

REQUEST FOR QUALIFICATIONS FOR
UNDERWRITING SERVICES

ISSUING OFFICE

Pennsylvania Turnpike Commission
Finance/Administration Department

RFQ 14-10320-4844

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**REQUEST FOR QUALIFICATIONS FOR
UNDERWRITING SERVICES**

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PART I

GENERAL INFORMATION

I-1. Purpose. The Pennsylvania Turnpike Commission (Commission) seeks to retain the services of one or more “Investment Banking Firms” (firms) experienced in municipal bond financings to provide Underwriting Services. Through this Request for Qualifications (RFQ) process, the Commission seeks to appoint a pool or pools [pool(s)] of underwriting firms which will be available to serve the Commission as part of an underwriting syndicate as needed from time to time. The Commission’s underwriting pools may generally consist of firms classified as “Senior Managers” or as “Co-Managers.” Please note that inclusion in the pool(s) does not guarantee or provide assurances that an underwriting firm will be selected to serve as an underwriter on a Commission public finance transaction. There should be no expectation of a rotation of firms providing underwriting services to the Commission and the Commission reserves the right to include or exclude any firm in its underwriting pool(s) or to include or exclude any firms from any Commission public finance transaction.

This RFQ provides interested firms with sufficient information to enable them to prepare and submit statements of qualifications for consideration by the Commission to satisfy a need for Underwriting Services. Firms wishing to be considered as a Senior Manager should respond to this RFQ in all respects. Respondent firms only wishing to be considered for qualification as a Co-Managing underwriter should also respond to this RFQ in all respects, but should only answer questions not identified as for “Senior Manager Only”.

I-2. Background.

A. The Turnpike System

The present system is composed of the following: a 359 mile Turnpike Mainline traversing the southern portion of Pennsylvania from east to west; a 110 mile north-south section identified as the Northeast Extension; a 16 mile north-south connection, known as the Beaver Valley Expressway which intersects the Turnpike Mainline in the southwestern portion of the Commonwealth; the 13 mile Amos K. Hutchinson Bypass, which adjoins the Turnpike Mainline near the New Stanton Interchange; a 48-mile section of the Mon/Fayette Expressway; and, a six mile section of the Southern Beltway project from PA 60 to US 22. Completion of the Mon/Fayette Expressway and Southern Beltway Projects will create about 98 miles of new limited-access highways south and west of Pittsburgh in Allegheny, Washington and Fayette counties.

The Pennsylvania Turnpike System has a total of 67 interchanges which connect it with major arteries and population centers in its 552 mile traffic corridor. Thirty-two of the interchanges are located on the Turnpike Mainline, including Turnpike Mainline barriers at the New Jersey and Ohio state lines, and 10 interchanges are situated on the Northeast Extension. The additional 25 interchanges are located on the three extensions previously noted. There are 17 service plazas along the Pennsylvania Turnpike System providing gasoline and diesel fuel, other automotive supplies and services, and restaurant services.

B. Financial Condition and Outlook

As of June 1, 2014 the Commission had over \$9.4 billion in long-term debt, issued under four separate indentures. Outstanding debt and debt ratings are as follows:

	<u>Outstanding Debt</u> <u>\$(000s)</u>	<u>Ratings (M,S&P,F)</u>
Mainline Senior Revenue	\$3,524,485	A1 , A+, A+
Mainline Subord. Revenue	\$3,778,310	A3, A-, A-
Motor License Fund	\$970,383	A1,NR,AA
Oil Franchise Tax Revenue	\$750,428	Aa3, AA (Sr.); A2, A+ (Sub.); NR
Registration Fee Revenue	\$416,930	Aa3, A, AA-

Toll revenue for the fiscal year ended May 31, 2013 exceeded \$811 million, and is expected to increase in FY 2014 due to toll increases that were implemented in January 2013 and 2014. Preliminary and unaudited estimates indicate FY 2014 toll revenues of approximately \$862 million. The Commission also receives revenue annually from the Commonwealth from oil company franchise taxes and motor license registration fees totaling approximately \$100 million.

C. Capital and Financing Plan

The Commission prepares a ten-year capital plan and financing plan which shows anticipated funding sources, including Commission funds and revenue bonds. The capital plan currently addresses projects estimated at approximately \$6.5 billion scheduled for construction through fiscal year 2024.

