

REQUEST FOR PROPOSALS FOR

Swap Advisory Services

ISSUING OFFICE

Pennsylvania Turnpike Commission

Finance and Administration Department

RFP NUMBER

RFP 12-10320-3825

DATE OF ISSUANCE

October 26, 2012

**REQUEST FOR PROPOSALS FOR
Swap Advisory Services**

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PART I

GENERAL INFORMATION FOR PROPOSERS

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

I-2. Issuing Office. This RFP is issued for the Commission by the Finance and Administration Department.

I-3. 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-4. Problem Statement. The Commission currently has 23 interest rate swap (“swap”) agreements among 9 counterparties with a total notional amount in excess of \$2.1 billion. Given the complex nature of the Commission’s swap portfolio, it is desirable to retain the services of a Swap Advisor.

I-5. Type of Contract. It is proposed that if a contract is entered into as a result of this RFP, it will be a fixed fee. The Commission may in its sole discretion undertake negotiations with Proposers whose proposals as to price and other factors show them to be qualified, responsible, and capable of performing the work.

I-6. 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-7. 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-8. Incurring Costs. The Commission is not liable for any costs the Proposer incurs in preparation and submission of its proposal, in participating in the RFP process or in anticipation of award of contract.

I.9. Questions and Answers. Written questions may be submitted to clarify any points in the RFP which may not have been clearly understood. Written questions should be submitted by email to RFP-Q@paturnpike.com with **RFP 12-10320-3825** in the Subject Line to be received no later than 12:00 PM local time on **Tuesday, November 13, 2012**. All questions and written answers will be posted to the website as an addendum to and become part of this RFP.

I-10. Addenda to the RFP. If it becomes necessary to revise any part of this RFP before the proposal response date, addenda will be posted to the Commission's website under the original RFP document. It is the responsibility of the Proposer 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-11. 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 local time on Wednesday, December 5, 2012**. 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, FedEx, UPS, or other delivery method, does not guarantee delivery to the Contracts Administration Department by the above listed time for submission. Proposers mailing proposals 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 proposal 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 Proposers are otherwise notified by the Commission, the time for submission of proposals shall remain the same.

I-12. 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 **four (4) hard copies and one complete and exact copy of the technical and cost proposal on CD-ROM in Microsoft Office or Microsoft Office-compatible format** to the Contracts Administration Department. No other distribution of proposals will be made by the Proposer. 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. 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 fax notice (fax number (717) 986-8714) received at the Commission's address for proposal delivery prior to the exact hour and date specified for proposal receipt.

Contracts Administration Department
Attn: Donald Klingensmith
Director of Contracts Administration
PA Turnpike Commission
700 South Eisenhower Blvd.
Middletown, PA 17057

However, if the Proposer chooses to attempt to provide such written notice by fax transmission, the Commission shall not be responsible or liable for errors in fax transmission. A proposal may also be withdrawn in person by a Proposer or its authorized representative, provided his/her identity is made known and he/she 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 solicitation.

I-13. 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. The body of the proposal shall not exceed fifteen (15) pages of 12 point type, excluding required tables and appendices. The cost proposal, Commitment to Diversity items and Technical appendices are not included in the 15 page limit. However, the review of the Technical Evaluation Team will be primarily focused on the materials contained in the body of the proposal, rather than the appendices.

I-14. Discussions for Clarification. Proposers who submit proposals may be required to make an oral or written clarification of their proposals to the Issuing Office to ensure thorough mutual understanding and Proposer responsiveness to the solicitation requirements. The Issuing Office will initiate requests for clarification.

I-15. Best and Final Offers. The Issuing Office reserves the right to conduct discussions with Proposers for the purpose of 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 Issuing Office will limit any discussions to responsible Proposers whose proposals the Issuing Office has determined to be reasonably susceptible of being selected for award.

I-16. 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-17. 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 proposal 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 Proposers at the discretion of the Commission. The Commission has the right to use any or all ideas presented in any proposal. Selection or rejection of the proposal does not affect this right.

In accordance with the Pennsylvania Right-to-Know Law (RTKL), 65 P.S. § 67.707 (Production of Certain Records), Proposers 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 Proposal that contains the trade secret or confidential proprietary information.

