

**REQUEST FOR PROPOSALS FOR
TRUSTEE AND CUSTODY SERVICES**

ISSUING OFFICE

**Pennsylvania Turnpike Commission
Finance/Administration Department**

**RFP
11-67000-3041**

**DATE OF ISSUANCE
April 7, 2011**

**REQUEST FOR PROPOSALS FOR
TRUSTEE AND CUSTODY SERVICES
11-67000-3041**

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PART I

GENERAL INFORMATION

I-1. Purpose. This request for proposals (RFP) provides interested firms with sufficient information to enable them to prepare and submit proposals for consideration by the Pennsylvania Turnpike Commission to satisfy a need for Trustee and Custody Services.

I-2. Background. The Pennsylvania Turnpike Commission issues bonds to finance various capital expenditures, to fund payments required to be made to PennDOT under Act 44 and to refinance existing debt obligations. Bonds have been issued under four separate indentures (Senior, Subordinate, Oil Franchise Tax and Motor Vehicle Registration Fee). The Commission anticipates that it will borrow substantial additional funds for purposes of funding capital expenditures for the System and payments under Act 44 under both the Senior and Subordinate indentures. No additional borrowings under the other two indentures are contemplated at this time. The Commission also utilizes custody services for certain non-trusted funds of the Commission. Appendix C Lists the number of bond issues outstanding, the number of accounts associated with the issue and the number of non-indentured accounts.

I-3. Issuing Office. This RFP is issued for the Commission by the **Office of the Chief Financial Officer, Pennsylvania Turnpike Commission, P.O. Box 67676, Harrisburg, PA 17106-7676**. All questions regarding this RFP must be directed to the office pursuant to the process identified in Section I-10 below. No questions will be addressed except through such process.

I-4. Scope. This RFP contains instructions governing the proposals to be submitted and the material to be included therein; a description of the service to be provided; requirements which must be met to be eligible for consideration; general evaluation criteria; and other requirements to be met by each proposal.

I-5. Problem Statement.

A. *General Description*

The Commission is soliciting proposals from qualified financial institutions interested in providing bond trustee and/or custody services. The Commission intends to select those firms that best meet the Commission's selection criteria, as identified in Section III-3 of this RFP.

B. *Requested Services*

The PTC will require bond trustee services for four separate indentures and custody services for non-indentured funds. Each of the indentures has multiple accounts containing investments that must comply with the permitted investment language of the specific indenture as well as the Commission's Investment Policy. Investment accounts will be maintained for but not limited to the Commission's general funds, construction funds, and proceeds of future bond issues.

The services requested will include the following:

- Establish and maintain various funds as required by bond indenture upon the issuance of bonds.
- Perform complete trustee functions for one or more future bond issues. Act as registrar, paying agent, and tender agent.
- Manage all funds and accounts according to the provisions of the Indenture and in compliance with federal tax law.
- Process security trades per instructions received by authorized persons.
Provide a short-term investment vehicle for uninvested balances in custody/trust accounts.
- Provide a daily bank statement upload file for SAP™ in the recommended BAI2 format. The preferred transmission method for the daily bank statement files is for the bank to transmit the files from the Bank server to the Pennsylvania Turnpike Commission server via a secure FTP process. Details on BAI2 standards can be found at www.bai.org / www.x9.org. See Appendix D (entitled Electronic Bank Statement Implementation Requirements for Commercial and Wealth Management / Trust Accounts) describes the Pennsylvania Turnpike's expectations.
- Provide monthly activity statements and reports including the market value of all portfolio holdings
- Provide online web access to account and investment information related to transactions, balances, market values, etc.
- Monitor reserve funds to ensure that amounts required by the Bond Indentures are maintained.
- Provide detailed monthly reporting of all transactions in all funds or accounts identified in the Bond Indenture by account, to be received by the 5th day of the following month, and prepare such other reports as the Commission may request.
- Pay or transfer funds to issuer or others as requested by the Commission for costs of issuance, funding of loan originations or purchases, and other expenses provided for in the Indenture.
- Attend Commission Meetings of the Pennsylvania Turnpike Commission, as requested.

I-6. Type of Contract. The Commission currently intends that a single contract will be awarded for the contemplated services. The Commission may in its sole discretion undertake negotiations with proposers whose proposals as to experience, capabilities, approach and price, among other factors, show them to be qualified, responsible and capable of performing the required work.

I-7. Rejection of Proposals. The Commission reserves the right to reject any and all Proposals received as a result of this request, or to negotiate separately with competing Proposers.

I-8. Incurring Costs. The Commission is not liable for any costs incurred by firms in their preparation and submission of Proposals, in participating in the RFP process or in anticipation of award of trustee service opportunities.

I-9. Subcontracting. Any use of subcontractors by a proposer must be identified in the proposal. During the contract period use of any subcontractors by the selected Proposer, which were not previously identified in the proposal, must be approved in advance in writing by the Commission.

A firm that responds to this solicitation as a prime may not be included as a designated subcontractor to another firm that responds to the same solicitation. **Multiple responses under any of the foregoing situations may cause the rejection of all responses of the firm or firms involved.** This does not preclude a firm from being set forth as a designated subcontractor to more than one prime contractor responding to the project advertisement.

I-10. Questions and Answers. Written questions may be submitted to clarify any points in the RFP that may not have been clearly understood. Written questions should be submitted via email to RFP-Q@paturndpike.com with “RFP 11-67000-3041” in the subject line, to be received no later than **4:00 pm, EDT, Monday, April 18, 2011.** All questions and written answers will be posted to the website as an addendum to and become part of this RFP. No questions regarding the RFP will be addressed except through this process.

I-11. Addenda to the RFP. If it becomes necessary to revise any part of this RFP before the response date, addenda will be posted to the Commission’s website (www.paturndpike.com) under the original RFP document. It is the responsibility of all firms to periodically check the website for any new information or addenda to the RFP.

The Commission may revise a published advertisement. If the Commission revises a published advertisement less than ten days before the RFP due date, the due date will be extended to maintain the minimum ten-day advertisement duration if the revision alters the project scope or selection criteria. Firms are responsible to monitor advertisements/addenda to ensure the submitted proposal complies with any changes in the published advertisement.

