TO:	Candidates for Senior Managing Underwriter
FROM:	Office of the State Treasurer State of Vermont
DATE:	November 5, 2008
RE:	Request for Proposal to Serve as Senior Managing Underwriter for 1) $64.65 Million of State of Vermont General Obligation Bonds; and 2) Possible General Obligation Refunding Bond Issue (depending upon market conditions)

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 transactions. While this request for proposal is being issued for the purpose of retaining a senior managing underwriter for the transactions, the State also expects to rely on the submitted proposals for establishing other roles in the underwriting and process, including the possibility of a co-managing underwriter.

The State typically issues two series of new money General Obligation Bonds each year. Based upon current market conditions amidst the ongoing credit crunch, the State has decided to conduct one new money issue this fiscal year comprising the entire amount authorized in the 2008 legislative session of $64.65 million. The issue is expected to comprise $10 million of transportation debt with a ten year final maturity, $15 million of "Citizens Bonds" (bonds that may be sold in increments of $1,000) also with a ten year final maturity, and the balance in other General Obligation debt with a final maturity of 20 years. These issues are to be combined such that the maturity schedule for all $64.65 million bonds will be amortized over 20 years with approximately equal amortization amounts each year, and no amortization amount for any given year should be greater than the amount in the preceding year.

Our desire is to target all of the Citizens Bonds and a significant portion of the remaining G.O. Bonds (includes transportation bonds) to Vermont retail purchasers. Since Vermont retail purchasers have historically preferred shorter maturities, the shorter average life of the Citizens Bonds and balance of Bonds maturing in the first ten years, in comparison to the overall longer average life of the entire issue, offers an opportunity to the State to target efficiently Vermont's retail customers.

The State intends to issue these new money G.O. bonds in February or March of 2009 to allow for the possibility of issuing in capital markets conditions that are more normal than current conditions.

The State has evaluated different series of its outstanding general obligation bond issues to determine the extent refinancing opportunities exist in the current market and has concluded that current refunding opportunities are at best limited. However, based upon the intended offering timeframe of February or March of 2009, it is possible for municipal reoffering rates and treasury/SLGs yields to change enough to present a refunding opportunity. In the event of such refunding opportunity, the selected senior managing underwriter would be called upon to conduct an issue of refunding bonds as well as the new money bonds described above.

Any refunding bonds could be issued concurrently with or following the new money G.O. Bonds in a separate refunding 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 would remain should the other maturities in that issue be selected for refunding purposes.

Please note that the State will consider only traditional, fixed-rate refundings of its outstanding G.O. Bonds (e.g., no synthetics with swaps) and will only consider refunding escrows employing treasury or SLG securities (i.e., no government agency securities).

It should be emphasized that the Citizens Bonds issue must allow retail purchasers to invest in $1,000 denominations up to $5,000. Bonds offered in the $15 million Citizens Bond issue will be serial bonds from one to ten years in maturity in the amount of $1.5 million per maturity.

The selected firm will work with representatives of the State, with Edwards Angell Palmer & Dodge, bond counsel, and with Government Finance Associates, Inc., financial advisor, to ensure that the Issue(s) are completed in a timely, cost-effective and efficient manner and the securities are well received by the market. **The State and its financial advisor will take responsibility for liaison with the rating agencies.**

Proposal Preparation

Proposals must be submitted as described herein. Restate each question (A through F) 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 two pages)

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, long-term, fixed rate tax-exempt bond issues in the State of Vermont for which your firm has served as senior manager since January 1, 2005. Please identify whether those issues were sold for new money or refunding purposes. Please provide a summary sales report for each issue including the percent sold retail. Also 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, use of credit enhancements 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)

For this new money issue of $64.65 million, include an interest rate scale based on market conditions as of close of business on **Tuesday November 11, 2008**. Please indicate rates for each maturity as well as spreads relative to MMD AAA uninsured rates by maturity. For bonds with maturities of over ten years, please include a discussion of the relationship of proposed offering yields to the MMD scale relative to issues of yield to call (MMD Scale) versus yield to maturity (your proposed offering scale).

Base your scales and analyses on the following assumptions:

<u>General Obligation Bonds:</u>

Current underlying ratings:	"Aaa (Stable)" by Moody's Investors Service "AA+ (Stable)" by Standard &Poor's and "AA+ (Stable)" by Fitch Ratings
Dated:	Date of Delivery
Settlement:	March 1, 2009
Interest Payment Dates:	Semi-annually on each March 1 and September 1, commencing September 1, 2009
First Maturity Date:	March 1, 2010

We do not think that bond insurance should be considered.

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 this new money issue (i.e., Vermont retail, 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 will 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 per $1,000 bond). Complete the fees and expenses form provided as Exhibit 1. All fees and expenses must be provided on a not-to-exceed basis. For purposes of your analyses, please assume other issuance expenses (does not include underwriters' spread) for the <u>State</u> of $125,000 (rating agency fees, bond counsel fees, printing, etc.).

G. Form of Submission

ALL questions must be directed to J. Chester Johnson, Government Finance Associates, Inc., at 212-521-4090. <u>Each</u> of the following should receive three copies of the proposal from your firm by 4:00 p.m. (New York time) on Monday November 17, 2008. 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	J. Chester Johnson Chairman

State of Vermont
109 State Street, 4th Floor
Montpelier, Vermont 05609-6200
Tel: 802-828-1452

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
2. Personnel assigned
3. Proposed offering structure
4. Marketing plan
5. Fees and expenses

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(s) 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 any response to this request for proposal.

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(s) in the time frame indicated. 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 Obligation Bonds
Fees And Expenses Worksheet

Total Spread (in dollars per thousand):

(1)	Average Takedown	$____________
(2)	Management Fee	$____________
(3)	Underwriter's Expenses*	$____________
	Total Spread:	$____________

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

(1)	Underwriter's Counsel (1)	$____________
(2)	Travel	$____________
(3)	Document Printing (2)	$____________
(4)	Overnight Delivery	$____________
(5)	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. Exclude POS/OS printing; the financial advisor will oversee printing of the Official Statement.