Proposers 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-18. Debriefing Conferences. Proposers whose proposals 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.

I-19. 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-20. Commission Participation. Unless specifically noted in this section, Proposers must provide all services to complete the identified work

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 will 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 response section of 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.

I-24. Insurance.

A. General. Before the execution of a Contract, Provider must provide the Commission with certificates of insurance evidencing the coverage required acceptable to the Commission, as described below. Have all policies endorsed to contain the following clause: "Thirty (30) days written notice of any cancellation, non-renewal, limit or coverage reduction is to be sent to the Commission by Certified Mail." The preceding is subject to existing Commonwealth of Pennsylvania statutory cancellation provisions relating to non-payment of premium and misrepresentation by the insured. Maintain the insurance described herein for the entire duration of the Contract. All insurance policies must be written by an Insurance Company licensed and/or authorized to do business in Pennsylvania and acceptable to the Commission having an A.M. Best's rating of no less than A-, with a financial size category of IX, or better. Have all insurance policies and certificates signed by a resident Pennsylvania Agent of the issuing Company. However, in the case of an eligible surplus lines insurer, have all policies and certificates also signed by a party duly authorized to bind, on behalf of the eligible surplus lines insurer, the certified coverage's.

B. Commercial General Liability Insurance. Commercial general liability insurance (CGL) with limits not less than \$1,000,000 each occurrence with a \$2,000,000 aggregate. If the CGL contains a general aggregate limit, it shall apply separately each site or location. CGL insurance shall be written on the Insurance Services Office Inc. (ISO) occurrence form CG 00 01 12 07 (or substitute form providing equivalent coverage) and shall cover liability arising from premises, operations, independent contractors, products completed operations, personal injury and advertising injury, and liability assumed under contract (including the tort liability of another assumed in a business contract but not including breach of contract damages).

C. Business Auto Liability Insurance. Business auto liability insurance with a limit of not less than \$1,000,000 each accident. Such insurance shall cover liability, including bodily injury or death and property damage, arising out of any auto (including owned, hired, and non-owned autos). Business auto coverage shall be written on the current ISO form or a substitute form providing equivalent liability coverage.

D. Worker's Compensation and Employer's Liability Insurance. Take out, pay for and maintain during the life of the contract, Worker's Compensation Insurance in statutory required limits for the protection of all employees. Provide, pay for and maintain during the life of the contract, Employer's Liability Insurance in limits of not less than \$100,000 bodily injury each accident, \$500,000 bodily injury by disease- Policy Limit, and \$100,000 bodily injury by disease each employee

E. Professional Liability Insurance. Insurance coverage for Errors and Omissions (Professional Liability Insurance) in an amount not less than \$1,000,000. Insurance shall be provided on a form acceptable to the Pennsylvania Turnpike Commission.

PART II

INFORMATION REQUIRED FROM PROPOSERS

Proposals must be submitted in the format, including heading descriptions, outlined below. To be considered, the proposal 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, in response to Part II-1 through II-7 hereof; (ii) Cost Submittal, in response to Part II-8 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. Statement of the Problem. State in succinct terms your understanding of the problem presented or the service required by this RFP.

II-2. Management Summary. Include a narrative description of the proposed effort and a list of the items to be delivered or services to be provided.

II-3. Work Plan. Describe in narrative form your technical plan for accomplishing the work. Use the task descriptions in Part IV of this RFP as your reference point. Modifications of the task descriptions are permitted; however, reasons for changes should be fully explained. Indicate the number of personhours allocated to each task.

II-4. Prior Experience. Include experience in swap advisory services. Experience shown should be work done by individuals who will be assigned to this project as well as that of your company. Studies or projects referred to should be identified and the name of the customer shown, including the name, address, and telephone number of the responsible official of the customer, company, or agency who may be contacted.

II-5. Personnel. Include the number, and names where practicable, of executive and professional personnel, analysts, auditors, researchers, programmers, consultants, etc., who will be engaged in the work. Show where these personnel will be physically located during the time they are engaged in the work. Include through a resume or similar document education and experience in swap advisory services. Indicate the responsibilities each will have in this project and how long each has been with your company. Identify subcontractors you intend to use and the services they will perform.

