%
	1/15/2005	3,510,000	6.200%	1/15/2006	101.00%
	1/15/2006	3,510,000	6.300%	1/15/2007	100.00%
		<u>10,530,000</u>		Callable in whole at	
				any time or in part on	
				any interest payment	
				date in inverse order	
				of maturity.	
1995A	1/15/2004	3,160,000	4.875%	1/15/2006	102.00%
	1/15/2005	3,160,000	4.875%	1/15/2007	101.00%
	1/15/2006	3,160,000	4.900%	1/15/2008	100.00%
	1/15/2007	3,160,000	5.000%	Callable in whole or	
	1/15/2008	3,160,000	5.000%	in part at any time.	
	1/15/2009	3,160,000	5.000%		
	1/15/2010	3,160,000	5.000%		
	1/15/2011	3,160,000	5.000%		
	1/15/2012	3,150,000	5.000%		
	1/15/2013	3,150,000	5.000%		
	1/15/2014	3,150,000	5.125%		
	1/15/2015	3,150,000	5.125%		
			<u>37,880,000</u>		

STATE OF VERMONT
General Obligation Bonds
Universe of Refunding Candidates

Series	Maturity	Par Amount	Coupon Rate	Call Date	Call Price
1996B	1/15/2004	2,000,000	5.000%	1/15/2007	102.00%
	1/15/2005	2,000,000	5.000%	1/15/2008	101.00%
	1/15/2006	2,000,000	5.000%	1/15/2009	100.00%
	1/15/2007	2,000,000	5.000%		
	1/15/2008	2,000,000	5.000%	Callable in whole or in part at any time.	
	1/15/2009	2,000,000	5.000%		
	1/15/2010	2,000,000	5.125%		
	1/15/2011	2,000,000	5.125%		
	1/15/2012	2,000,000	5.125%		
	1/15/2013	2,000,000	5.125%		
	1/15/2014	2,000,000	5.125%		
	1/15/2015	2,000,000	5.125%		
	1/15/2016	2,000,000	5.125%		
			<u>26,000,000</u>		
		<u><u>26,000,000</u></u>			
1996C	1/15/2004	790,000	4.750%	1/15/2007	102.00%
	1/15/2005	790,000	4.850%	1/15/2008	101.00%
	1/15/2006	790,000	4.950%	1/15/2009	100.00%
	1/15/2007	790,000	5.050%		
	1/15/2008	790,000	5.150%	Callable in whole or in part at any time.	
	1/15/2009	790,000	5.250%		
	1/15/2010	790,000	5.350%		
	1/15/2011	790,000	5.400%		
	1/15/2012	790,000	5.450%		
	1/15/2013	790,000	5.500%		
	1/15/2014	790,000	5.500%		
	1/15/2015	785,000	5.600%		
	1/15/2016	785,000	5.600%		
			<u>10,260,000</u>		
		<u><u>10,260,000</u></u>			
1997A	1/15/2004	1,500,000	5.000%	1/15/2008	102.00%
	1/15/2005	1,500,000	5.000%	1/15/2009	101.00%
	1/15/2006	1,500,000	5.000%	1/15/2010	100.00%
	1/15/2007	1,500,000	5.000%		
	1/15/2008	1,500,000	5.000%	Callable in whole or in part at any time.	
	1/15/2009	1,500,000	5.000%		
	1/15/2010	1,500,000	5.000%		
	1/15/2011	1,500,000	5.000%		
	1/15/2012	1,500,000	5.000%		
	1/15/2013	1,500,000	5.000%		
	1/15/2014	1,500,000	5.000%		
	1/15/2015	1,500,000	5.000%		
	1/15/2016	1,500,000	5.000%		
	1/15/2017	1,500,000	5.000%		
		<u>21,000,000</u>			
		<u><u>21,000,000</u></u>			

