



**Solicitation Information**

November 6, 2013]

**RFP #7535375**

**TITLE: Investment Banking/ Underwriting Services for the Tobacco Settlement Financing Corporation**

**Submission Deadline: December 11, 2013 @ 2:00 PM (EDT)**

Questions concerning this solicitation may be e-mailed to the Division of Purchases at [questions2@purchasing.ri.gov](mailto:questions2@purchasing.ri.gov) no later than November 22, 2013 at 3:00PM EST .Questions should be submitted in a *Microsoft Word attachment*. Please reference the RFP # 7535375 on all correspondence. Questions received, if any, will be posted on the Internet as an addendum to this solicitation. It is the responsibility of all interested parties to download this information.

**PRE-BID CONFERENCE      NO**

**SURETY REQUIRED:              NO**

**BOND REQUIRED:                NO**

**Vendors must register on-line at the State Purchasing Website at [www.purchasing.ri.gov](http://www.purchasing.ri.gov)**

Note to Vendors:

Offers received without the entire completed four-page RIVIP Generated Bidder Certification Form attached may result in disqualification.

**THIS PAGE IS NOT A BIDDER CERTIFICATION FORM**

The Tobacco Settlement Financing Corporation is inviting all interested and qualified underwriting firms to submit a proposal to serve as underwriter for any potential financing of the Tobacco Settlement Financing Corporation. All proposals are due by December 11, 2013 @ 2:00 PM (EDT)

Enclosed you will find the following item:

- Request for Statement of Qualifications (“RFQ”)

No firm submitting a proposal may make inquiries with respect to this matter of any other person, member officer, or elected official of Tobacco Settlement Financing Corporation or Rhode Island State Government or in any other manner from the date above through the RFQ process.

Thank you for your interest in the Tobacco Settlement Financing Corporation.

Sincerely,

Thomas Mullaney  
Executive Director/State Budget Officer  
Chair, Tobacco Settlement Financing Corporation

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**TOBACCO SETTLEMENT FINANCING CORPORATION**

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**REQUEST FOR PROPOSAL**  
**INVESTMENT BANKING/ UNDERWRITING SERVICES FOR THE**  
**TOBACCO SETTLEMENT FINANCING CORPORATION**

<b>SUBMISSION OF PROPOSALS BY:</b>	<b>December 11, 2013 @ 2:00 PM (EDT)</b>
<b>DEADLINE FOR SUBMISSION OF WRITTEN QUESTIONS</b>	<b>November 22, 2013 at 3:00PM EST</b>
<b>SEALED BID OPENING:</b>	<b>December 11, 2013 @ 2:00 PM (EDT)</b>

**Tobacco Settlement Financing Corporation**  
**REQUEST FOR QUALIFICATIONS FOR**  
**INVESTMENT BANKING/ UNDERWRITING SERVICES**

**I. Background**

The Tobacco Settlement Financing Corporation (the “Corporation”) was created in June 2002 pursuant to the Tobacco Settlement Financing Act and is a public corporation of the State. The Corporation has a legal existence distinct from the State and is not a department of State government.

In June, 2002, the Corporation sold \$685,390,000 of Tobacco Settlement Asset-Backed Bonds to finance the purchase, from the State of Rhode Island, of the settlement payments to be received by the State of Rhode Island as a result of a Master Settlement Agreement entered into by participating cigarette manufacturers, 46 states and six jurisdictions in the settlement of certain smoking-related litigation.

In June, 2007, the Corporation issued \$197,005,042 in subordinate Tobacco Settlement Asset-Backed Bonds to finance the purchase of residual payments remaining after the 2002 bonds are repaid.

The sale of the bonds and the transaction between the Corporation and the State of Rhode Island are more fully described in the Annual Financial Report for the Fiscal Year ending June 30, 2012.

The Corporation is considered a component unit of the State of Rhode Island for financial reporting purposes and accordingly its financial statements are included in the State's Comprehensive Annual Financial Report. Audited financial statements exist for each year since Fiscal Year 2002.