D. Enabling Statutes

On July 18, 2007, Pennsylvania Governor Edward G. Rendell signed Act 44 into law, creating a “public-public partnership” between the Commission and PennDOT to provide funding for roads, bridges, and transit throughout the Commonwealth, thus greatly expanding the Commission’s previous focus on operating and improving the Turnpike. Under Act 44, a Lease and Funding Agreement was entered into between the Commission and PennDOT. The Funding Agreement contains certain provisions dealing with various items including, among other things, the payment by the Commission of annual payments to PennDOT, and the issuance of special revenue bonds by the Commission.

Act 44 and the Funding Agreement require the Commission to submit an annual financial plan to the Secretary of the Budget on or before June 1 of each year that describes the Commission’s operating and capital expenditures, borrowings, liquidity and other financial management covenants and policies, estimated toll rates and all other revenues and expenditures for the ensuing fiscal year. Act 44 provides that the financial plan shall demonstrate that the operation of the Commission can reasonably be expected to generate sufficient funds to make payments to PennDOT pursuant to the Funding Agreement and Act 44 during the ensuing and future fiscal years. The most recent Act 44 Financial Plan can be found at www.paturnpike.com under the Financial/Planning-Investor Relations link.

On November 25, 2013, Act 89 was enacted to provide substantial additional and sustained investment in the Commonwealth's aging transportation infrastructure. Act 89 also enacted substantial revisions to the Commission's transportation funding obligations under Act 44 and authorized the Commission and PennDOT to immediately amend the Act 44 Funding Agreement to reflect the statutory provisions of Act 89. The Commission and PennDOT have executed an amendment to the Act 44 Funding Agreement (the "**Act 89 Amendment**" and together with the Act 44 Funding Agreement, the "**Amended Funding Agreement**"). The Amended Funding Agreement will terminate on October 14, 2057.

I-3. Issuing Office. This RFQ is issued for the Commission by the Office of the Chief Financial Officer. All questions regarding this RFQ must be directed to the Commission pursuant to the process identified in Section I-8 below. No questions will be addressed except through such process.

I-4. Scope. This RFQ contains instructions governing the statements of qualifications 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 statement of qualifications.

I-5. Problem Statement.

A. General Description

The Commission is soliciting statements of qualifications from investment banking firms for the purpose of creating up to two or more pools of potential underwriting firms (one or more pools for Senior Managers and one pool for Co-Managers) from which the Commission may appoint one or more firms to an underwriting syndicate for future Commission public finance transactions. Such selection may be made with or without the issuance of a subsequent Request for Proposals with respect to a specific public finance transaction. **Firms should indicate clearly in the responses to the RFQ whether they wish to be considered as either a Senior Manager or as a Co-Manager (those firms that are not selected into a Senior Manager pool(s) will automatically be considered for the Co-Manager pool).** The Commission may select Co-Senior Managers and Co-Managers from any pool(s). The specific structure and size of any future underwriting syndicate for Commission public finance transactions has not been determined at this time. The Commission will structure its underwriting syndicates in a manner that best meets its objectives to complete a public finance transaction efficiently and cost effectively.

The Commission reserves the right, in its sole and absolute discretion, to select firms as Senior Manager, Co-Senior Manager or as Co-Manager that are not in a particular pool – such selection may be based on proprietary products, ideas presented to the Commission, transaction size and such other factors as the Commission deems relevant to a particular financing. The Commission does not intend to name all firms that could potentially be deemed "qualified" to a pool(s) of Senior Managers, but rather intends to select those firms that best meet the Commission's selection criteria, as identified in Section III-3 of this RFQ. Note that following the creation of the pool(s), the Commission reserves the right, in its sole and absolute discretion, to add or remove firms from the pool(s) or to move firms among pools or to select firms from outside any pool(s) at any time as circumstances may arise or warrant on each public finance transaction.