II-6. Training. The Swap Advisor will be expected to assist in educating the staff of the Commission in the use of swaps, on an as needed basis. Such training may consist of seminars, written materials and informal discussions.

II-7. Commitment to Diversity and Inclusion. The Turnpike Commission is committed to the diversity and inclusion of disadvantaged, minority, and woman business enterprise (D/M/WBE) business firms in contracting opportunities. Responding firms shall clearly identify D/M/WBE firms expected to participate in this contract, in their Proposal. Proposed DBE/MBE/WBE firms must be certified by the Pennsylvania Department of General Services (www.dgs.state.pa.us) or the Pennsylvania Unified Certification Program (www.paucp.com) at the time of the submission of the proposal. **If further information is desired concerning D/M/WBE participation,** direct inquiries to the Pennsylvania Turnpike Commission's Contract Administration Department by calling (717) 939-9551 Ext. 4241.

II-8. 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.**

Proposers should **not** include any assumptions in their cost submittals. If the proposer includes assumptions in its cost submittal, the Issuing Office may reject the proposal. Proposers should direct in writing to the Issuing Office pursuant to Part I-9 of this RFP any questions about whether a cost or other component is included or applies. All Proposers will then have the benefit of the Issuing Office's written answer so that all proposals are submitted on the same basis.

The total cost you are proposing must be broken down but not limited to the following components:

- A. 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 the following*:
 - 1. Compensation on a fixed annual cost, payable monthly.
- B. Expectations for reimbursement of "Out-of-Pocket" Expenses.

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, a proposal shall be (a) timely received from a Proposer; (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.

III-2. Proposal Evaluation. Proposals will be reviewed, evaluated, and rated by a Technical Evaluation Team (TET) of qualified personnel based on the evaluation criteria listed below. The TET will present the evaluations to the Professional Services Procurement Committee (PSPC). The PSPC will review the TET's evaluation and provide the Commission with the firm(s) determined to be highly recommended for this assignment.

The Commission will select the most highly qualified firm for the assignment or the firm whose proposal is determined to be most advantageous to the Commission by considering the TET's evaluation and the PSPC's determination as to each firm's rating.

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. Evaluation Criteria. The following criteria will be used, in order of relative importance from the highest to the lowest, in evaluating each proposal:

a. Understanding the Problem. This refers to the Proposer's understanding of the Commission needs that generated the RFP, of the Commission's objectives in asking for the services or undertaking the study, and of the nature and scope of the work involved.

b. Proposer Qualifications. This refers to the ability of the Proposer to meet the terms of the RFP, especially the time constraint and the quality, relevancy, and recency of studies and projects completed by the Proposer. This also includes the Proposer's financial ability to undertake a project of this size.

c. Personnel Qualifications. This refers to the competence of professional personnel who would be assigned to the job by the Proposer. Qualifications of professional personnel will be measured by experience and education, with particular reference to experience on studies/services similar to that described in the RFP. Particular emphasis is placed on the qualifications of the project manager.

d. Soundness of Approach. Emphasis here is on the techniques for collecting and analyzing data, sequence and relationships of major steps, and methods for managing the service/project. Of equal importance is whether the technical approach is completely responsive to all written specifications and requirements contained in the RFP and if it appears to meet Commission objectives.

e. Cost. While this area may be weighted heavily, it will not normally be the deciding factor in the selection process. The Commission reserves the right to select a proposal based upon all the factors listed above, and will not necessarily choose the firm offering the best price. The Commission will select the firm with the proposal that best meets its needs, at the sole discretion of the Commission.

f. DBE/MBE/WBE Participation. This refers to the inclusion of D/M/WBE firms, as described in Part II-7, and the extent to which they are expected to participate in this contract. Participation will be measured in terms of total dollars committed or percentage of total contract amount to certified D/M/WBE firms.

PART IV

WORK STATEMENT

IV-1. Objectives.

- a. **General.** The Commission is seeking a vendor for Swap Advisory Services.
- b. **Specific.** The Swap Advisor will be required to prepare the Annual Swap Report, perform effectiveness testing as required by GASB Statement No. 53, monitor the Commission's exposure to interest rate derivatives, evaluate risks associated with the Commission's outstanding derivative agreements and provide all services necessary to meet the requirements and complete the tasks as listed in sections IV-3 and IV-4.