I-12. Response. To be considered, Proposals must be delivered to the Pennsylvania Turnpike Commission’s Contracts Administration Department, Attention: Wanda Metzger, on or before **12:00 pm EDT, Friday, May 6, 2011.** The Pennsylvania Turnpike Commission is located at 700 South Eisenhower Boulevard, Middletown, PA 17057 (Street address). Our mailing Address is P. O. Box 67676, Harrisburg, PA 17106.

Please note that use of U.S. Mail delivery does not guarantee delivery to this address by the above listed time for submission. Proposers should allow sufficient delivery time to ensure timely receipt of their proposals. If the Commission office location to which Proposals are to be delivered is closed on the response date, due to inclement weather, natural disaster, or any other cause, the deadline for submission shall be automatically extended until the next Commission business day on which the office is open. Unless the Commission otherwise notifies Proposers, the time for submission of responses shall remain the same.

I-13. Proposals. To be considered, Proposers should submit a complete response to this RFP, using the format provided in PART II. Each proposal should be submitted in **Ten (10)** hard copies and **one complete and exact** copy of the technical proposal on CD-ROM in Microsoft Office or Microsoft Office-compatible format to the Contracts Administration Department. The Proposer will make no other distribution of proposals. Each proposal page should be numbered for ease of reference. Proposals must be signed by an official authorized to bind the Proposer to its provisions and include the Proposer’s Federal Identification Number. For this RFP, the proposal must remain valid for at least 120 days from the proposal due date. Moreover, the contents of the proposal of the selected Proposer will become contractual obligations if a contract is entered into.

Each and every Proposer submitting a proposal specifically waives any right to withdraw or modify it, except as hereinafter provided. Proposals may be withdrawn by written or telefax notice received at the Commission's address for proposal delivery prior to the exact hour and date specified for proposal receipt. However, if the Proposer chooses to attempt to provide such written notice by telefax transmission, the Commission shall not be responsible or liable for errors in telefax transmission. A Proposer or its authorized representative may also withdraw a proposal in person, provided its identity is made known and it signs a receipt for the proposal, but only if the withdrawal is made prior to the exact hour and date set for proposal receipt. A proposal may only be modified by the submission of a new sealed proposal or submission of a sealed modification, which complies, with the requirements of this RFP.

I-14. Economy of Preparation. Proposals should be prepared simply and economically, providing a straightforward, concise description of the Proposer's ability to meet the requirements of the RFP.

I-15. Discussions for Clarification. Proposers who submit proposals may be required to make an oral or written clarification of their proposals to the Commission staff to ensure thorough mutual understanding and Proposer responsiveness to the solicitation requirements. The Issuing Office will initiate requests for clarification.

I-16. Best and Final Offers. The Commission reserves the right to conduct discussions with Proposers for obtaining "best and final offers." To obtain best and final offers from Proposers, the Issuing Office may do one or more of the following: a) enter into pre-selection negotiations; b) schedule oral presentations; and c) request revised proposals. The Commission will limit any discussions to responsible Proposers whose proposals the Commission has determined to be reasonably susceptible of being selected for award.

I-17. Prime Proposer Responsibilities. The selected Proposer will be required to assume responsibility for all services offered in its proposal whether or not it produces them. Further, the Commission will consider the selected Proposer to be the sole point of contact with regard to contractual matters.

I-18. Proposal Contents. Proposals will be held in confidence and will not be revealed or discussed with competitors, unless disclosure is required to be made (i) under the provisions of any Commonwealth or United States statute or regulation; or (ii) by rule or order of any court of competent jurisdiction. All material submitted with the statement becomes the property of the Pennsylvania Turnpike Commission and may be returned only at the Commission's option. Proposals submitted to the Commission may be reviewed and evaluated by any person other than competing Proposer at the discretion of the Commission. The Commission has the right to use any or all ideas presented in any response. Selection or rejection of the responding firm does not affect this right.

In accordance with the Pennsylvania Right-to-Know Law (RTKL), 65 P.S. § 67.707 (Production of Certain Records), Proposer shall identify any and all portions of their Proposal that contains confidential proprietary information or is protected by a trade secret. Proposals shall include a written statement signed by a representative of the company/firm identifying the specific portion(s) of the response that contains the trade secret or confidential proprietary information. Proposer should note that "trade secrets" and "confidential proprietary information" are exempt from access under Section 708(b) (11) of the RTKL. Section 102 defines both "trade secrets" and "confidential proprietary information" as follows:

- Confidential proprietary information: Commercial or financial information received by an agency: (1) which is privileged or confidential; **and** (2) the disclosure of which would cause substantial harm to the competitive position of the person that submitted the information.
- Trade secret: Information, including a formula, drawing, pattern, compilation, including a customer list, program, device, method, technique or process that: (1) derives independent economic value, actual or potential, from not being generally known to and not being readily ascertainable by proper means by other persons who can obtain economic value from its disclosure or use; **and** (2) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. The term includes data processing software by an agency under a licensing agreement prohibiting disclosure.

65 P.S. §67.102 (emphasis added). The Office of Open Records has determined that a third party must establish a trade secret based upon factors established by the appellate courts, which include the following:

- the extent to which the information is known outside of his business;
- the extent to which the information is known by employees and others in the business;
- the extent of measures taken to guard the secrecy of the information;
- the value of the information to his business and to competitors;
- the amount of effort or money expended in developing the information; and
- the ease of difficulty with which the information could be properly acquired or duplicated by others.

See Crum v. Bridgestone/Firestone North Amer. Tire., 907 A.2d 578, 585 (Pa. Super. 2006).

The Office of Open Records also notes that with regard to “confidential proprietary information the standard is equally high and may only be established when the party asserting protection shows that the information at issue is either ‘commercial’ or ‘financial’ and is privileged or confidential, and the disclosure *would* cause substantial competitive harm.” (Emphasis in original).

For more information regarding the RTKL, visit the Office of Open Records’ website at www.openrecords.state.pa.us.

