

Commonwealth of Massachusetts

State Treasurer & Receiver General Steven Grossman

Debt Management Department



Solicitation for Liquidity Support Facilities including

\$248,115,000

**General Obligation Refunding Bonds
(Variable Rate Demand Bonds), 2001 Series C**

and

\$200,000,000

**General Obligation Bonds, Consolidated Loan of 2006
(Variable Rate Demand Bonds), Series B**

and

\$200,000,000

Tax Exempt Commercial Paper Notes, Series H

February 9, 2011

SOLICITATION

I. Overview

The Office of the State Treasurer of The Commonwealth of Massachusetts (the “Commonwealth”) is requesting proposals from qualified financial institutions for liquidity support facilities. The primary purpose for the solicitation is to replace a Standby Bond Purchase Agreement on its General Obligation Refunding Bonds (Variable Rate Demand Bonds), 2001 Series C (the “Series 2001C Bonds”), a Standby Bond Purchase Agreement on its General Obligation Bonds, Consolidation Loan of 2006, (Variable Rate Demand Bonds), Series B (the “Series 2006B Bonds”) and a Credit Agreement relating to its Tax Exempt Commercial Paper Notes, Series H (the “Series H CP”) and together with the Series 2001C Bonds and the Series 2006B Bonds, the “Bonds”). The Commonwealth has additional liquidity needs to support expiring agreements and to support potential new bond issues. Accepted offers of liquidity may support one or more of these identified needs. It is expected that the Commonwealth will notify selected firms within ten days of receipt of solicitation responses with respect to liquidity support for the Bonds.

The Commonwealth currently maintains ratings of ‘AA+’ from Fitch Ratings, ‘Aa1’ from Moody’s Investors Services, and ‘AA’ from Standard & Poor’s.

Copies of the Commonwealth’s Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2010, the Commonwealth of Massachusetts Information Statement dated June 8, 2010 and the Information Statement Supplement dated February 1, 2011 have been filed with EMMA.

II. The Bonds

An amortization schedule for the Series 2001C Bonds is attached hereto as **Exhibit B** and an amortization schedule for the Series 2006B Bonds is attached hereto as **Exhibit C**. A form standby bond purchase agreement, bond specimen and a form of credit agreement are available on the Office of the State Treasurer’s website at www.mass.gov/treasury/debt.

III. Schedule

<u>Target Date</u>	<u>Event</u>
2/9/2011	RFP distributed to interested financial institutions
2/21/2011	Responses due at the address listed below by 5 PM Eastern Time
2/28/2011	Estimated date for Commonwealth Award

IV. Terms & Conditions

1. *Bidder Communication:* Any individuals and/or firms that intend to submit a response are prohibited from contacting any employees of the Office of the State Treasurer (“OST”) or any member of the Procurement Management Team (“PMT”), other than the contact person. An exception to this rule applies to individuals or firms that currently do business with the OST, but shall be limited to that business, and should not relate to this RFP. Furthermore, no other individual Commonwealth employee or representative is authorized to provide any information or respond to any question or inquiry concerning this RFP. Bidders should notify in writing the contact person for this RFP in the event it is incomplete or the bidder is having trouble obtaining any required attachments electronically through Comm-PASS.
2. *Public Records:* The Commonwealth considers all information, documentation and other materials requested to be submitted in response to this solicitation to be of non-confidential and/or non-proprietary nature. All responses and information submitted in response to this RFP are subject to the Massachusetts Public Records Law, Massachusetts General Laws (M.G.L.), Chapter 66, Section 10, and Chapter 4, Section 7, Clause Twenty-Sixth. Any statements in submitted responses that are inconsistent with these statutes will be disregarded.

Bidders are advised that all proposals are deemed sealed, and therefore their contents will be treated as confidential and will not be disclosed to competing bidders until the evaluation process has been completed and the contract has been awarded.

3. *Conflict of Interest:* As part of its response to this RFP, the bidder shall certify in writing to the OST that no relationship exists between the bidder and the OST that interferes with fair competition or is a conflict of interest, and no relationship exists between the bidder and another person or organization that constitutes a conflict of interest with respect to a state contract. The OST may waive this provision, in writing, if these activities of the bidder will not be adverse to the interests of the Commonwealth. No official or employee of the Commonwealth who exercises any function or responsibility in the review, award or approval of the liquidity facilities contemplated hereby or carrying out of any agreement related to such liquidity facilities shall, prior to the awards contemplated hereby, voluntarily acquire any personal interest, either directly or indirectly, in this RFP or the proposed agreements.

The bidder shall provide assurance that it presently has no interest and shall not acquire any interest, either directly or indirectly, which will conflict in any manner or degree with the performance of its services hereunder. The bidder shall also provide assurances that no person having any such known interests shall be employed prior to the date awards are made hereunder.