IV-2. Nature and Scope of the Project.

The Swap Advisor will develop and maintain a Swap portfolio database for monitoring and reporting purposes. The database should include a summary of the types and terms of all Swap Agreements including a list of Counterparties and their credit ratings, original notional amount, outstanding notional amounts and payment schedules, average life of each agreement, any collateral requirements and/or thresholds, termination exposure, basis risk exposure, value of a basis point and remaining term of each trade. The database should also include a summary of any outstanding bonds associated with any trade and a per-trade history and current accounting and verification of settlements paid and received by the Commission. Please provide sample reports. The database shall include a document repository to include ISDA, ISDA Schedule, CSA, confirms and board resolutions.

The Swap Advisor will be required to submit a monthly report as of the last day of each month on the state of the Swap portfolio. The report should include a list of Counterparties and their current credit ratings, notations of changes in credit ratings or Counterparty credit events (such as mergers, acquisitions and bankruptcies), aggregation of notional amount and exposure by Counterparty by dollar amount and percent, a combined outstanding notional value of the portfolio, and a mark-to-market valuation summary. The mark-to-market valuations should be identified for Swaps by issuer and by counterparty and should include a brief description of the payer and receiver terms of the trade. Please provide a sample report.

IV-3. Requirements.

The Swap Advisor will be expected to provide advice, information and recommendations, which includes supporting analysis and schedules, to assist the Commission with the following: monitoring and updating policy, portfolio analysis and asset management, ongoing portfolio feedback, complying with Accounting Standards such as GASB Statement No. 53 – Accounting and Financial Reporting for Derivatives Instruments, preparing financial statement disclosures, all matters relating to swap terminations and swap restructurings, the tasks as described below and preparation of the Annual Swap Report. Proposer should note that the above list is not all inclusive. The Swap Advisor will be expected to perform or to assist with all matters related to the Commission's swap agreements in effect during the period of the Swap Advisor agreement.

IV-4. Tasks

The Swap Advisor will be expected to provide alerts whenever applicable to advise the Commission of the following developments:

- a.** Changes to the credit rating of any counterparty or any major credit event that occurs including, but not limited to, mergers, acquisitions and assignments.
- b.** Material changes in mark-to-market valuation levels that would require collateral action or impact risk exposure.
- c.** Mark-to-market valuations reaching a level at which Commission could advantageously terminate or restructure existing swaps.
- d.** Material events, legislation, products and happenings that could impact the Commission.

The Swap Advisor will be required to provide effectiveness testing on a monthly or quarterly basis (quarterly based on the Commission's fiscal quarters, not calendar quarters). Effectiveness testing must be performed every year on the Commission's year-end which is May 31st.

The Swap Advisor will be required to maintain a database to track, calculate, verify, and report all fixed and floating Swap settlements including reset rates and day counts according to the terms of the trade confirmations. The Swap Advisor will be expected to demonstrate confirmation of the calculations of the Counterparty at time payment is due. Please provide example of report with calculations.

The Swap Advisor will review the Commission's Swap policy at least annually and shall make recommendations for changes to such policy to meet changing needs and circumstances in both the portfolio and the market.

The Swap Advisor will be required to assess on a quarterly basis, the existing portfolio of swaps to provide recommendations regarding the appropriate balance and diversification of floating rate, synthetic fixed and fixed exposure taking full account of the Commission's assets and liabilities, rating agency, legal and regulatory requirements.

The Swap Advisor will be responsible for keeping the Commission informed of new products or swap opportunities that may be applicable to the portfolio, and for identifying and recommending any restructuring or optimization opportunities that exist portfolio-wide or within certain trades that may be to the Commission's advantage.

The Swap Advisor will also occasionally be required to provide analyses and feedback on, various solicited or unsolicited swap proposals and opportunities submitted to the Commission by banks, financial professionals and swap counterparties relating to bond transactions, program management or other opportunities.