The Corporation is governed by a five-member board of directors. The Chairperson/ Executive Director elected by the corporation is currently the Budget Officer for the State of Rhode Island.

**II. Nature of Services Requested**

The Tobacco Settlement Financing Corporation is seeking qualifications for Investment Banking/ Underwriting Services relating to financing opportunities, analysis of various scenarios relating to the potential refunding/refinancing of tobacco revenue bonds, and potential restructuring of the Corporation’s outstanding debt. Working with the Corporation’s financial advisor, the investment banking firm will be expected to evaluate the economic benefit to the Corporation and the State of various structuring scenarios and make recommendations to the Corporation. The investment banking firm will be expected to work with bond counsel to determine what, if any, legal issues

would need to be addressed concerning the various structuring scenarios. The term of this engagement will be for three (3) years, and could be extended for an additional period upon mutual agreement of the Corporation and the vendor.

Firms are invited to present financing proposals for consideration by the Corporation and the State, which may include alternative proposals regarding refunding options for outstanding tobacco bonds and potential for monetization of the resulting value.

**Note:** The Corporation is also seeking Statements of Qualification for Financial Advisors at this time, in RFP#7535374. Interested parties are invited to participate in either or both solicitations, but any firm selected from this solicitation will be disqualified from consideration from the other.

### **III Guidelines for the Statement of Qualifications**

Please address the following items in responding to this RFQ. Responses must be limited to 15 pages. The cover letter and appendices will not count toward the page limit.

1. Provide a brief description of your firm and its capabilities. In particular, please describe your firm's experience in providing investment banking or other financial services related to the tobacco securitization market, including any experience in underwriting subordinate tobacco bonds and/or tobacco bond refundings.
2. Please provide brief resumes of the individuals in your firm who would be assigned to provide relevant services to the Corporation and the State of Rhode Island. Please specify the primary contact and delineate other relevant responsibilities for each individual.
3. Please summarize in tabular form your firm's experience as book-running senior manager of tobacco or other asset backed securities, both taxable and tax exempt.
4. Please describe five transactions that your firm has senior managed since January 1, 2008 (or earlier if necessary), demonstrating the technical and other capabilities of your firm and how they enabled the issuer(s) to optimize the benefits of the transaction, concentrating on issues that were encountered and the solutions your firm recommended and implemented. For each transaction listed please provide the issuer name, issue date, par amount, issuer contact and telephone number.
5. Given the recent evolution of the tobacco market, please provide any financing ideas that the State and the Corporation should consider.
6. Describe your firm's strategy for marketing bonds secured by tobacco revenues. Explain your firm's approach to the different types of investors who buy such issues, and the efforts you would undertake to obtain credit approval of certain investors. Is having one significant buyer an advantage or disadvantage to the transaction? Discuss the current market for tobacco bonds and current investor targets as well as buyers of previous tobacco issues.

7. Discuss cost/benefits to the Corporation or its existing bondholders that might occur due to refunding of bonds secured by tobacco settlement revenues. Discuss the concept of the equity ratio and the need to calculate this measure with respect to refunding tobacco bonds. Discuss the disputed payments and the impact that the proposed settlement (to which the Corporation is not a party) might have with respect to this transaction. Discuss any legal, tax and structuring issues that might arise from the contemplated use of proceeds whereby the proceeds would be transferred to the State as a result of monetizing the value of the refunding. Please quantify the economic and legal inflection points at which a transaction becomes financially compelling, to include security structure, market conditions, ratability, discount rate and other legal terms. Summarize risks borne by each party, to include the State, the Corporation and the bondholders (both existing and prospective), from your recommended structure. Describe and quantify circumstances under which a transaction becomes unfeasible and detail the cost and additional risks/benefits to each party from a subordinate position. How would the economics of your proposed structure change if a transaction were delayed for one, three or five years? Under what circumstances would it be advisable for the Corporation to wait, versus going forward with a transaction? (Supporting detail may be provided in an Appendix).
8. Describe the method and process you would use to price any tobacco bonds and note why your pricing capabilities are superior to other firms'. Discuss your history of pricing of tobacco bonds in the primary market, and subsequent trading performance.
9. What is your recommended rating agency strategy? Which ratings should the Corporation pursue?
10. For each financing alternative presented in your response to Question 5, please propose the fees to be charged by your firm, in sufficient detail to support invoicing, including:
  - Management Fee (if any)
  - Initial Takedown
  - Expenses (Excluding Underwriters Counsel)
11. Please discuss any factors not mentioned above which you believe should be considered in connection with the consideration of your firm.
12. Please describe and provide a copy of your firm's affirmative action/equal opportunity policy.
13. Please provide details of any criminal investigation or pertinent litigation pending against your firm or members of your municipal bond or public finance departments.
14. Within the past three years, has your firm and/or any of its current principals or any of the public finance professionals assigned to the Rhode Island engagement been the subject of an investigation by SEC, NASD, FBI, Rhode Island Department of Business Regulation or any other governmental or securities industry-based regulatory agencies?
15. Within the past three years, has your firm and/or any of its principals been involved in any litigation, arbitration, disciplinary or other official actions arising from the firm's underwriting,