STATE OF VERMONT
General Obligation Bonds
Universe of Refunding Candidates

Series	Maturity	Par Amount	Coupon Rate	Call Date	Call Price
1997B	1/15/2004	790,000	4.300%	1/15/2008	102.00%
	1/15/2005	790,000	5.000%	1/15/2009	101.00%
	1/15/2006	790,000	5.000%	1/15/2010	100.00%
	1/15/2007	790,000	5.000%		
	1/15/2008	790,000	5.000%		
	1/15/2009	790,000	5.000%		
	1/15/2010	790,000	5.000%		
	1/15/2011	790,000	5.000%		
	1/15/2012	790,000	5.000%		
	1/15/2013	790,000	5.000%		
	1/15/2014	785,000	5.100%		
	1/15/2015	785,000	5.100%		
	1/15/2016	785,000	5.100%		
	1/15/2017	785,000	5.200%		
			11,040,000		
1998B	1/15/2004	335,000	4.500%	1/15/2008	101.00%
	1/15/2005	350,000	4.500%	1/15/2009	100.50%
	1/15/2006	365,000	4.500%	1/15/2010	100.00%
	1/15/2007	385,000	4.500%		
	1/15/2008	400,000	4.500%		
	1/15/2009	420,000	4.550%		
	1/15/2010	440,000	4.600%		
	1/15/2011	460,000	4.625%		
	1/15/2012	480,000	4.750%		
	1/15/2013	505,000	4.800%		
	1/15/2014	530,000	4.900%		
	1/15/2015	560,000	4.900%		
	1/15/2016	590,000	5.000%		
	1/15/2017	320,000	5.000%		
			6,140,000		
1998C	1/15/2004	1,405,000	4.500%	1/15/2009	101.00%
	1/15/2005	1,405,000	4.500%	1/15/2010	100.50%
	1/15/2006	1,400,000	4.500%	1/15/2011	100.00%
	1/15/2007	1,400,000	4.500%		
	1/15/2008	1,400,000	4.500%		
	1/15/2009	1,400,000	4.500%		
	1/15/2010	1,400,000	4.500%		
	1/15/2011	1,400,000	4.500%		
	1/15/2012	1,400,000	4.600%		
	1/15/2013	1,400,000	4.600%		
	1/15/2014	1,400,000	4.750%		
	1/15/2015	1,400,000	4.750%		
	1/15/2016	1,400,000	4.750%		
	1/15/2017	1,400,000	4.750%		
	1/15/2018	1,400,000	4.750%		
		21,010,000			

STATE OF VERMONT
General Obligation Bonds
Universe of Refunding Candidates

Series	Maturity	Par Amount	Coupon Rate	Call Date	Call Price	
1999A	2/1/2004	1,685,000	4.500%	2/1/2010	101.00%	
	2/1/2005	1,685,000	4.600%	2/1/2011	100.50%	
	2/1/2006	1,685,000	4.750%	2/1/2012	100.00%	
	2/1/2007	1,685,000	4.800%			
	2/1/2008	1,685,000	5.000%	Callable in whole or in part at any time.		
	2/1/2009	1,685,000	5.000%			
	2/1/2010	1,685,000	5.100%			
	2/1/2011	1,685,000	5.125%			
	2/1/2012	1,685,000	5.250%			
	2/1/2013	1,685,000	5.375%			
	2/1/2014	1,685,000	5.500%			
	2/1/2015	1,685,000	5.500%			
	2/1/2016	1,685,000	5.625%			
	2/1/2017	1,680,000	5.625%			
	2/1/2018	1,680,000	5.750%			
	2/1/2019	1,680,000	5.750%			
			<u>26,945,000</u>			
	2001A	8/1/2004	2,185,000	3.250%	8/1/2011	100.00%
		8/1/2005	2,185,000	3.250%		
8/1/2006		2,185,000	3.625%	Callable in whole or in part at any time.		
8/1/2007		2,185,000	3.750%			
8/1/2008		2,185,000	3.875%			
8/1/2009		2,185,000	4.000%			
8/1/2010		2,185,000	4.000%			
8/1/2011		2,185,000	4.000%			
8/1/2012		2,685,000	4.000%			
8/1/2013		2,685,000	4.125%			
8/1/2014		2,685,000	4.300%			
8/1/2015		2,685,000	4.375%			
8/1/2016		2,685,000	4.500%			
8/1/2017		2,685,000	4.625%			
8/1/2018		2,680,000	4.700%			
8/1/2019		2,680,000	4.750%			
8/1/2020		2,680,000	4.750%			
		<u>41,630,000</u>				
2002A	8/1/2004	885,000	3.000%	8/1/2012	100.00%	
	8/1/2005	885,000	3.000%			
	8/1/2006	885,000	3.000%	Callable in whole or in part at any time.		
	8/1/2007	885,000	3.000%			
	8/1/2008	1,885,000	3.000%			
	8/1/2009	1,885,000	3.250%			
	8/1/2010	1,885,000	3.500%			
	8/1/2011	1,885,000	3.750%			
	8/1/2012	1,885,000	4.000%			
	8/1/2013	1,885,000	4.000%			
	8/1/2014	1,885,000	4.000%			
	8/1/2015	1,885,000	4.250%			
	8/1/2016	1,885,000	4.250%			
	8/1/2017	1,885,000	4.750%			
	8/1/2018	1,885,000	4.500%			
	8/1/2019	1,880,000	5.000%			
	8/1/2020	1,880,000	4.750%			
8/1/2021	1,880,000	4.750%				
		<u>29,915,000</u>				