I-19. Debriefing Conferences. Proposers whose firms are not selected will be notified of the name of the selected Proposer and given the opportunity to be debriefed, at the Proposer’s request. The Issuing Office will schedule the time and location of the debriefing. The Proposer will not be compared with other Proposers, other than the position of its response in relation to all other proposals.

I-20. News Releases. News releases pertaining to this project will not be made without prior Commission approval, and then only in coordination with the Issuing Office.

I-21. Cost Submittal. The cost submittal shall be placed in a separately sealed envelope within the sealed proposal and kept separate from the technical submittal. **Failure to meet this requirement may result in disqualification of the proposal.**

I-22. Term of Contract. The term of the contract will commence on the Effective Date (as defined below) and will be for three (3) years from that date with options of up to two (2) one-year contract extensions. The Commission shall fix the Effective Date after the contract has been fully executed by the Contractor and by the Commission and all approvals required by Commission contracting procedures have been obtained.

I-23. Proposer's Representations and Authorizations. Each Proposer by submitting its Proposal understands, represents, and acknowledges that:

- a. All information provided by, and representations made by, the Proposer in the proposal are material and important and will be relied upon by the Issuing Office in awarding the contract(s). Any misstatement, omission or misrepresentation shall be treated as fraudulent concealment from the Issuing Office of the true facts relating to the submission of this proposal. A misrepresentation shall be punishable under 18 Pa. C.S. 4904.
- b. The price(s) and amount of this proposal have been arrived at independently and without consultation, communication or agreement with any other Proposer or potential Proposer.
- c. Neither the price(s) nor the amount of the proposal, and neither the approximate price(s) nor the approximate amount of this proposal, have been disclosed to any other firm or person who is a Proposer or potential Proposer, and they will not be disclosed on or before the proposal submission deadline specified in the cover letter to this RFP.
- d. No attempt has been made or will be made to induce any firm or person to refrain from submitting a proposal on this contract, or to submit a proposal higher than this proposal, or to submit any intentionally high or noncompetitive proposal or other form of complementary proposal.
- e. The proposal is made in good faith and not pursuant to any agreement or discussion with, or inducement from, any firm or person to submit a complementary or other noncompetitive proposal.
- f. To the best knowledge of the person signing the proposal for the Proposer, the Proposer, its affiliates, subsidiaries, officers, directors, and employees are not currently under investigation by any governmental agency and have not in the last four (4) years been convicted or found liable for any act prohibited by State or Federal law in any jurisdiction, involving conspiracy or collusion with respect to bidding or proposing on any public contract, except as disclosed by the Proposer in its proposal.
- g. To the best of the knowledge of the person signing the proposal for the Proposer and except as otherwise disclosed by the Proposer in its proposal, the Proposer has no outstanding, delinquent obligations to the Commonwealth including, but not limited to, any state tax liability not being contested on appeal or other obligation of the Proposer that is owed to the Commonwealth.
- h. The Proposer is not currently under suspension or debarment by the Commonwealth, or any other state, or the federal government, and if the Proposer cannot certify, then it shall submit along with the proposal a written explanation of why such certification cannot be made.
- i. The Proposer has not, under separate contract with the Issuing Office, made any recommendations to the Issuing Office concerning the need for the services described in the proposal or the specifications for the services described in the proposal.

- j. Each Proposer, by submitting its proposal, authorizes all Commonwealth agencies to release to the Commission information related to liabilities to the Commonwealth including, but not limited to, taxes, unemployment compensation, and workers' compensation liabilities.

PART II

INFORMATION REQUIRED FROM PROPOSERS

Proposals must be submitted in the format, including heading descriptions, outlined below. To be considered, the response must respond to all requirements in this part of the RFP. Any other information thought to be relevant, but not applicable to the enumerated categories, should be provided as an appendix to the Proposal. Each proposal shall consist of two (2) separately sealed submittals. The submittals are as follows: (i) Technical Submittal and Response to Diversity Questionnaire, in response to Parts II-1 through II-2 hereof; (ii) Cost Submittal, in response to Part II-3 hereof.

The Commission reserves the right to request additional information, which, in the Commission's opinion, is necessary to assure that the Proposer's competence, number of qualified employees, business organization, and financial resources are adequate to perform according to the RFP.

The Commission may make such investigations as deemed necessary to determine the ability of the Proposer to perform the work, and the Proposer shall furnish to the Issuing Office all such information and data for this purpose as requested by the Commission. The Commission reserves the right to reject any proposal if the evidence submitted by, or investigation of, such Proposer fails to satisfy the Commission that such Proposer is properly qualified to carry out the obligations of the agreement and to complete the work specified.

II-1. Required Information

A. Title Page

Show the name of Proposer's firm, address, telephone number, name of contact person, date and the subject: REQUEST FOR PROPOSALS FOR TRUSTEE SERVICES.

B. Table of Contents

Include a clear identification of the material by section and by page number.

C. Cover Letter and Executive Summary

The person in your firm who is authorized to negotiate terms, render binding decisions and commit the firm's resources should sign this letter.

Summarize the Proposer's understanding of the work to be done and make a positive commitment to perform the work necessary. This section should summarize the key points of your submittal.

Limit to two pages.

D. Firm Overview

Provide a brief description of how your firm is organized, including the businesses in which it is engaged, the location of offices, the number of investment advisory professionals in each office, and the role of the investment advisory department in your firm. Indicate your firm's commitment to the investment advisory industry and comment on any recent significant changes in your organization. Discuss your firm's presence in and commitment to the Commonwealth of Pennsylvania including offices and employees. Include a discussion of the specific expertise and services that distinguish your firm.