B. Requested Services

The underwriting services requested will include, but are not limited to, assisting the Commission with the following:

Senior Managers

1. Provide as-needed financial information regarding market conditions and trends, financial products, credit and credit analysis, third party alternative financing and special facility financing, and to keep the Commission abreast of market developments and financing techniques which might be applicable to the Commission's financing programs.
2. Prepare analyses and evaluations of potential refundings and new money issues, including reviews of financial feasibility and debt capacity.
3. Review and evaluate financing options, derivative and other innovative products, financial feasibility studies, legal documents, and pricing of any financing and any escrow.
4. Assist the financial advisor in identifying tasks, assigning responsibilities and coordinating dates for completing activities related to the plan of finance.
5. Assist with preparation of Official Statements and Investor Presentations.
6. Develop a comprehensive marketing plan, including identification of potential investors and market conditions for alternative products;
7. Provide information on and participate in the selection of credit enhancement providers, if deemed appropriate for a particular financing.
8. Review and assist in the preparation of disclosure and other legal documentation for both issuance of debt and continuing disclosure.
9. Coordinate disclosure "due diligence review" of the Commission in consultation with underwriter's counsel.
10. Coordinate the investment banking process leading to the negotiated sale of Commission bonds, including preparation of pricing books. Underwrite bonds if necessary to enable an orderly pricing and to meet the Commission's goals for pricing. This includes the willingness to remarket the bonds underwritten in a manner that does not affect the long-term price of the Commission's bonds
11. During the pricing of bonds, provide:
 - a. The ability to remotely monitor the placement of orders on a real-time basis, including the type of order and the firm placing such order
 - b. On-site facilities for Commission staff and financial advisors to monitor and oversee the process of pricing the bonds

- c. Status reports summarizing order flow by maturity as well as intra-day developments that affect the pricing
12. Provide post-sale analysis of the transaction, including a:
 - a. A review of pricing (including all relevant information pertaining to rates and yields, arbitrage yield and true interest costs, etc.);
 - b. Summaries of orders and allocations;
 - c. Provide investor feedback and reverse inquiries;
 - d. Provide final debt service schedules for the transaction.
 13. Coordinate closing of the bond transaction with other working group members

All Managers

1. Assist in pre-sale marketing and development of price views
2. Provide for effective institutional and/or retail distribution of the Commission's bonds
3. Commit firm capital to underwrite unsold balances as necessary

I-6. Rejection of Statements of Qualifications. The Commission reserves the right to reject any and all Statements of Qualifications received as a result of this request.

I-7. Incurring Costs. The Commission is not liable for any costs incurred by firms in their preparation and submission of Statements of Qualifications, in participating in the RFQ process or in anticipation of award of bond underwriting opportunities.

I-8. Questions and Answers. Written questions may be submitted to clarify any points in the RFQ which may not have been clearly understood. Written questions should be submitted via email to RFP-Q@paturndpike.com with RFQ 14-10320-4844 in the subject line, to be received no later than 2:00 PM local time on Thursday, July 10, 2014. All questions and written answers will be posted to the website as an addendum to and become part of this RFQ. No questions regarding the RFQ will be addressed except through this process.

I-9. Addenda to the RFQ. If it becomes necessary to revise any part of this RFQ before the response date, addenda will be posted to the Commission's website under the original RFQ document. It is the responsibility of all firms to periodically check the website for any new information or addenda to the RFQ.

The Commission may revise a published advertisement. If the Commission revises a published advertisement less than ten days before the RFQ 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-10. Response. To be considered, Statements of Qualifications must be delivered to the Pennsylvania Turnpike Commission's Contracts Administration Department, Attention: Wanda Metzger, on or before 2:00PM local time on Thursday, July 31, 2014. 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.

Respondents mailing Statements of Qualifications should allow sufficient delivery time to ensure timely receipt of their Statement of Qualifications. If the Commission office location to which Statements of Qualifications 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 Respondents are otherwise notified by the Commission, the time for submission of responses shall remain the same.

I-11. Statements of Qualifications. To be considered, Respondents should submit a complete response to this RFQ, using the format provided in PART II. Each Statement of Qualifications should be submitted in nine (9) copies to the Contract Administration Department. No other distribution of Statements of Qualifications will be made by the Respondent. Each page should be numbered for ease of reference. An official authorized to bind the Respondent to its provisions must sign the Statement of Qualifications. If the official signs the Statement of Qualifications Cover Sheet (Appendix B to this RFQ) and the Statement of Qualifications Cover Sheet is attached to the submission, the requirement will be met.

Each and every Respondent submitting a Statement of Qualifications specifically waives any right to withdraw or modify it, except as hereinafter provided. Statement of Qualifications may be withdrawn by written or fax notice (fax number (717) 986-8714) received at the Commission's address for Statement of Qualifications delivery prior to the exact hour and date specified for Statement of Qualifications receipt.