The Swap Advisor will be expected to provide all calculations and schedules required for the Commission to comply with GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. The Swap Advisor will assist the Commission in drafting the notes to its

financial statements. All GASB 53 information, schedules and effectiveness testing results for each fiscal year will be provided no later than June 21st.

The Swap Advisor will be expected to prepare the Commission's Annual Swap Report.

The Swap Advisor will be expected to assist in the preparation and review of disclosures relating to Swaps appearing in the financial disclosure contained in the offering documents used by the Commission bonds.

The Swap Advisor will also be expected to advise and update the Commission on accounting and regulatory proposals including GASB 53 compliance regarding Swaps and other derivative instruments.

The Swap Advisor will be required to assist with or handle, as applicable, all matters relating to swap terminations whenever applicable including, at a minimum:

- a. Review of documents relating to termination.
- b. Preparation of materials and presentation to the Commission for necessary approvals.
- c. Preparation of pricing models and execution of "dry-run" termination pricings with Counterparties, including agreement on mid-market levels.
- d. Negotiation of all-in spreads to mid-market price with counterparties.
- e. Acting as liaison with market participants to determine and procure additional feedback on fair market price quotes for terminations.
- f. Execution of termination pricing with Counterparties.

The Swap Advisor will be required to assist with or handle, as applicable, all matters relating to swap restructurings whenever applicable including, at a minimum:

- a. Investigation, development and recommendation of optimal restructuring strategies and structures.
- b. Review of documents relating to proposed restructurings.
- c. Preparation of materials and presentation to the Commission for necessary approvals.
- d. Preparation of pricing models and execution of "dry-run" pricings with Counterparties, including agreement on mid-market levels.
- e. Negotiation of all-in spreads to mid-market price with Counterparties.
- f. Acting as liaison with market participants to determine and procure additional feedback on fair market price quotes.
- g. Execution of restructuring with Counterparties.

IV-5. Reports and Project Control.

The Swap Advisor is expected to have web-based access to valuations and reports within proper portfolio groupings, payment and net payment calculations, and web-based access to transaction documents. Swap market values will be updated weekly, at a minimum.

- a. **Task Plan.** A work plan for each task that identifies the work elements of the tasks, the resources assigned to the tasks, and the time allotted to each element and the deliverable items to be produced.

b. Status Report. A periodic quarterly progress report covering activities, problems, and recommendations; the report should be keyed to the work plan developed by the Proposer in its proposal, as amended or approved by the Commission.

c. Problem Identification Report. An “as required” report, identifying problem areas. The report should describe the problem and its impact on the overall project and on each affected task. It should list possible courses of action with advantages and disadvantages of each, and include Proposer recommendations with supporting rationale.

Addendum No. 1

RFP # 12-10320-3825

Swap Advisory Services

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

REVISION

1. Page 6 of 15, Section I-24, Insurance is revised to read:

A. General Insurance Requirements

1. The Professional Services shall not commence until the Professional Service Contractor has obtained, at their own expense, all of the insurance as required hereunder and such insurance has been approved by the Commission; nor shall the Professional Service Contractor allow any Subcontractor to commence work on any Commission projects until all insurance required of the Subcontractor has been so obtained and approved by the Contractor. Approval of insurance required of the Professional Service Contractor will be granted only after submission to the Commission, original certificates of insurance signed by the representatives of the insurers or, at the Commission's request, certified copies of the required insurance policies.
2. The Professional Service Contractor shall require all Subcontractors to maintain during the term of the Contract Commercial General Liability Insurance, Business Auto Liability Insurance, Professional Liability Insurance (if applicable), Pollution Liability Insurance (if applicable), and Workers' Compensation and Employers Liability Insurance at the same limits required of Professional Service Contractor.
3. All insurance required herein, with the exception of the Professional / Errors and Omissions Liability Insurance shall be written on an "occurrence" basis and not a "claims-made" basis. For Professional Liability "claims-made" coverage:
 - a. The retroactive date must be on or prior to the start of work under this contract; and
 - b. The Subcontractor must purchase "tail coverage/an extended reporting period" or maintain coverage for a period of three years – the required completed operations period.
4. The Commission, its commissioners, agents, servants, employees and representatives shall be named as additional insured on the Contractor's liability (General Liability, Automobile Liability and Umbrella Liability insurance) insurance program with respect to the liability arising out of the Contractor's work (including products and completed operations as well as ongoing operations) and the certificate of insurance, or the certified policy, if required,

must also state this. This coverage should be provided, along with evidence of such coverage, for a period of two years after completion of the project.

