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STATE TREASURER

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**STATE OF VERMONT**  
**OFFICE OF THE STATE TREASURER**

**TO:** Interested Underwriting Firms

**FROM:** Office of the State Treasurer  
State of Vermont

**RE:** Request for Proposal to Serve as Underwriter for:  
1) \$25-30 Million General Obligation Vermont Citizen Bonds Issuance(s)  
2) Possible General Obligation Refunding Bonds  
3) Other transactions if and as needed

**DATE:** August 2, 2011

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**Background**

The Office of the State Treasurer, State of Vermont (the “State”) requests proposals for underwriting services for the above-referenced transactions. The purpose of this procurement to solicit proposals from firms to serve as senior managing underwriters and/or co-managing underwriters in connection with the issuance of one or more fixed rate bonds of the State. While the State expects that the term of the appointment resulting from this request for proposal will be two years with two one year extensions at the State’s option, the State reserves the right to terminate the relationship at any time.

The selected firm or firms will work with representatives of the State, with Edwards Angell Palmer & Dodge, bond counsel, and with Public Resources Advisory Group, Inc., financial advisor, to ensure that negotiated transactions are completed in a timely, cost-effective and efficient manner and the securities are well received by the market.

Vermont Citizen Bonds

Over the past several years, the State has sold approximately one-third of its annual new money general obligation bonds as Vermont Citizen Bonds and two-thirds of its annual new money needs through a traditional competitive sale process. The State sold its competitive sale general obligation bonds first, setting aside the first ten years of its aggregate level principal amount amortization structure to be sold as Citizen Bonds after the competitive sale.

Due to market conditions and the changing nature of retail demand, the State is now planning to issue Vermont Citizen Bonds first and it does not intend to limit the offering of its the Citizen Bonds to just the first ten maturities. However, the State still intends to limit the size of the Citizen Bond sale to 1/3 of the overall amount issued, or approximately \$25-30 million.

Following the issuance of the Citizen Bonds, the State will then sell the balance of its new money general obligation bonds on a competitive basis.

### Refundings

From time to time, the State has issued refunding bonds using a negotiated sale process. The refunding bonds have in the past been issued concurrently with the Citizen Bonds in a separate refunding series. Although the State does not anticipate issuing any refunding bonds via a negotiated sale process in 2011, the State may use the firm or firms selected as part of this solicitation for future negotiated refunding transactions.

### **Proposal Submittal, Questions and Time Schedule**

Three (3) copies of your proposal must be received by the State at the location provided below by 4:00 p.m. (Vermont time) on **Thursday, August 18, 2011**. Each proposal must be bound separately and no fax or email proposals will be allowed. Joint proposals will not be accepted.

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

In addition, one (1) electronic copy of the Proposal must be submitted via email to the State's financial advisor to the individual below:

Thomas Huestis  
Public Resources Advisory Group  
117 Gayley Street, Suite 200  
Media, PA 19081  
(610) 565-5990  
[thuestis@pragny.com](mailto:thuestis@pragny.com)

All questions regarding this request for proposals should be sent via email to the State's financial advisor Tom Huestis, Public Resources Advisory Group [thuestis@pragny.com](mailto:thuestis@pragny.com) (610) 565-5990.

The time schedule for the RFP process and selection of underwriter(s) is as follows:

RFP Distributed	August 2, 2011
Deadline for Underwriter Questions (C.O.B.)	August 11, 2011
Responses to Underwriter Questions (C.O.B.)	August 15, 2011
Proposals Due (4:00 p.m. Vermont time)	August 18, 2011
Evaluation of Responses	August 19-25, 2011
Selection of Underwriter(s)	August 26, 2011

## **Form of Submission**

Firms may submit proposals to serve as senior manager or co-manager. Firms not selected for the senior manager position will be considered for a co-manager position. If proposing only as a co-manager, firms should answer all questions other than D.1.a through D.4. Proposals must address the following items in the following order. 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. Please make sure you use font size no smaller than 12.

### **A. Letter of Transmittal** (not to exceed three 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. Please also include an affirmation that your firm and all individuals assigned to this transaction (and listed by name) are free from all obligations and interests which may conflict with the interest of the State. Please identify in the letter all pending litigation or regulatory action, either state or federal, if any, related to public finance in which your firm, any predecessor firm or employee is involved. Identify any other existing or potential conflict of interest, as well as your representation of parties or other relationships that might be considered a conflict of interest, that may affect or involve this transaction or the State of Vermont.