Overnight Delivery Address:

Contracts Administration Department
Attn: Wanda Metzger
PA Turnpike Commission
700 South Eisenhower Blvd.
Middletown, PA 17057

US Mail Delivery Address:

Contracts Administration Department
Attn: Wanda Metzger
PA Turnpike Commission
P.O. Box 67676
Harrisburg, PA 17106

However, if the Respondent 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 Statement of Qualifications may also be withdrawn in person by a Respondent or its authorized representative, provided his/her identity is made known and he/she signs a receipt for the Statement of Qualifications, but only if the withdrawal is made prior to the exact hour and date set for Statement of Qualifications receipt. Statement of Qualifications may only be modified by the submission of a new sealed Statement of Qualifications or submission of a sealed modification which complies with the requirements of this solicitation.

I-12. Economy of Preparation. Statements of Qualifications should be prepared simply and economically, providing a straightforward, concise description of the Respondent's ability to meet the requirements of the RFQ. For firms submitting as Senior Manager, the body of the proposal shall not exceed thirty (30) pages of 12 point type, excluding required tables and appendices. For firms submitting as Co-Manager, the body of the proposal shall not exceed fifteen (15) pages of 12 point type,

excluding required tables and appendices. Respondents are allowed to provide additional information as part of the appendices (that is outside of the required tables and appendices).

I-13. Statement of Qualifications Contents. Statements of Qualifications 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. Statements of Qualifications submitted to the Commission may be reviewed and evaluated by any person other than competing Respondents 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), Respondents shall identify any and all portions of their Statement of Qualifications that contains confidential proprietary information or is protected by a trade secret. Statements of Qualifications 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.

Respondents 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-14. Debriefing Conferences. Respondents whose firms are not selected will be notified of the name of the selected respondents and given the opportunity to be debriefed, at their request. The Issuing Office will schedule the time and location of the debriefing. The Respondent will not be compared with other respondents.

I-15. 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-16. Term of Appointment. The Commission intends that the pool(s) established pursuant to this RFQ will remain in effect for a term of three (3) years with an option of one year extensions until such time that the Commission chooses to dissolve and/or reconstitute the pool(s).

I-17. Respondent’s Representations and Authorizations. Each Respondent by submitting its Statement of Qualifications understands, represents, and acknowledges that:

- a. All information provided by, and representations made by, the Respondent are material and important and will be relied upon by the Issuing Office in establishing underwriting pool(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 Statement of Qualifications. A misrepresentation shall be punishable under 18 Pa. C.S. §4904.
- b. To the best knowledge of the person signing the proposal for the Respondent, the Respondent, 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 Respondent in its Statement of Qualifications.
- c. To the best of the knowledge of the person signing the proposal for the Respondent and except as otherwise disclosed by the Respondent, the Respondent 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 Respondent that is owed to the Commonwealth.
- d. The Respondent is not currently under suspension or debarment by the Commonwealth, or any other state, or the federal government, and if the Respondent cannot certify, then it shall submit along with the Statement of Qualifications a written explanation of why such certification cannot be made.

- e. Each Respondent, by submitting its Statement of Qualifications, 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-18 Insurance

Respondent will comply with the Insurance requirements as described in Appendix C - Insurance Requirements.

PART II

INFORMATION REQUIRED FROM RESPONDENTS

Statements of Qualifications 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 RFQ. Any other information thought to be relevant, but not applicable to the enumerated categories, should be provided as an appendix to the Statement of Qualifications.

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

II-1. Required Information

A. Title Page

Show the name of Respondent's firm, address, telephone number, name of contact person, date and the subject: **REQUEST FOR QUALIFICATIONS FOR UNDERWRITING SERVICES RFP 14-10320-4844**. Indicate whether your firm is requesting inclusion in a senior manager pool or the co-manager pool.

B. Table of Contents

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

C. Cover Letter and Executive Summary

This letter should be signed by the person in your firm who is authorized to negotiate terms, render binding decisions and commit the firm's resources.