4. *Best Value Selection and Negotiation:* The PMT and/or the Treasurer and Receiver-General (the “Treasurer”) may select the response(s) that demonstrates the “Best Value” overall, including proposed alternatives that will achieve the procurement goals of the OST. The PMT and/or the Treasurer and the selected bidder may negotiate a change in any element of contract performance or cost identified in the original RFP or the selected bidder's response which results in lower costs or in a more cost effective or better value than was presented in the selected bidder’s original response.
5. The Commonwealth reserves the right to reject any or all proposals, the right in its sole discretion to accept the proposal it considers most favorable to the Commonwealth’s interest, and the right to waive irregularities in the procedures set forth herein, except the time of filing of the response to this request for proposal. The Commonwealth further reserves the right to reject all proposals and seek new proposals when such procedure is reasonable and in the best interest of the Commonwealth. The Commonwealth reserves the right to amend this RFP at any time prior to February 21, 2011 or cancel this RFP at any time prior the award.
6. All responses and their contents submitted in response to this RFP shall become the property of the Commonwealth and will not be returned to the Bidder. Bidders are cautioned that ideas, techniques, information, etc., submitted as part of the Bidders response may be used by the Commonwealth without separate payment to the Bidder or Sub-Contractors.
7. The Commonwealth reserves the right to request clarification of information submitted and to request additional information of one or more applicants.
8. Any proposal may be withdrawn prior to 5:00 PM on February 21, 2011, upon written request of an authorized individual.
9. The Commonwealth will not be liable for any costs or expenses incurred in the preparation of any response to this proposal.
10. *Proposed Form of Documentation:* The Commonwealth has a form Standby Bond Purchase Agreement and a form Credit Agreement for consideration by participating banks, which is available on the OST website at www.mass.gov/treasury/debt.

V. Scope of Services (Technical Proposal)

Please provide specific answers to the following questions in your response to this request. If necessary, please include additional information in the body of the response to this solicitation.

1. *Bank Information:* Provide general information on your financial institution, including name, address, e-mail address, phone number, and fax number of the contact person who is authorized to answer questions and negotiate final terms and conditions on behalf of the financial institution.
2. *Liquidity/Credit Amount:* Identify the amount of liquidity/credit which your financial institution can provide in support of the Series 2001C Bonds, the Series 2006B Bonds, the Series H CP and/or other liquidity needs of the Commonwealth related to general obligation bonds. Please also note in your response the date through which this commitment offer is valid. Once an offer is made pursuant to the Form Pricing Sheet, such offer shall be binding on the institution until the noted expiration date and may be accepted until such date by the Commonwealth for any of its liquidity needs. If your financial institution cannot provide liquidity support in the amount necessary to support all of the Series 2001C Bonds, the Series 2006B Bonds or the Series H CP, please identify the amount of liquidity support your firm could provide. The Commonwealth may accept joint offers for liquidity support from more than one financial institution.
3. *Credit Approval:* The Commonwealth would prefer that respondents obtain credit approval for this transaction prior to the submittal of a proposal. Please indicate whether such approval has been obtained and if not, please indicate the timing of credit approval once an award is made.
4. *Bank's Ratings:* Please provide your financial institution's long-term and short-term ratings from Fitch, Moody's and Standard & Poor's for each of the last two years. Please comment on any relevant events that may cause or recently have caused any of the rating agencies place their rating under review or to change such rating. Please be concise and specific; do not attach the rating reports from the rating agencies.
5. *Experience:* Please include a list of two transactions closed within the past two years for which your financial institution has provided credit and/or liquidity support for entities similar to the Commonwealth. Please list a reference (name, title and telephone number).
6. *Legal Counsel:* Indicate the law firm and primary lawyer that will represent the bank in this transaction. Please provide the name, address, phone number, fax number and e-mail of each such contact person.

7. *Information Relating to the Bank:* Please provide a copy of the financial institution's most recent audited financial statements or a link to an electronic and downloadable version of such statements. The Commonwealth expects to receive appropriate information relating to the bank for inclusion in its Official Statements.
8. *Governing Law:* The Commonwealth only agrees to be sued with respect to any agreement awarded hereunder in New York or Massachusetts. Please indicate your willingness to accept this provision.

VI. Cost Proposal

The Cost Proposal must be submitted separate from the Technical Proposal. Questions 1-5 should be answered in Exhibit A.

1. *Pricing:* Using the Form Pricing Sheet attached hereto (**Exhibit A**), please indicate all annual and up-front fees, if any, your financial institution would charge the Commonwealth for a standby bond purchase agreement or credit agreement, as applicable, that would secure the payment of principal and interest on the Series 2001C Bonds, the Series 2006B Bonds, the Series H CP or other variable rate demand bonds ("VRDBs") of the Commonwealth for a period of 364 days, two (2) years, and three (3) years, respectively. Indicate the basis for calculating fees (e.g. actual/actual, actual/360, 30/360). In addition, please provide any pricing differential your financial institution may have based upon the various interest rate modes available to the VRDBs (i.e. daily, weekly, monthly, semi-annual, and term), if applicable. Note: fees are expected to be billed and paid quarterly in arrears.
2. *Draw Fee:* Indicate your financial institution's administrative fee, if any, for actual utilization of a standby bond purchase agreement.
3. *Term:* As identified in the Pricing Sheet section of the response, please consider the following term options: 364-day, two (2) years, three (3) years and maximum term, as available. The Commonwealth prefers obtaining an "evergreen" provision – indicate renewal procedures and terms.
4. *Interest Rate:* The Commonwealth prefers that the bank interest rate charge be tied to the Federal Funds rate or 30-day LIBOR. Please provide the interest rates the Commonwealth would be charged in the event of a default. Indicate the method that will be used to calculate interest charges.
5. *Expenses:* The Commonwealth desires to set a limit on legal and out-of-pocket expenses incurred by the bank. Indicate: (a) a cap of legal fees and expenses of counsel to the bank; and (b) a cap on any other fees and expenses to be incurred.