### **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, co-manager or selling group member since January 1, 2007. Please identify whether those issues were sold for new money or refunding purposes. For senior managed issues, please provide a summary sales report for each issue including the percent sold to 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, ratings, and use of credit enhancements, 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 four pages, excluding numerical schedules)

Assume that the State issues \$90,000,000 of new money general obligation bonds. Also assume that the State uses a 20-year level principal amortization structure for the combined Citizen Bonds issue and its competitive sale issue. Please base your responses to the questions below on the following assumptions:

- Current ratings:  
Moody's Investors Service: Aaa (Stable)  
Standard & Poor's: AA+ (Stable)  
Fitch Ratings: AAA (Stable)
  - Dated: Date of Delivery
  - Settlement: November 3, 2011
  - Interest Payment Dates: Semi-annually each February 15 and August 15, commencing August 15, 2012 (long first coupon)
  - First Maturity Date: August 15, 2012 (short first year)
1. Please indicate with respect to the Citizen Bonds issue the amounts expected to be sold for each maturity, the coupons and yields for each maturity as well as spreads relative to MMD AAA uninsured rates by maturity, and proposed takedown by maturity based on market conditions as of close of business on **Monday, August 8, 2011**. It should be emphasized that the Citizen Bonds issue must allow retail purchasers to invest in \$1,000 denominations. Assume that retail orders are limited to maximum purchase amount of \$500,000 total per investor of Vermont and national retail. "Professional Retail" orders are not permitted. Firms applying for the senior manager position should show amounts expected to be sold by its firm and amounts to be sold by the rest of the syndicate separately. Firms applying for the co-manager position should only show amounts expected to be sold by its firm. Please discuss your rationale for the amounts anticipated to be sold in the various years and your proposed pricing.
    - a. Please provide back-up analyses showing sources and uses of funds, semi-annual cash flow debt service schedules and TIC and arbitrage yield calculations. For purposes of your analyses, please assume other issuance expenses (does not include underwriters' spread) for the State of \$100,000 (rating agency fees, bond counsel fees, printing, etc.). For purposes of these analyses, use amounts from your proposed Fees and Expenses (Exhibit 1) and include all expected orders of the syndicate.
  2. As mentioned in the Background section above, the State has in the past allocated approximately 1/3 of its annual new money needs to the Citizen Bond program. Discuss how you would propose to manage the underwriting process to achieve this goal. Also, please discuss how your response to the question D.1. would change if the definition of retail included only in-state, Vermont retail orders.

3. The State has in the past limited total amount of the underwriting discount on its Citizen Bonds to \$4.50 per thousand par amount of bonds and may choose to do the same for its upcoming sale. Please discuss how this limitation would change your responses to the questions above.
4. The State is interested in how moving the Citizen Bonds sale prior to its competitive sale would affect the results of its competitive sale. Assume the State prices its competitive sale based on market conditions as of noon on **Wednesday, August 10, 2011**. Consistent with your response to question D.1. above, please provide the coupons and yields for each maturity as well as spreads relative to MMD AAA uninsured rates by maturity that the State can expect to achieve. Please discuss your rationale for the State's estimated pricing and your views on retail and institutional pricings. For both the competitive sale and for the combined sale (Citizen Bonds and competitive sale) please provide back-up analyses showing sources and uses of funds, semi-annual cash flow debt service schedules and TIC and arbitrage yield calculations. For purposes of your competitive analyses, please assume other issuance expenses (does not include underwriters' spread) for the State of \$100,000 (rating agency fees, bond counsel fees, printing, etc.).

**D. Marketing Plan** (not to exceed three pages)

Describe how your firm would market the State's Citizen Bonds in this economic and financial market environment. Describe your firm's retail marketing network. Include the number and locations of sales offices in Vermont, number of retail brokers working in those offices, the approximate number of retail accounts in Vermont, and the total number of employees within the state. 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. Also confirm that your firm will be able to deliver zip codes of purchasers, to verify in-state Vermont residence, and also that you will abide by a maximum purchase amount of \$500,000 total per investor; if your firm believes these provisions to be detrimental to an effective sale, please explain why.

The State has previously used a syndicate structure for its Citizen Bonds program consisting of a single senior manager and various selling group members. Please provide your recommendation regarding an optimal syndicate and selling group structure for the State's upcoming Citizen Bonds issue and how this would benefit the State.

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

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. Other than Average Takedown, all fees and expenses must be provided on a not-to-exceed basis.

## **H. Selection Criteria**

Proposals will be evaluated based upon the following criteria:

1. Firm experience/performance
2. Personnel assigned
3. Proposed 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 proposer, 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 PRAG shall be liable for any damages or harm suffered by the bidders under any circumstances. Neither the State nor PRAG 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 Vermont Citizen 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) 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. The State, Bond Counsel and Financial Advisor will have primary responsibility for preparation of all major documents such as the Preliminary and Final Official Statement.