Summarize the respondent'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. Minimum Qualifications

The investment banking firm(s), or its lead banker(s) designated to work on Commission public finance transactions, must have a minimum of three years of municipal finance experience serving as an underwriter with respect to revenue credits and/or transportation/toll road related public finance transactions. The investment banking firm(s) and its lead banker(s) must hold and maintain at all times, all licenses and registrations required by applicable federal and state laws for businesses offering underwriting or investment banking services. All licenses and registrations must be current and in good standing with each of the following:

1. The U.S. Securities Exchange Commission (SEC);
2. The Financial Industry Regulatory Authority (FINRA);
3. The firm must also have at all times, at least one full-time professional supervisory employee with a FINRA Series 53 license (Municipal Securities Principal); and
4. The Municipal Securities Rulemaking Board (MSRB).

E. Firm Overview

Please provide responses to each of the following:

1. A brief history and description of your firm, how it is organized, including the businesses in which it is engaged, the location of offices, the number of public finance and municipal underwriting and sales professionals in each office, and the role of the municipal department in your firm.
2. Indicate your firm's commitment to the municipal bond industry and comment on any recent significant changes in your organization, including any expansions or reductions in staffing for areas of public financing that you serve.
3. 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.
4. The dollar volume of your firm's Senior-Managed transportation-related transactions and your firm's Co-Managed transportation-related transactions (nationally) for calendar years 2012, 2013 and year-to-date 2014.

F. Firm's Financial Condition

Provide a table showing your firm's:

1. Equity capital, net capital and excess net capital, as defined by FINRA for each of the last five years.
2. Specify the dollar amount of bonds which your firm can underwrite at one time as of the date of the RFQ submission and provide a breakout of how much of that underwriting capacity is based upon your firm's own capital and how much is based upon other sources of capital which you have identified in response to this question.
3. Describe the firm's capital commitment to its municipal finance activities, including average daily inventory of municipal bonds (tax-exempt fixed rate only) by year during the last five years.

G. Firm's Credit Strength

Please provide your firm's short-term and long-term ratings and current outlook from Fitch, Moody's and Standard & Poors for each of the last 10 years. Please comment on any relevant events that may have caused any of the rating agencies to change their rating or place such rating under review. Please be concise and specific; do not attach the ratings reports for the rating agencies.

H. Personnel and References

Please provide responses to each of the following:

1. 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.
2. Identify who will provide any quantitative financial analysis services for the Commission. For the proposed personnel, provide a list of five clients that the proposed personnel have worked with in the last 36 months; a brief description of the type and size of transaction and the services you provided; and the names, titles, addresses and telephone numbers of the government officials primarily responsible for the transactions. You should only list clients and transactions which are similar to financings contemplated by the Commission (i.e., taxable or tax-exempt new money issues, variable rate financings, refundings, derivatives, etc.).

I. Relevant Financing Experience

1. Provide a description of your firm's relevant experience over the last five years with transportation clients and other clients that you believe are relevant to this proposed engagement. Identify the transportation agencies for which you are currently serving as financial advisor or underwriter. Provide, in tabular form, the underwriting experience of the firm and the experience of the proposed project team over the past five years in the following areas:
 - a. Toll road/bridge financing
 - b. Experience with the Commission
 - c. Other transportation financing
 - d. Issuance of tax-exempt bonds
 - e. Issuance of taxable bonds
2. Provide no more than five case studies that detail your approach to underwriting services and your contributions to the relevant transactions. **(Firms submitting for Senior Manager only.)**
3. It is acceptable to provide transaction lists in an appendix. It is also acceptable to list less than all of a firm's experience (e.g., only Senior-Managed negotiated transactions) if proposer believes that the more limited information will be equally effective in conveying qualifications to serve the Commission.

J. Distribution and Marketing Capability

Describe your firm's municipal sales and distribution capabilities for both retail and institutional customers. In particular, please address these capabilities with respect to each of the following products:

1. Traditional fixed-rate tax-exempt bonds
2. Variable rate products (notes, VRDB, TECP, FRNs)

3. CABs and Convertible CABs
4. Taxable bonds
5. Short-term debt products.

Please provide examples of the competitive strengths that you would ascribe to your tax-exempt bond sales team. Please provide the number of traders working in municipal securities that are dedicated to institutional sales and the number dedicated to retail sales. Please describe how your sales team could increase the institutional investor base for bonds in a Commission public finance transaction.