management or handling of municipal securities? Please confirm that if your firm is selected, you will comply with the provisions of Rhode Island General Laws Section 17-27-1 et. seq., "Reporting of Political Contributions by State Vendors".

#### **IV Evaluation and Selection**

Evaluation of Statements of Qualifications will be based on the following criteria, with associated maximum score for each:

1. Capability to provide required services on a timely basis, **17 points**
2. Structuring ideas to produce the maximum benefit and minimum risk to the Corporation and the State, **17 points**
3. Commitment to public finance, **16 points**
4. Fees **17 points**
5. Experience and background of the firm and personnel named in the Statement, **17 points**
6. References, **16 points.**

The Corporation will commission a review team to evaluate and score all Statements that are complete and minimally responsive using the criteria described above. The evaluation of any item may incorporate input from sources other than the bidder's response and supplementary materials submitted by the bidder. Those other sources could include assessments made by evaluators based on findings recorded from reference checks (including but not limited to those supplied by the bidder), prior experience with or knowledge of bidder's work, responses to follow-up questions posed by the State and/or oral presentations by the bidders if requested by the review team. The Corporation may elect to use any or all of these evaluation tools.

One vendor, with the highest Qualifications score, will be selected, and, upon satisfaction of compliance requirements associated with this solicitation, and negotiation of a Project Agreement, be awarded a Purchase Order by the Corporation.

Please include a letter from your Chief Executive Officer or Division Managing Director certifying that no member of your firm made inquiries to any member or officer or elected official of Rhode Island State Government or the Corporation with respect to this Request for Qualifications other than in a written communication to the Financial Advisor from the date of this RFQ through the date of your submission and all information in your submission is true and correct to the best of her/his knowledge.

All materials submitted in response to this solicitation become the property of the Corporation and will not be returned. Furthermore, please be advised that all proposals will be subject to public inspection. Respondents must agree to abide by and follow all applicable Rhode Island minority hiring laws, Equal Opportunity Employment Rules and Regulations, Executive Orders, and any and all other applicable Rhode Island employment laws, rule or regulations.

It is intended that an award pursuant to this request will be made to a prime vendor who will assume responsibility for all aspects of the work. Joint venture and cooperative proposals will not be

considered. Subcontracts are permitted, provided that their use is clearly indicated in the vendor's proposal and the subcontractor(s) to be used is identified in the proposal.

In accordance with Title 7, Chapter 1.2 of the General Laws of Rhode Island, no foreign corporation, a corporation without a Rhode Island business address, shall have the right to transact business in the State until it shall have procured a Certificate of Authority to do so from the Rhode Island Secretary of State (401-222-3040). This is a requirement only of the successful vendor(s).