E. Demonstration of Ability to meet Minimum Qualifications

Demonstrate the ability of your firm to meet the following minimum qualifications:

- Confirm that the financial institution is a national banking association, federal savings and loan association or a federal savings bank that is permitted under Pennsylvania law to receive or hold local government investment.
- Describe the bank's commitment to providing custody/bond trustee services
- Provide the address of the office location(s) that will service the PTC account
- Describe the experience of the financial institution in providing similar banking services for other governmental agencies
- Provide ratings for the bank and/or bank holding company from at least two of the following agencies: Standard & Poor's, Moody's, and Fitch. If the Offeror is not rated by two of these rating organizations, provide other evidence of the institution's credit quality.
- Include a copy of the most recent audited annual financial statement and the latest 10-K report with the proposal.
- Confirm that the bank will provide custody/bond trust services through the bank's trust department.
- Describe the bank's commitment to providing custody/bond trustee services.
- Describe the bank's proposed staffing for this relationship.
- Bond Trustee
 - a. Briefly describe the bank's qualifications as a Bond Trustee, Registrar, and Paying Agent for tax-exempt municipal bond issues. Provide a list of no more than five such financings for which your bank served in this capacity.
 - b. Please confirm that (1) the bank or trust company is organized and doing business under the United States of America, (2) have trust power in good standing and (3) have a reported capital, surplus and undivided profits of not less than \$50 million.
 - c. Describe the services that the bank will provide to the PTC related to future bond issues.
- Briefly describe how your bank handles securities processing on behalf of its clients. Describe what automated processing is available, indicate the nature of the automation and level of availability (e.g. overnight batch, real-time). Describe any processing differences between accounts where the bank is service as trustee and accounts for which the bank is only serving as custodian of securities.
- What short-term investment vehicle(s) does the bank propose to use for the overnight sweep in PTC's custody / bond trustee accounts? What time of day is the cash sweep deadline? Is it end-of day or next-day sweep? What process does the bank use to ensure cash balances are invested?
 - a. Provide return history for the previous twenty-four month period

b. If the bank is proposing a mutual fund provide a copy of the prospectus and, if multiple classes are offered, identify the class of shares that is being proposed.

c. Provide a complete listing of associated fees and/or administrative charges.

- Can the PTC utilize a short-term fund not managed by your bank? Are there additional fees? If so, list the type and dollar amount of the related fees.
- Are security transactions settled on an actual or contractual basis? How will the bank compensate the PTC for fail float? When does the bank credit interest and dividends?
- Provide a listing of cut off times for notification of securities transactions. Please specify if the cut off times vary for different types of securities.
- Describe any sub-custodial arrangements that would be used for fixed-income securities belonging to the PTC. Include a description of the arrangements used for the delivery of physical securities.
- Provide a list of the bank's holidays.

F. Personnel and References

Provide the names, proposed roles, background and experience, office location and availability of the personnel that would work on the Commission's account, and specifically identify the primary person(s) who will be responsible for managing the relationship with the Commission.

Will a specific customer service representative or a customer service department be assigned to handle day-to-day transactions for the PTC?

a. Describe the responsibilities of the customer service personnel, including the chain of command for problem resolutions.

For the proposed personnel, provide a list of three clients worked with in the last 36 months; a brief description of the services you provided; and the names, titles, addresses and telephone numbers of the contacts primarily responsible for these engagements. You should only list clients, which have requirements similar in nature to those of the Commission.

G. Compliance

Please discuss your firm's compliance process, including your procedures for ensuring that the specific investment restrictions are complied with.

H. Reporting

Please provide sample reports similar to those that would be provided for the Commission's accounts including web-based client reporting tools available.

- Describe the frequency and format of custody/bond trustee reports that the bank would provide to the PTC. Include sample reports.
- Is the bank willing/able to develop customized reports? If so, please provide specific pricing information below.
- Does the bank provide information to clients through an on-line inquiry/reporting service? Are customized reports available at no additional charge through this on-line inquiry/reporting service?
- What source does the bank use for market valuation of securities?

- Is there a SAS 70 Report for the custodial reporting of securities' costs, market values, etc.?
- What is the lag time between trade execution, availability of on-line transaction data, and the settlement of the transaction to the banks reporting system?

I. Potential Conflicts of Interest/Fiduciary Responsibilities

- Do you or any related or affiliated companies receive any payments including commissions from managers you recommend, consider for recommendation, or otherwise mention to clients? If so, what is the extent of these payments in relation to your total revenue?
- Describe your policies or procedures to address conflicts of interest, to prevent payments or relationships discussed above from being considered when you provide advice to your clients and to disclose such information to your clients?
- What percentage of your clients utilizes managers, investment funds, brokerage services or other service providers from whom your firm receives fees or commissions?

If the Commission retains your firm, acknowledge that your firm would have a fiduciary duty to the Commission in connection with the services to be provided by your firm.

II-2. Commitment to Diversity.

It is a goal of the Commission to utilize qualified firms that have a demonstrated history of hiring, training, developing, promoting and retaining minorities and women and to encourage participation by qualified certified minority and woman-owned (MBE/WBE) firms, if available. The Commission recognizes the following minority and woman-owned business certifications for this RFP. The Commission reserves the right to amend this list and maintains sole decision-making authority on the acceptance of certifying agencies and designations.

PA Unified Certification Program www.paucp.com

PA Department of General Services www.dgs.state.pa.us

National Minority Supplier Development Council www.nmsdcus.org

Women Business Enterprise National Council www.wbenc.org

U.S. Small Business Administration small disadvantaged businesses or 8(a) small disadvantaged

Business concerns

A. Diversity Questionnaire. A diversity questionnaire is required to be completed by the Proposer to ensure a commitment to equal opportunity and affirmative action (**Appendix B**).

B. Purpose of Diversity Questionnaire. The information requested in the Diversity Questionnaire is designed to elicit appropriate information about the Proposer in order to verify that its work environment demonstrates a strong commitment to diversity.

C. Types of Information Requested. The required information includes information on the demographics of the Proposer's upper level management and corporate commitment to diversity and equal opportunity initiatives.

D. Certification Requirement. A person authorized to bind the Proposer contractually must submit with the firm's proposal a certification outlining the Proposer's continued commitment to its diversity initiatives.

II-3. Cost Submittal. The information requested in this section shall constitute your cost submittal.

The Cost Submittal shall be placed in a separate sealed envelope within the sealed proposal, separate from the technical submittal.

