

May 17, 2010

Mr. David G. Lemoine
Treasurer - State of Maine
39 State House Station
Burton M. Cross Office Building - 3rd Floor
111 Sewall Street
Augusta, Maine 04333-0039

Re: NAIC – Securities Valuation Office – Credit Risk Assessment

\$58,000,000 State of Maine
General Obligation Bonds
2010 Series A (Federally Taxable)
2010 Series B (Build America Bonds – Federally Taxable – Direct Pay)
2010 Series C
Dated June 1, 2010

Dear Mr. Lemoine:

You requested that we opine on the regulatory guidance that would apply to the above captioned securities if an insurance company purchased them and sought to report it to state insurance regulators under the current NAIC regulatory guidance.

In our opinion, existing regulatory guidance would adequately capture the risks posed by the securities. Using the procedures in the December 31, 2009 *Purposes and Procedures Manual (P&P)*, we would assign the following treatment to the captioned security.

1. Asset Classification for Risk Based Capital Purposes – We would assign the security to the debt category under the classification procedure for new instruments discussed in Part Three, Section 1(c) of the P&P.
2. Credit Assessment - We would assign the captioned security an NAIC “1” Designation.

"NAIC 1 is assigned to obligations exhibiting the highest quality. Credit risk is at its lowest and the issuer's credit profile is stable. This means that interest, principal or both will be paid in accordance with the contractual agreement and the repayment of principal is well protected. An NAIC 1 obligation should be eligible for the most favorable treatment provided under the NAIC Financial Conditions Framework."

EXECUTIVE OFFICE	444 N. Capitol Street, NW, Suite 701	Washington, DC 20001-1509	p 202 471 3990	f 816 460 7493
CENTRAL OFFICE	2301 McGee Street, Suite 800	Kansas City, MO 64108-2662	p 816 842 3600	f 816 783 8175
SECURITIES VALUATION OFFICE	48 Wall Street, 6th Floor	New York, NY 10005-2906	p 212 398 9000	f 212 382 4207

3. Reporting Instructions - The captioned security is eligible for reporting on Schedule D.
4. Statutory Accounting Guidance – Applicable statutory accounting guidance for the captioned security can be found in Statement of Statutory Accounting Principles (SSAP) No. 26 “Bonds, excluding Loan-backed and Structured Securities” of the NAIC Accounting Practices and Procedures Manual.
5. Risk Based Capital – For insurers maintaining an AVR, the factor for the captioned security would be 0.230%. For insurers not maintaining an AVR, the factor would be 0.100 on a pre-tax basis.
6. Summary - Securities Valuation Office Designation of an NAIC “1” is supported by:
 - Strength of the General Obligation, full faith and credit pledge supporting these bonds;
 - State Constitutional provision which obligates the State Treasurer to set aside the first available General Fund revenues in the event that sufficient revenues are not legislatively appropriated;
 - Conservative debt practices along with a moderate General Obligation debt level which amortizes rapidly; and,
 - A State economy that in areas has fared better than most during the current national recession

Potential Risks:

- Extremely narrow liquidity position which may require a return to cash flow borrowing;
- A negative GAAP General Fund Position; and,
- Considerable budgetary pressures which are expected to continue into the next biennium in light of the sizeable decline in revenues over the past two years and the expected slow pace of recovery

Longer Term Challenges:

- Challenges posed by an aging population and shrinking labor force; and
- Significant unfunded pension and other post employment benefit obligations

NAIC Disclosures and Limitations

This letter conveys our opinion of how the risks, features or aspects of the captioned security would be treated pursuant to the named publication of the Purposes and Procedures Manual and/or other applicable NAIC guidance, or our opinion of the regulatory guidance we would recommend to the Valuation of Securities Task Force or other appropriate group of regulators.

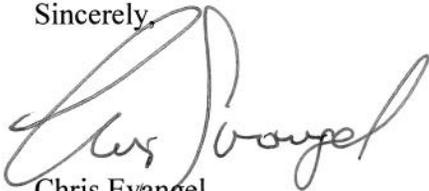
Our opinion reflects a review of the preliminary documents you presented to us and the terms, representations, and assumptions they contained. No assurance can be given that the opinion expressed herein may not change if any material aspect of the transaction is modified.

We will not publicly disclose characteristics or features of the security which you have indicated to us is proprietary or confidential until either you inform us or we independently discover that public disclosure of that feature or aspect has been made. We will make full disclosure of confidential information to members of the regulatory community, including the Valuation of Securities Task Force, as necessary and appropriate in private communications. You may disclose the content of this letter with anyone, provided that the regulatory purposes and objective of the SVO and this process are disclosed.

NAIC Designations are produced solely for NAIC members and are indications of eligibility for certain regulatory treatment under the NAIC Financial Conditions Framework. SVO asset classification opinions are rendered solely in furtherance of specific and unique procedures developed by the NAIC and state insurance regulators for statutory reporting purposes. SVO assessments of, and opinions on, other investment risks in securities are similarly intended for application by state insurance regulators within this context of the developing and evolving NAIC framework and individual state regulatory statutes, regulations and investment guidance based on the NAIC framework. Because SVO opinion and analytic products are intended for regulatory purposes, they may be derived by the application of criteria that is relevant only to state insurance regulators. Accordingly, no SVO opinion in this letter should be treated as if it were intended to assist investors in making buy or sell investment decisions.

We appreciate this opportunity to have been of service to you. Please contact Gerard Durr at 212-386-1938 should you have any questions or concerns you wish to discuss.

Sincerely,

A handwritten signature in cursive script, appearing to read "Chris Evangel".

Chris Evangel
Managing Director, SVO
For the Senior Credit Committee

Cc: Robert Carcano, Senior Counsel
Gary Mescher, Senior Advisor, Investment Research Unit
Gerard Durr, Senior Analyst, Credit and Regulatory Unit