**INSTRUCTIONS AND NOTIFICATIONS TO OFFERORS:**

1. Potential vendors are advised to review all sections of this request carefully and to follow instructions completely, as failure to make a complete submission as described elsewhere herein may result in rejection of the proposal.
2. All costs associated with developing or submitting a proposal in response to this request, or to provide oral or written clarification of its content shall be borne by the vendor. The State assumes no responsibility for these costs.
3. Proposals are considered to be irrevocable for a period of not less than sixty (60) days following the opening date, and may not be withdrawn, except with the express written permission of the State Purchasing Agent.
4. All pricing submitted will be considered to be firm and fixed unless otherwise indicated herein.
5. Proposals misdirected to other state locations, or which are otherwise not present in the Division at the time of opening for any cause will be determined to be late and will not be considered. For the purposes of this requirement, the official time and date shall be that of the time clock in the reception area of the Division.
6. It is intended that an award pursuant to this request will be made to a prime vendor, or prime vendors in the various categories, who will assume responsibility for all aspects of the work. Joint venture and cooperative proposals will not be considered. Subcontracts are permitted, provided that their use is clearly indicated in the vendor's proposal and the subcontractor(s) to be used is identified in the proposal.
7. The purchase of services under an award made pursuant to this request will be contingent on the availability of funds. There is no guarantee of any level of spending activity resulting from this solicitation.
8. Vendors are advised that all materials submitted to the Corporation for consideration in response to this request will be considered to be Public Records as defined in Title 38, Chapter 2 of the General Laws of Rhode Island, without exception, and will be released for inspection immediately upon request once an award has been made.

9. Interested parties are instructed to peruse the Division of Purchases website on a regular basis, as answers to submitted questions, as well as any amendments or additional information relating to this request may be released in the form of an addendum to this request.
10. In accordance with Title 7, Chapter 1.2 of the General Laws of Rhode Island, no foreign corporation, a corporation without a Rhode Island business address, shall have the right to transact business in the State until it shall have procured a Certificate of Authority to do so from the Rhode Island Secretary of State (401-222-3040). This is a requirement only of the successful vendor(s).

## STATEMENTS SUBMISSION

**Questions** concerning this solicitation may be e-mailed to the Division of Purchases at [questions2@purchasing.ri.gov](mailto:questions2@purchasing.ri.gov) no later than November 22, 2013 at 3:00PM EST Please reference **RFP # 7535375** on all correspondence. Questions should be submitted in a Microsoft Word attachment. Answers to questions received, if any, will be posted on the Internet as an addendum to this solicitation. It is the responsibility of all interested parties to download this information. If technical assistance is required to download, call the Help Desk at (401) 574-9709. **No other contact with State parties will be permitted.**

Interested offerors may submit proposals to provide the services covered by this Request on or before the date and time listed on the cover page of this solicitation.

Responses (**an original plus four (4) copies**) should be mailed or hand-delivered in a sealed envelope marked "**RFP#7535375**" to:

RI Dept. of Administration  
Division of Purchases, 2nd floor  
One Capitol Hill  
Providence, RI 02908-5855

**NOTE: Proposals received after the closing date and time specified, December 11, 2013 @ 2:00 PM (EDT) will not be considered.** Proposals misdirected to other State locations or those not presented to the Division of Purchases by the scheduled due date and time will be determined to be late and will not be considered. Proposals faxed, or emailed, to the Division of Purchases will not be considered. The official time clock is in the reception area of the Division of Purchases.

## RESPONSE CONTENTS

Responses shall include the following:

1. One completed and signed four-page R.I.V.I.P generated bidder certification cover sheet downloaded from the RI Division of Purchases Internet home page at [www.purchasing.ri.gov](http://www.purchasing.ri.gov).
2. One completed and signed W-9 downloaded from the RI Division of Purchases Internet home page at [www.purchasing.ri.gov](http://www.purchasing.ri.gov).

3. **An original and four (4) copies of the** Statements of Qualifications as described above.
4. In addition to the multiple hard copies of Statements of Qualifications required, Respondents are requested to provide Statements of Qualifications in **electronic format (CD-Rom, disc, or flash drive)**. PDF format is preferable. Only 1 electronic copy is requested. Do not include form W-9 in the electronic copy.