A. Cost Proposal

Provide a complete fee schedule for **all** of the services described in your financial institution's proposal. Fees related to all services described in the proposal must be listed. Also, include Acceptance Fee, Annual Trustee Fee, Annual Paying Agent Fee, Escrow Agent, Investment Agreements, and Transaction Expenses. Transaction Expenses include but are not limited to Tenders, Bond Call, Security Purchase, Security Sale and Custody services for Non-Indentured Funds. Include any incentives or price breaks offered based on volume, timeliness of payment, rebates or other measures. Present a concise list of the scope of services and the work products that your firm proposes to provide. Given your proposed scope of services and work products, discuss your proposed fee arrangement *based on each of the following alternatives*:

1. Compensation on a fixed annual cost, payable monthly.
2. Compensation based on the value of the Trust assets.

Is the bank willing to guarantee the proposed fees for the entire term of the contract (up to five years)?
If not, for how long are the fees guaranteed?

Can fees be invoiced to PTC rather than debited directly from PTC's accounts?

B. Reimbursement of "Out-of-Pocket" Expenses

Upfront Out of Pocket Fees (please indicate a not to exceed amount and indicate what costs are included in this amount) The Commission shall reimburse for "Out-of-Pocket" expenses upon proper invoice rendered with appropriate receipts attached. Any costs incurred by the Trustee that are not specifically provided for herein shall be the expense of the Trustee.

Any costs not provided in the cost proposal will be assumed as no charge to the Commission.

The selected Proposer shall only perform work on this contract after the Effective Date is affixed and the fully-executed contract sent to the selected Proposer. The Commission shall issue a written Notice to Proceed to the selected Proposer authorizing the work to begin on a date which is on or after the Effective Date. The selected Proposer shall not start the performance of any work prior to the date set forth in the Notice of Proceed and the Commission shall not be liable to pay the selected Proposer for any service or work performed or expenses incurred before the date set forth in the Notice to Proceed. No Commission employee has the authority to verbally direct the commencement of any work under this Contract.

PART III
CRITERIA FOR SELECTION

III-1. Mandatory Responsiveness Requirements. To be eligible for selection, the Proposal should be (a) timely received from a Proposer; and (b) properly signed by the Proposer; and (c) formatted such that all cost data is kept separate from and not included in the Technical Submittal. The issuing Office will review all proposals to determine that proposals have met the minimum criteria identified in Section II- 1(E) of this RFP. Only those proposals that have demonstrated that proposers meet the minimum criteria will be reviewed further pursuant to Part III-2 and III-3 below.

III-2. Proposals will be reviewed and evaluated by a committee of qualified personnel of the Pennsylvania Turnpike Commission. This committee will recommend for award the firm that most closely meets the requirements of the RFP and satisfies the Commission's requirements. Award will only be made to a Proposer determined to be responsive and responsible in accordance with Commonwealth Management Directive 215.9, Contractor Responsibility Program.

III-3. The following criteria will be used, in evaluating each proposal.

1. Overall

- a. Responsiveness, organization, and clarity of the Proposal
- b. Presence in and commitment to the Commonwealth of Pennsylvania

2. Assigned Personnel

- a. Qualifications and experience
- b. Responses of references
- c. Location and availability to Commission staff

3. Firm Experience and Approach to the Engagement

- a. Qualifications and experience
- b. Approach to the engagement (including compliance and reporting)
- c. Responses of references

4. Commitment to Diversity.

The Proposer's demonstrated diversity and equal employment record, including: (i) recognition of the Proposer's equal employment opportunity and diversity policies, programs and initiatives; (ii) the diversity of the staff that will be substantially involved in work performed for the Commission and the firm's plan for utilizing minority and women staff in such work; (iii) the Proposer's status as a certified MBE/WBE; and (iv) the Proposer's plan for utilizing minority and women staff in partnering or joint venture arrangements proposed by the firm, if applicable.

5. Cost

Addendum No. 1

RFP # 11-67000-3041

Trustee and Custody Services

Prospective Respondents: You are hereby notified of the following information in regard to the referenced RFP:

REVISIONS

1. On Page 11 of 13, Section II-1 (i) delete the following sentence:
If the Commission retains your firm, acknowledge that your firm would have a fiduciary duty to the Commission in connection with the services to be provided by your firm.
2. On Page 8 of 13, Section II-1 (d) the language has been revised to read as follows:
Provide a brief description of how your firm is organized, including the businesses in which it is engaged, the location of offices, the number of **Corporate Trust** professionals in each office, and the role of the **Corporate Trust** department in your firm. Indicate your firm's commitment to the **Corporate Trust** industry and comment on any recent significant changes in your organization. Discuss your firm's presence in and commitment to the Commonwealth of Pennsylvania including offices and employees. Include a discussion of the specific expertise and services that distinguish your firm.
3. On Page 12 of 13, Section II-3(a) the language has been revised to read as follows:

A: Cost Proposal

Provide a complete fee schedule for all of the services described in your financial institution's proposal. Fees related to all services described in the proposal must be listed. Also, include Acceptance Fee, Annual Trustee Fee, Annual Paying Agent Fee, Escrow Agent, Investment Agreements, and Transaction Expenses. Transaction Expenses include but are not limited to Tenders, Bond Call, Security Purchase, Security Sale and Custody services for Non-Indentured Funds. Include any incentives or price breaks offered based on volume, timeliness of payment, rebates or other measures. Present a concise list of the scope of services and the work products that your firm proposes to provide. Given your proposed scope of

services and work products, discuss your proposed fee arrangement based on each of the following alternatives:

1. Compensation on a fixed annual cost, payable monthly.
2. Is the bank willing to guarantee the proposed fees for the entire term of the contract (up to five years)?
If not, for how long are the fees guaranteed?
Can fees be invoiced to PTC rather than debited directly from PTC's accounts?

ADDITIONS

1. Q&A Attachment A – Account Listing
2. Q&A Attachment B – PTC Policy and Procedure 7.1, Investment Policy and Guidelines

QUESTIONS & ANSWERS

Following are the answers to questions submitted in response to the above referenced RFP as of **April 18, 2011**. All of the questions have been listed verbatim, as received by the Pennsylvania Turnpike Commission.

1. What are the approximate par amounts of the new bonds?

We currently anticipate selling two Act 44 transactions (Subordinate Bonds and Motor License Fund Enhanced Subordinate Bonds) annually, and new money Senior Bond issues every year or two. We do not have any plans to sell additional new money Oil Franchise Tax or Registration Fee Revenue Bonds. Any refunding's would be additional.