K. Commission's Financial Considerations (firms submitting for Senior Manager only)

Describe your firm's knowledge of the Commonwealth of Pennsylvania's Acts 44 and 89 as they apply to the Commission. Describe your understanding of the obligations placed on the Commission as result of Acts 44 and 89. Describe your firm's knowledge of the Commission's Act 44 Financial Plan and its constraints and requirements relative to debt service coverage ratios, liquidity, etc.

L. New Money Offerings/Current & Advanced Refundings (firms submitting for Senior Manager only)

1. Given the Commission's existing debt portfolio, please describe a refunding opportunity that your firm has identified that the Commission may be able to execute over the next 3-24 months if current market conditions hold.
2. Describe how you believe the Commission should evaluate refunding proposals.
3. What criteria should the Commission follow in determining if a refunding proposal is worth considering in order to ensure that the Commission was refunding optimally.
4. In refunding analysis, industry practice is to determine savings by discounting cashflows using true interest cost (TIC). However, basic fixed income theory suggests that cashflows should be discounted using a borrower's funding curve (e.g. spot rates derived from the funding curve). Should the Commission consider refundings by discounting each maturity by the Commission's non-call par curve?
5. Given the Commission's existing portfolio of outstanding debt, please provide a short case study in how you would recommend the Commission issue the approximately \$6.5 billion in toll revenue bonds necessary to fund the Commission's 10 Year Capital Plan as well as the approximately \$3 billion in remaining Act 44 debt. Your response should include recommendations on the type of bond sales, the timing of bonds sales, the type of debt (fixed or variable), the structure of bonds, call features, the use of derivatives (if any), the reinvestment of proceeds, strategically targeting of different investors, etc. Please be as specific as you can and provide rationale for each of your recommendations to the extent possible.

M. Market and Pricing Information (firms submitting for Senior Manager only)

1. Describe your firm's knowledge, experience and resources in tracking and monitoring the tax-exempt and taxable bond markets, including tax-exempt fixed

rate, variable rate, and taxable fixed rate products. Include a discussion of how you evaluate the success of any pricing.

2. Discuss your firm's overall marketing approach and recognized strength (e.g. institutional vs. retail). If applicable, identify the number of retail accounts, regional concentration and unique marketing strengths your firm can offer the Commission. Please include a discussion of your experience, if any, as a secondary market maker for Commission bonds.
3. In the last five years, please list up to five deals which are good examples of your firm's ability and willingness to commit capital on behalf of an issuer's primary offering in a negotiated bond sale. In particular, the examples should demonstrate instances when the firm was willing to commit capital rather than making adjustments to the pricing of the bonds because the firm believed the price of the bonds was accurate. In your examples, please include the name of the issuer, the sale date, the size of the bond sale, the amount of bonds the firm underwrote to support the pricing and any market conditions at the time of the pricing that are worth mentioning.
4. In the context of a negotiated sale, please describe a compensation or designation method that you would suggest the Commission use, taking into consideration the reaction of both buyers and other syndicate members, which could help the Commission achieve lower all-in rates.
5. Discuss your thoughts and recommendations on the optimal size of future Commission underwriting syndicates.

N. Technical and Analytical Resources (firms submitting for Senior Manager only)

Describe the technical, quantitative and analytical resources available to your firm in the process of structuring, analyzing and pricing of bond issues.

O. Understanding of the Commission and its Challenges (firms submitting for Senior Manager only)

Provide a discussion of the financial challenges facing the Commission and ways in which creative and appropriate use of innovative financing techniques and fiscal management can assist the Commission in addressing these challenges (not to exceed five pages).

P. Investor Base, Secondary Market Activity & Liquidity (firms submitting for Senior Manager only)

Please provide responses to each of the following:

1. Given the change in the investor base for municipal bonds over the past several years as well as the relative volume of outstanding Commission debt, what recommendations do you have to increase the Commission's investor base?
2. Identify the 25 largest holders of Commission debt

3. Identify the largest bond buyers nationally of tax-exempt debt and identify which, if any, of these investors are not significant holders of Commission debt.
4. Who should the Commission target in trying to expand its investor base?
5. List the regions of the U.S. and the significant investors in those regions where you believe the Commission has the greatest opportunity to expand its investor base.
6. How could the Commission increase participation from non-traditional investors?
7. Based on your evaluation of current holders of Commission bonds, please comment on the relative importance of various buyer segments for future bond sales of the Commission (e.g. retail, property and casualty companies, bond funds, relative value, etc.) both currently and in general. Are there any segments that you believe are under-represented in recent Commission sales?
8. Please discuss strategies, including direct investor outreach and bond structures, to enhance the retail participation in Commission bond sales from their current retail participation levels.
9. Over the past several years, the MSRB has collected and made available substantial data on secondary market trading activity. How could the Commission effectively use data on secondary market activity of Commission bonds trading in the secondary market? Please comment on analyzing the trading activity around the time of a primary offering and during the time when the Commission is not selling bonds.