VII. Delivery Instructions

Please deliver a copy of your response, including a completed Exhibit A and a certification with respect to conflicts of interest, via e-mail with subject entitled “Response to Commonwealth Solicitation for Bids on Liquidity Support Facilities” to the following individuals:

Colin MacNaught, Assistant Treasurer for Debt Management
E-mail: cmacnaught@tre.state.ma.us

Nicholas Marinaro, Deputy Assistant Treasurer for Debt Management
E-mail: nmarinaro@tre.state.ma.us

VIII. Evaluation Process

The RFP Evaluation Process for all proposals will be conducted by the PTM which consists of OST staff. The PMT will make a recommendation to the Treasurer who will then accept or reject the recommendation.

In making the selection, consideration will be given to the respective fee quotations submitted. However, pricing will be weighed among other factors including a firm’s financial stability, its credit ratings, and diversification of the Commonwealth’s portfolio of liquidity providers.

Exhibit A

COMMONWEALTH OF MASSACHUSETTS FORM PRICING SHEET – LIQUIDITY FACILITY

Name of Financial Institution: _____

Contact Person: _____ Phone: _____

Fax: _____ E-mail: _____

Related Bonds: Series 2001C Bonds Series 2006B Bonds Series H CP
 Other (explain) _____

Liquidity Commitment Level (\$): _____

Proposed Facility Length: _____

Liquidity Commitment Valid through (date): _____

If part of a Joint Offer, other financial institution(s) participating in such offer:

Facility Length	Commitment Fee (Up-front)	Annual Fee (Utilized)/Line of Credit Fee	Basis for Fee Calculation
364 Days			
2 Years			
3 Years			
Other (specify)			
Fees are expected to be billed quarterly in arrears			
Draw Fee			
Bank Interest Rate			
Default Rate			
Termination Fees (if Applicable)			
Other			

Domestic Bank Legal Fees and Expenses: Estimated at \$ _____; capped at \$ _____
 Foreign Bank Legal Fees and Expenses: Estimated at \$ _____; capped at \$ _____
 Other Miscellaneous Expenses: Estimated at \$ _____; capped at \$ _____

Proposed Counsel and primary contact: _____

Time Frame for Credit Approval (note: prior credit approval is preferred): _____

Financial Institution's Ratings:

Fitch: Long-term _____ Short-term _____ Outlook/Credit Watch _____
 Moody's: Long-term _____ Short-term _____ Outlook/Credit Watch _____
 Standard & Poor's: Long-term _____ Short-term _____ Outlook/Credit Watch _____

Exhibit B

General Obligation Refunding Bonds
(Variable Rate Demand Bonds)
2001 Series C

<u>Sinking</u> <u>Fund</u>	<u>Principal</u> <u>Amount</u>
1/1/2013	\$ 2,235,000
1/1/2014	2,330,000
1/1/2015	2,430,000
1/1/2016	30,615,000
1/1/2017	46,565,000
1/1/2018	23,680,000
1/1/2019	42,335,000
1/1/2020	49,670,000
1/1/2021	<u>48,250,000</u>
	\$248,115,000

Issuer: The Commonwealth of Massachusetts

Underwriter and Remarketing Agents: Series 2001C Bonds are remarketed by Morgan Stanley and the tender agent is the U.S. Bank National Association.

Facility: Standby Bond Purchase Agreement

Facility Amounts: \$248,115,000

Mode: Weekly

Exhibit C

General Obligation Bonds, Consolidation Loan of 2006 (Variable Rate Demand Bonds), Series B

<u>Sinking Fund</u>	<u>Principal Amount</u>
3/1/2017	\$17,395,000
3/1/2018	17,905,000
3/1/2019	18,450,000
3/1/2020	19,000,000
3/1/2021	19,590,000
3/1/2022	20,175,000
3/1/2023	20,785,000
3/1/2024	21,410,000
3/1/2025	22,565,000
3/1/2026	22,725,000
	<u>\$200,000,000</u>

Issuer: The Commonwealth of Massachusetts

Underwriter and Remarketing Agents: Series 2006B Bonds are remarketed by Goldman, Sachs & Company and the tender agent is The Bank of New York Mellon Trust Company, N.A.

Facility: Standby Bond Purchase Agreement

Facility Amounts: \$200,000,000

Mode: Daily