2. Please provide examples of the securities that will be purchased and delivered to the custodian and or trustee?

The Commission invests in a variety of Indenture and Investment Policy permitted investments, including Treasuries, Agencies, Corporates, Municipals, Commercial Paper and Mortgage-Backed securities.

3. Will the Commission please provide indentures (original, amended & restated, if any, and supplements) as soon as possible?

We will provide full copies of the indentures as amended to the successful respondent(s).

4. What are the non- indentured accounts? Are the custody accounts considered "investment accounts", and/or "general funds" of the commission?

The non-indentured accounts are general funds and other investment accounts of the Commission, and include the General Reserve Fund, the

Reserve Maintenance Fund, the EZPass Custody account, and accounts that receive certain other revenues of the Commission that are not necessary for debt service.

See Q&A Attachment A – Account Listing.

5. Appendix C does not reference the Trust Accounts or non indentured accounts as indicated under Section I-2 background in RFP. Please provide list of Accounts.

The accounts will be provided to the successful bidder(s).

6. Please provide Asset Summary and transactions for non indenture and indentured accounts.

The Commission will not be providing this information.

7. Please provide form of Contract.

The Commission will work with the successful bidder(s) to negotiate an acceptable agreement.

8. Are there any outside investments held in Trust or non indentured accounts?

The investments held in these accounts include fixed-income investments that comply with the Commission’s Investment Policy.

9. The technical proposal requests investment fee information. Do we state fees in the technical proposal or the cost proposal or both?

Fees should only be provided in the Cost Proposal.

10. Please elaborate on the “fiduciary duty” to the commission as stated in II – 1 (i).

The question “If the Commission retains your firm, acknowledge that your firm would have a fiduciary duty to the Commission in connection with the services to be provided by your firm.” does not require a response in this proposal.

11. What document governs the custodial or non indentured accounts?

There will be custody agreements with the selected firm(s) and the investments are governed by the Commission’s Investment Policy

12. Please indicate interest rate made for each series under each indenture.

See Q&A Attachment A – Account Listing for indications of fixed or variable.

13. Is the current trustee also the calculation agent?

No

14. Will the Commission require Calculation Agent services on BABs?

No

15. Who is performing the calculation Agent capacity for the BABs?

Commission staff file all required 8038-CPs.

16. Are there any Refunding Escrow Accounts that we need to consider?

Series 2006AB Escrow for 2003AB Bonds

Series 2011A escrow for the 2001R Bonds

Series 2011B escrow for the 2001S Bonds

OFT Escrow for the Series A Bonds

Motor Vehicle Registration Series 2005 Escrow for the 2001 Bonds

OFT Series 2009 Escrow for 1998AB Bonds

17. Why is the current trustee being replaced or resigning?

The Commission will not be providing this information.

18. Is a tripartite agreement being executed?

It is possible that a triparty agreement would be used to transfer trustee obligations from one of the current trustees to a successor trustee. The decision as to how such a transfer of obligations would be made has not been finalized, and would be discussed with both the incumbent and the successor trustee and their counsel.

19. How will the trusteeship be transferred to the successor trustee?

Please see the response to question 18.

20. Will a tri-party agreement be used to accomplish the transfer?

Please see the response to question 18.

21. Are compliance items current?

Yes

22. Are there any existing defaults?

No

23. Who currently performs Arbitrage Rebate Services for the Commission?

Public Financial Management

24. What is the current Trustee and Custodian Fee?

The Commission will not be providing this information.

25. Would it be possible to receive a list showing what outstanding bond issues are fixed rate, variable rate or multi-modal? If multi-modal, please list the current mode.

Yes. See Q&A Attachment A – Account Listing.

26. Appendix C appears to list each series of bonds outstanding. Would it be possible to receive a list of the number of accounts associated with each issue and the number of non-trusted/indentures accounts of the Commission as mentioned on page 1 of the RFP?

The non-indentured accounts are discussed in the response to question 37. The Commission will not be providing a list of the indentured accounts.

27. Is the Trustee a party to any SWAP agreements associated with the issuance of bonds? If so, for which series? Do any of these payments flow through the Trustee?

There are swaps associated with the following bond series:

Oil Franchise 2003C

Motor Vehicle Registration Series 2005

Series 2009C

Series 2008B

Series 2009A

Series 2010B

Series 2006A

All Payments are processed through the bank.

28. Does the Turnpike Commission have an Investment Policy with regard to the Custody services requested? If so, would it be possible to view a copy of such policy?

Yes. A copy of the Investment Policy is provided as Q&A Attachment B to this response.

29. Mutual Fund fees were requested on page 10. Should these fees be listed part of the Technical Submittal or Cost Submittal?

Mutual Fund fees (and all fees) should be provided as part of the Cost Submittal

30. Regarding page 8, item II-1 D. Firm overview: Please confirm that the Commission would like to receive the number of investment advisory professionals in each office and the firm's commitment to the investment advisory business, versus receiving information on the number of Corporate Trust professionals and the firm's commitment to the corporate trust business.

The reference to “investment advisory” should have instead read “Corporate Trust”

31. Is it the intention of the Commission to RFP for Trustee and Custody services at the end of the contract term?

The Commission will not be providing this information.

32. Appendix C - In reviewing Appendix C, we recognize the bond issues listed under the type (i.e. Mainline Senior) but it does not list the number of trust accounts and number of non-indentured funds and market values. Could this please be provided?

The Commission will not be providing this information.

33. Part II, Section II-1D (page 8) Firm Overview - Asks about investment advisory professionals - should this be Trust Administrators? Also, asking about the commitment to advisory business - should this be taken to mean commitment to Corporate Trust?

Yes, the reference to “investment advisory” should have been to “Corporate Trust”

34. Part II, Section II3B. What is meant by Up-Front-Out of Pocket Expenses vs. Out of Pocket Expenses? Do you consider legal fees to be Up-Front Out of Pocket?