Q. Disciplinary Action

Please indicate whether or not your firm has any knowledge of any active investigations or criminal proceedings by the SEC or any other state or federal agency with regard to your public finance department and municipal trading department members or practices.

Identify fully the extent to which your firm or individual partners or employees are a party to any securities litigation or arbitration, or are the subject of a subpoena in connection with a municipal securities investigation, including any investigations involving auction rates securities. Include any such investigations which concluded in an enforcement or disciplinary action ordered or imposed in the last four years.

Has your firm been removed from any underwriting appointment prior to the expiration of the contract term? If so, please describe the circumstances.

R. Potential Conflict of Interest

Disclose any conflicts of interest, as stated in MSRB G-17, including finder's fees, fee splitting or other contractual arrangements of the firm that could present a real or perceived conflict of interest. Disclose the current status and timing of any publicly acknowledged planned mergers with or acquisitions of any other firm that could impact your potential engagement with the Commission.

Identify any potential conflict known by your firm and discuss how, if selected, your firm would address any concerns raised by such potential conflict. If your firm is selected as an underwriter for a transaction, your firm must notify the Commission when you enter into any new contracts or relationships which may present a conflict of interest.

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 RFQ. 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 Respondent to ensure a commitment to equal opportunity and affirmative action (**see Appendix A.**).
- B. Purpose of Diversity Questionnaire.** The information requested in the Diversity Questionnaire is designed to elicit appropriate information about the Respondent 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 Respondent's upper level management and corporate commitment to diversity and equal opportunity initiatives.
- D. Certification Requirement.** A person authorized to bind the Respondent contractually must submit with the firm's statement of qualifications a certification outlining the Respondent's continued commitment to its diversity initiatives.

PART III

CRITERIA FOR SELECTION

III-1. Mandatory Responsiveness Requirements. To be eligible for selection, the Statement of Qualifications should be (a) timely received from a Respondent; and (b) properly signed by the Respondent.

III-2. Statements of Qualifications will be reviewed and evaluated by a Technical Evaluation Team (TET) of qualified personnel selected by the Commission. The TET will recommend for selection those firms that most closely meet the requirements of the RFQ and satisfy Commission needs. Consideration for Senior Managers or Co-Managers will only be made to Respondents determined to be responsive and responsible in accordance with Commonwealth of 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 Statement of Qualifications
 - b. Demonstrated understanding of the Commissions financial situation and constraints pursuant to Act 44 and 89 as well as the Act 44 Financial Plan.
 - c. Presentation of innovative strategies to assist the Commission with the financing of its capital program and Act 44 obligations.
 - d. Experience and expertise in the provision of revenue credit and/or transportation-related underwriting services
 - e. Presence in and commitment to the Commonwealth of Pennsylvania
 - f. Financial capacity and willingness to underwrite bonds at appropriately aggressive levels
 - g. Organization, size and structure of firm
2. Assigned Personnel
 - a. Qualifications and experience in structuring, negotiating and implementing the full range of tax-exempt and taxable revenue credit and/or transportation-related bond and note financings
 - b. Experience and knowledge of transportation and toll road, municipal and Pennsylvania issuers and financings, including experience with the Commission
 - c. Responses of references
 - d. Location and availability to Commission staff
 - e. Tenure with firm and length of time in the industry
3. Firm Experience
 - a. Distribution capability
 - b. Commitment to public finance
 - c. Relevant experience in complex transportation-related public finance transactions
 - d. Responses of references

4. Commitment to Diversity. The Respondent's demonstrated diversity and equal employment record, including: (i) recognition of the Respondent'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 Respondent's status as a certified MBE/WBE; and (iv) the Respondent's plan for utilizing minority and women staff in partnering or joint venture arrangements proposed by the firm, if applicable.