5. All insurance policies required hereunder shall be endorsed to provide that the policy is not subject to cancellation, non-renewal, or material reduction in coverage until thirty (30) days prior written notice has been given to the Owner.
6. Insurance provided to the Commission as specified herein shall be primary and non-contributory.
7. No acceptance and/or approval of any insurance by the Commission shall be construed as relieving or excusing the Professional Service Contractor or the Professional Service Contractor's Surety (if applicable) from any liability or obligation imposed upon either or both of them by provisions of this Contract.
8. Any deductibles or self-insured retention's of (\$10,000) or greater shall be disclosed by the Professional Service Contractor, and are subject to Commission's written approval. Any deductible or retention amounts elected by the Professional Service Contractor or imposed by the Professional Service Contractor's insurer(s) shall be the sole responsibility of the Professional Service Contractor.
9. All insurance companies shall have an AM Best's rating of A- or better and be licensed to do business in the State of Pennsylvania.
10. There shall be no liability upon the Commission, public officials, their employees, their authorized representatives, or agents either personally or as officials of the Commission in carrying out any of the provisions of the Contract nor in exercising any power or authority granted to them by or within the scope of the Contract, it being understood that in all such matters they act solely as agents and representatives of the Commission.
11. Waiver of Rights of Recovery and Waiver of Rights of Subrogation:
 - a. The Contractor and subcontractors waive all rights of recovery against the Owner and all the additional insured's for loss or damage covered by any of the insurance maintained by the contractor or subcontractor.
 - b. If any of the policies of insurance required under this contract require an endorsement to provide for the waiver of subrogation, then the named insured of such policies will cause them to be so endorsed.
12. Any type of insurance or any increase in limits of liability not described above which the contractor requires for its own protection or on account of statute shall be its own responsibility and at its own expense.

B. Professional Service Contractor Liability Insurance Requirements

- The Professional Service Contractor shall purchase the following insurance coverage's for the minimum limits specified below or required by law.

- **Commercial General Liability** insurance for bodily injury, personal injury, and property damage including loss of use, etc. with minimum limits of:

\$1,000,000 each occurrence;
 \$1,000,000 personal and advertising injury;
 \$2,000,000 general aggregate; and
 \$2,000,000 products/completed operation aggregate.

This insurance shall include coverage for all of the following:

- Coverage is to be provided by the standard Commercial General Liability insurance policy (“Occurrence Form”);
- General aggregate limit applying on a per project/ location basis;
- Liability arising from premises and operations;
- Liability arising from the actions of independent contractors;
- Contractual liability including protection for the Professional Service Contractor from bodily injury and property damage claims arising out of liability assumed under this Contract;
- Liability arising from the explosion, collapse or underground (XCU) hazards (If Applicable)
- Products/Completed Operations Coverage must be maintained for a period of at least two (2) years after final payment (including coverage for the Additional Insured’s as set forth in these Insurance Requirements).

- **Business Auto Liability** insurance with a minimum limit of \$1,000,000 per accident and including, but not limited to, coverage for all of the following:

- Liability arising out of the ownership, maintenance or use of any auto;
- Auto non-ownership and hired car coverage
- Contractual Liability Coverage (including Liability for Employee Injury assumed under a Contract as provided in the standard ISO policy form)

- **Workers’ Compensation** insurance with statutory benefits as required by any state or federal law, including standard “other states” coverage; **employer’s liability** insurance with minimum limits of:

\$1,000,000 each accident for bodily injury by accident;
 \$1,000,000 each employee for bodily injury by disease; and
 \$1,000,000 policy limit for bodily injury by disease.

1. Including Waiver of Right to Recover from Others Endorsement (WC 00 0313) where permitted by state law.
2. United States Longshore & Harbor Workers Act Coverage, where applicable; and
3. Maritime Coverage under the Jones Act, where applicable.