The distinction between “up-front out of-pocket-expenses” and “out-of-pocket expenses” references the difference between those expenses incurred in connection with the acceptance of a bond issue and those expenses that are ongoing in nature. Legal fees will be subject to reimbursement by the Commission so long as related services are approved in advance, in writing, by the Commission. The Commission’s Trustees have not typically required Trustee Counsel for each bond issue.

35. Part II Section 11-3 (Cost Submittal - page 12) A.1. Compensation on a fixed annual cost, payable monthly. Would this cost pertain to each bond issue to be issued or does the Commission want a fixed annual cost no matter the # of bond issues issued throughout the calendar year?

See Revision #3 above.

36. Part II Section 11-3 (Cost Submittal - page 12) A.2. Compensation based on the value of the Trust Assets. Does this question pertain to non-indentured trust assets only or both indentured and non-indentured funds?

See Revision #3 above.

37. Could you advise which of the accounts listed in Appendix C are non-indentured accounts?

The non-indentured accounts are the EZPass Custody Account, the General Reserve Fund, the Reserve Maintenance Fund, the OFT Unindentured Custody Account, the OFT General Fund and the Motor Vehicle Registration Self-Managed Account.

38. Could you identify the number of accounts associated with each listed bond issue in Appendix C?

Current accounts will be provided to the successful respondent(s). Generally accounts for a bond issue include principal accounts, interest accounts, debt service reserve funds, and arbitrage rebate accounts. Occasionally, additional accounts are required for a particular bond issue.

39. Could you please provide a sample custody agreement?

The Commission will not be providing this information.

40. Is the existing trustee resigning, being removed or is it anticipated that bondholder approval will be necessary (if the incumbent is not selected)?

The Commission will not be providing this information.

41. Are auction agent services also being considered for the outstanding PTC auction rate debt?

There is no auction rate debt outstanding at this time.

All other terms, conditions and requirements of the original RFP dated **April 7, 2011** remain unchanged unless modified by this Addendum.

Q&A Attachment A - Account Listing

Bond Series	Issue Date		Interest Mode
Senior Indenture			
ML 2001R	3/15/2001	Revenue Bonds	Fixed
ML 2001S	5/3/2001	Revenue Refunding	Fixed
ML 2001T	6/13/2001	Revenue Refunding	Fixed
ML 2004A	5/25/2004	Revenue Bonds	Fixed
ML 2006A	6/8/2006	Revenue Bonds	Fixed
ML 2008B1	5/29/2008	Revenue Bonds	Multi Modal Variable - Weekly
ML 2008B2	5/29/2008	Revenue Bonds	Multi Modal Variable - Weekly
ML 2008B3	5/29/2008	Revenue Bonds	Multi Modal Variable - Weekly
ML 2008B4	5/29/2008	Revenue Bonds	Multi Modal Variable - Weekly
ML 2008B5	5/29/2008	Revenue Bonds	Multi Modal Variable - Weekly
ML 2008B6	5/29/2008	Revenue Bonds	Multi Modal Variable - Weekly
ML 2008C	8/19/2008	Revenue Bonds	Multi Modal Variable - Weekly
ML 2009A	6/22/2009	Revenue Bonds BAB	Fixed
ML 2009B	12/9/2009	Revenue Bonds	Fixed
ML 2009C	11/23/2009	Revenue Bonds	Variable
ML 2010A1	7/29/2010	Revenue Refunding	Multi Modal Variable - Weekly
ML 2010A2	7/29/2010	Revenue Refunding	Multi Modal Variable - Weekly
2010B	9/10/2010	Revenue Bonds BAB	Fixed
2011A	4/28/2011	Revenue Refunding	Fixed
2011B	4/28/2011	Revenue Bonds	Variable
Subordinate Indenture			
MLS 2008A1	4/18/2008	Rev Bonds	Fixed
MLS 2008A2	4/18/2008	Rev Bonds (taxable)	Fixed
MLS 2008B1	7/25/2008	Rev Bonds	Fixed
MLS 2008B2	7/25/2008	Rev Bonds (taxable)	Fixed
MLS 2008C1	10/21/2008	Rev Bonds	Fixed
MLS 2008C4	10/21/2008	Rev BANS (taxable)	Fixed
MLS 2009A	1/16/2009	Rev Bonds	Fixed
MLS 2009B	7/22/2009	Rev Bonds Refund 07 BANS 08C3	Fixed
MLS 2009C	7/22/2009	Rev Bonds	Fixed
MLS 2009D	10/22/2009	Revenue Bonds	Fixed
MLS 2009E	10/22/2009	Revenue Bonds CAB	Fixed
MLFE 2010A	7/28/2010	MLF-Enhanced SRB's	Fixed
MLS 2010B	7/28/2010	Revenue Bonds	Fixed
MLS 2010C	10/28/2010	Revenue Bonds	Fixed
MLFE 2010B	10/28/2010	MLF-Enhanced SRB's	Fixed
MLS 2011A	4/28/2011	Revenue Bonds	Fixed
MLFE 2011A	4/28/2011	MLF-Enhanced	Fixed


Motor Vehicle Registration Indenture

MVR 2005A	8/17/2005	Revenue Refunding	Fixed
MVR 2005B	8/17/2005	Revenue Refunding	Variable
MVR 2005C	8/17/2005	Revenue Refunding	Variable
MVR 2005D	8/17/2005	Revenue Refunding	Variable

Oil Franchise Tax Indenture

OFTR 2003A	7/31/2003		Fixed
OFTR 2003B	7/31/2003	Rev Bonds	Fixed
OFTR 2003C	8/5/2003	Revenue Bonds	Fixed
OFTR 2009A1	10/15/2009	Revenue Bonds Refunding	Fixed
OFTR 2009A2	10/15/2009	Revenue Bonds	Fixed
OFTR 2009B	10/15/2009	Revenue BABs	Fixed
OFTR 2009C	10/15/2009	Revenue CABs	Fixed
OFTR 2009D1	10/15/2009	Rev Bonds Refunding	Fixed
OFTR 2009D2	10/15/2009	Rev Bonds	Fixed
OFTR 2009E	10/15/2009	Revenue Bonds BAB	Fixed

PTC 502005539 (12/05)

	PENNSYLVANIA TURNPIKE COMMISSION POLICY AND PROCEDURE	Number: 7.1
		Approval Date: 1/19/2010
		Effective Date: 2/3/2010
Policy Subject: 7.1 - Investment Policy and Guidelines	<i>This is a statement of official Pennsylvania Turnpike Commission Policy</i>	Revised Date: 1/13/2010
	Responsible Department: Finance Department	

A. Purpose:

To define guidelines and operational factors governing the investment of financial assets of the Pennsylvania Turnpike Commission.