Addendum No. 1

RFQ #14-10320-4844

UNDERWRITING SERVICES

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

Following are the answers to questions submitted in response to the above referenced RFP as of July 10, 2014. All of the questions have been listed verbatim, as received by the Pennsylvania Turnpike Commission.

1. In regards to the insurance coverage requirements we wanted to clarify the proposed minimum limits of liability. The indicated coverage levels are inconsistent with the stated goal of including co-managers within the pool and stated commitment to diversity. As noted the stated coverage requirements for Umbrella and professional liability is \$10MM/\$5MM respectively. Is the Commission willing to propose lower insurance limits for Co-Managers and/or Diversity and Minority Firms? Potentially in the range similar to the stated general and auto liability of \$1MM-\$2MM range.

Insurance requirements are applicable to all responding firms, regardless of proposed role.

2. Due to page limits, is it required that responding firms state the *full* question before each response or will a subject line be sufficient?

A subject line will be sufficient.

3. Where can responding firms find the Diversity Questionnaire (Appendix A)?

Go to the PTC website, click on the Underwriter RFQ, then click on the PDF document, click on the paperclip on the upper left-hand section of the document. The 3 appendices can be found there.

4. As a firm based in California, some RFPs for other states require a Certificate of Authority in the state and/or a business office in the state. Does this RFP require such certification for a foreign corporation in order to apply or get if selected into the underwriter pool?

There is no such certificate required.

5. Could the Commission provide its current swap profile, including the bond series and amounts that are hedged and unhedged and the swap counterparties?

This information is not necessary for an underwriting firm to respond to the RFQ. We can share this information with a firm once they have been selected from the pool but at this point it is not our intent to distribute this information.

6. To whom it may concern: are all underwriters required to acquire insurance or just underwriters responding for senior managers positions?

Please see answer to question #1.

7. Part II, C. Cover Letter and Executive Summary: Are these included in the page count?

No

8. Part II, D. Minimum Qualifications: Is this section provided for information purposes only or are you seeking a listing of our licenses and registration numbers? If so, can these be included in an appendix?

The intent is to confirm that all licenses mentioned are held by firms designated to work with the Commission. It is not necessary to provide a list.

9. Part II, G. Firm's Credit Strength: We are not rated by any of the major rating agencies as we are a privately held firm. Can we provide a description of our credit strengths instead?

Provide any relevant information useful in establishing your firm's credit and/or financial strength.

10. Part II, P. Questions 7 & 8: Can information be provided as to buyer segments and retail participation on recent Commission sales so that firms that are not currently within the PTC syndicate can respond with greater specificity?

This information is generally available to market participants through publicly accessible sources.

11. General: As the Diversity Questionnaire specifically asks for a firm's willingness and history of joint ventures with MBEs we are assuming that joint ventures are permitted and intend to submit a joint proposal with another firm seeking to serve as Senior Manager. Is the page limitation the same, or can there be an allowance given the unavoidable need to submit separate firm-specific information for certain items (e.g. equity capital, staffing, etc.).

Submit joint venture information as an appendix and/or attachment that is not subject to the response page limitation.

12. Diversity Questionnaire: The second table asks about the composition of staff assigned to the PTC engagement. We plan to limit our response to public finance banking staff as that group will be the most heavily involved with the Commission, is this acceptable.

Yes

13. In regard to the Request for Qualifications for Underwriting Services, would you please clarify if all types of Underwriting Firms need to meet each Insurance Requirement in Appendix C?

Please see answer to question #1.

14. Regarding the Commission's swap portfolio, would it be possible to provide the swap confirms, current notional schedules for outstanding swaps, or an update on any changes to the swap portfolio since the Commission's last Audit?

Please see answer to question 5 above.

15. Can the Commission please provide a current overview of its swap portfolio and/or swap confirmations? Additionally, for the FRNs with associated swaps, can the Commission provide the proportion of FRNs to the attached swap?

Please see answer to question 5 above.

16. The Pennsylvania Turnpike Commission's (the "Commission") capital expenditures stated in the Commission's Act 44 Financial Plan Fiscal Year 2014 differs slightly from the capital expenditures stated in the Commission's Proposed Fiscal Year 2015 Ten Year Capital Plan, which one should be used?

Please use the most recent capital plan, 2015.

All other terms, conditions and requirements of the original RFP dated June 26, 2014 remain unchanged unless modified by this Addendum.