- **Professional Liability:** Service Contractors (such as, but not limited to Architects, Engineers, Attorneys, Financial Advisors, Marketing Professionals, Physicians and Risk Management Consultants) shall provide professional liability and/or malpractice insurance with minimum limits of \$1,000,000.

- **Umbrella Liability or Excess Liability** insurance with minimum limits of:

\$5,000,000 per occurrence;
\$5,000,000 aggregate for other than products/completed operations and auto liability; and
\$5,000,000 products/completed operations aggregate.

Policy to apply excess of the Commercial General Liability (following form, Per Project / location), Commercial Automobile Liability and Employers Liability Coverage.

- **Pollution Liability (If Applicable) Insurance**

- Occurrence/Claims Made Limit: \$1,000,000 per project
- Insurance to be maintained for the duration of the work for a period of two years thereafter
- No Exclusions for Silica, Asbestos or Lead.
- Include Mold Coverage for full policy limit of liability.

- **Watercraft and Aircraft Liability (If Applicable):** If contractor utilizes any owned, used, leased, hired or borrowed watercraft or aircraft to complete their work in accordance with this Contract, the coverage shall be maintained.

Minimum Limits of Liability:

\$2,000,000 Per Occurrence
\$2,000,000 Aggregate

C. Indemnification

The Contractor shall protect, defend, indemnify and hold harmless the Commission, and their agents and employees from and against all liability (including liability for violation of any law or any common law duty), claims, damages, losses, and expenses including attorneys' fees arising in connection with, out of, or resulting from the performance of the work, provided that any such liability, claim, damage, loss or expense (i) is attributable to bodily injury, sickness, disease, or death, or to any statutory or regulatory rule designed to protect against such conditions, or to injury to or destruction of tangible property (other than the work itself), and including the loss of the use resulting there from, and (ii) is caused by or results from, in whole or in part, any act or omission of the Contractor, any Subcontractor, Sub-subcontractor(s), anyone direct or indirectly employed by any of them or anyone for whose acts any of them may be liable, regardless of whether or not it is also caused by or results from any act or omission of any party indemnified hereunder.

In any and all claims against the Commission or any of their agents or employees, by an employee of the Contractor, Subcontractor, or any Sub-subcontractor, or anyone directly or indirectly employed by any of them, or anyone for whose acts any of them may be liable, the indemnification obligation shall not be limited in any way by any limitation on the amount or type of damages, compensation or benefits payable by or for any Contractor, Subcontractor or any Sub-subcontractor under Workmen's Compensation Acts, Disability Benefits Acts, or other Employee.

QUESTIONS & ANSWERS

Following are the answers to questions submitted in response to the above referenced RFP as of November 13, 2012. All of the questions have been listed verbatim, as received by the Pennsylvania Turnpike Commission.

1. The “Annual Swap Report” is mentioned several times throughout the RFP, but is never explicitly defined. Is Part IV-1(b) intended to define the Annual Swap Report? If not, do you have either a) a list of items required to be addressed in the Annual Swap Report or b) a sample of a previous Annual Swap Report that is intended to be replicated?

The Commission will work with the selected swap advisor to finalize the format of the Annual Swap Report. But, the Commission is looking for the swap advisor to recommend a report format. Following should be considered minimum requirements of the report: the purpose of the report, a summary of the swap portfolio, counterparty credit exposure, ability to fund termination payments and liquidity support.

2. Does the Commission’s swap portfolio include any embedded options (e.g., swaptions)?

NO

3. Other than LIBOR (or a percentage thereof) and the SIFMA Index, what indices underlie the floating rate for the Commission’s swaps?

The Commission has constant maturity swaps that use the 10 year swap rate.

4. What collateral arrangements are in place between the Commission and each of its swap counterparties?

The Commission has Credit Support Annexes in place for all swap agreements.

5. Does the Commission require its Annual Swap Report to be prepared in a specific format, or is it left to the Commission’s chosen swap advisor to formulate the report?

Please see question 1 above.

6. How soon after the end of the quarter must hedge effectiveness tests be provided?

The hedge effectiveness report is due within 3 weeks after the end of the fiscal quarter.

All other terms, conditions and requirements of the original RFP dated October 26, 2012 remain unchanged unless modified by this Addendum.