B. Investment Objectives:

- A. The safety and preservation of invested funds.
- B. To maintain adequate liquidity to meet Commission cash flow requirements.
- C. Maximize the Total Rate of Return.
- D. Provide preference to Pennsylvania investments when the ROI is no less than equal to the non-Pennsylvania investment.

C. Investment Guidelines:

Eligible Securities (to the extent permitted by any applicable indenture of trust)

- 1. U. S. Treasury Bills, Notes, Bonds, Strips
- 2. Time Deposits issued by a banking association organized and doing business under the laws of the United States of America or of any state that have a combined capital and surplus of at least \$50,000,000.
- 3. Certificates of Deposit that are fully collateralized and issued by a bank, savings and loan or trust company organized under the laws of the United States or any state thereof.

4. Investment Agreements with a bank, a bank holding company or a financial institution that has outstanding long-term indebtedness rated “AA” or better by Moody’s and S&P.
5. Obligations of any of federal agencies which obligations are backed by the full faith and credit of the United States of America, including (but not limited to):
 - Export-Import Bank
 - Farm Credit System Financial Assistance Corporation
 - Farmers Home Administration
 - General Services Administration
 - U.S. Maritime Administration
 - Small Business Administration
 - Government National Mortgage Association (GNMA)
 - U.S. Dept. of Housing and Urban Development (PHAs)
 - Federal Housing Administration
6. Senior debt obligations rated “AAA” by Standard & Poor’s Ratings Group (“Standard & Poor’s”) and “Aaa” by Moody’s Investors Service (“Moody’s”) issued by the following Government-Sponsored Enterprises (referred to as “Federal Agencies” throughout this policy):
 - Federal Home Loan Bank
 - Federal Farm Credit Bank
 - Federal Home Loan Mortgage Corporation
 - Federal National Mortgage Association
7. Mortgage-backed securities issued by an approved Federal Agency and Collateralized Mortgage Obligations, so long as such securities are rated Aaa by Moody’s and AAA by Standard & Poor’s.
8. Debt obligations of any state or local government entity, whether for itself, or as a conduit issuer, provided that the securities are rated in the Aa/AA category by at least two of Standard & Poor’s, Moody’s and Fitch Investors Service (“Fitch”) and do not have a rating from any of Standard & Poor’s, Moody’s and Fitch below the Aa/AA category (without regard to subcategories of ratings), and provided that if a short-term rating is provided for the securities that they are rated in the top tier by at least two of the three of Standard & Poor’s (A1 or better), Moody’s (VMIG1 or P1), and Fitch (F1) and do not have a rating from any of the three rating agencies below such levels.
9. Commercial Paper rated by at least two of Standard and Poor’s, Moody’s and Fitch and not less than “A-1/P-1/F-1” by Standard & Poor’s, Moody’s and Fitch, respectively.
10. Corporate Bonds rated “Aa3/AA-” or better by Moody’s and S&P.
11. Asset-Backed Securities rated “AAA” by Moody’s and S&P.
12. Repurchase agreements with banks or primary government dealers reporting to the Federal Reserve Bank of New York (“Repurchasers”), collateralized by investments with a minimum 102% valuation in securities described above in paragraphs 1, 5 and 6.

13. Share or Certificates in any short-term investment fund that invests not less than 90% of its assets in obligations described in (1) or (2) above.

B. Diversification

1. No limitations are placed on Investments carrying the full faith and credit of the U.S. Government, including repurchase agreements collateralized by such investments.
2. Investments in any single Federal Agency not carrying the Full Faith and Credit of the U.S. Government are limited to 35% of the Portfolio.
3. Investments in Certificates of Deposit or Investment Agreements in total are limited to 30% of the Portfolio.
4. The combined exposure to Commercial Paper, Corporate Bonds and Asset-Backed Securities is limited to 35% of the total Portfolio.
5. Investments in any one single issuer (excluding U. S. Treasury and Federal Agency securities) are limited to 5% of the Portfolio.

C. Quality

All Investments shall be made with judgment and care, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of capital as well as the probable income to be derived.

All investment ratings shall be based on security ratings at the time of purchase. In the event of a downgrade in rating, the Portfolio Manager is to discuss such downgrade as soon as possible with the Chief Financial Officer or his designee with a recommendation on whether to sell or hold. The portfolio's average credit quality should be rated Aa3/AA- or better by Moody's / S&P.

D. Maturity

At the time of purchase, the maturity of each security in the Portfolio may not exceed five (5) years, taking into account any call, put, prepayment, or other features that may impact maturity. Similarly, the weighted average life of mortgages and asset-backed securities may not be more than 5 years.

E. Turnover

The Portfolio Managers shall follow a semi-active approach to investment management whereby investments are generally purchased with the intent of holding to maturity, but the Portfolio Managers have the flexibility to restructure and rebalance portfolio holdings to manage risk and take advantage of market opportunities.

D. Performance Benchmark:

- A. The Portfolio Manager shall work with the Chief Financial Officer or his designee to develop appropriate benchmarks for the various funds invested by the Commission, and shall compare the returns of the individual Portfolio segments to such benchmarks.

E. Periodic Review:

The Investment Policy Committee of the Commission shall prepare an investment report to the Commissioners on a quarterly basis, including a management summary that provides a clear picture of the status of the current investment portfolio and transactions made over the latest reporting period. Both Investment performance and conformity with this Investment Policy shall be reported.

F. Amendments:

This Investment Policy shall be reviewed annually by the Investment Policy Committee. Any amendments to the Investment Policy must be approved by the Commission.

This Policy Letter supersedes all previous Policy Letters on this subject.