Virginia Department of the Treasury
Solicitation for Proposals DM 17-003
For Underwriting Services

PURPOSE AND REQUIREMENTS:

The Virginia Department of the Treasury ("Treasury") is soliciting proposals to establish a pool of qualified firms to serve as senior managing underwriter(s) and/or co-managing underwriters in connection with the issuance of bonds or other obligations by the Commonwealth of Virginia ("Commonwealth") and/or its related agencies, boards and authorities (collectively, the "Issuing Entities") through May 31, 2019, with an option to extend for an additional one-year period. Treasury provides staff for the Treasury Board, Virginia Public School Authority (VPSA), Virginia College Building Authority (VCBA), Virginia Public Building Authority (VPBA) and the Virginia Tobacco Settlement Financing Corporation. In addition, other agencies of the Commonwealth, including but not limited to the Commonwealth Transportation Board (CTB), may utilize the underwriting pool established through this process.

The Issuing Entities reserve the right to sell their obligations through a competitive sale, negotiated sale or through a combined competitive and negotiated sale. Issuing Entities may undertake their own process of underwriter selection separate from this underwriting pool.

Expenses of preparing and submitting the proposal will be the responsibility of the underwriting firms. The Underwriter(s), their attorneys and/or consultants, if any, will only be compensated as determined by the Issuing Entity for the obligations **when, as and if issued.**

Timetable:

Event	Date
Issuance of SFP	March 20, 2017
Deadline for Submission of Questions	March 31, 2017, 4:00p.m. EDT
Responses to Questions	April 4, 2017
Deadline for Submission of Proposals	April 11, 2017, Noon EDT
Anticipated Notification of Successful Firms	May 8, 2017

PROPOSAL REQUIREMENTS AND SELECTION CRITERIA:

Proposals should provide information requested in the following selection criteria areas. Responses are limited to a maximum total of 20 pages in a 12-point font (please note page limitation for certain individual questions), not including your firm's cover letter and any Appendices provided in response to questions B. 2, 3, 5, 7, 8 and 9.

Effort should be made to provide concise and brief responses. Treasury reserves the right to disqualify any proposal violating the 20 page limit.

Firms requesting to be considered for the Senior Manager Underwriting Positions: Please respond to all questions.

Firms requesting to be considered for only Co-Manager Underwriting Positions: Please respond to questions: A. 1 and 2; B. 2, 3, 5, 7, 8, and 9.

Selection for the underwriting pool will be made of the firms deemed to be fully qualified and best suited among those submitting proposals for the various financing programs that may be undertaken by the Issuing Entities over the next two year period based on responses to the following evaluation factors and questions.

Note: Additional information and/or submissions may be requested from some or all members of the underwriting pool when, and as needed to further assess qualifications to serve on the underwriting team related to a particular issue or financing program.

A. Plan of Finance/Marketing Plan (40%)

1. Discuss the current market situation for municipal bonds. In particular, address the following issues: current access to the market for the Issuing Entities; demand for fixed rate tax-exempt and taxable bonds; any size restrictions; and use of competitive sale. *(Limit one page.)*

2. Describe your firm's strategy and options to complete the pricing given the following hypothetical situation:

   Background: The Issuing Entity is pricing a $450 million Series 2017A new money bond issue, structured as level debt service over 20 years with a 10-year par call. The volume of tax-exempt bonds for the week is expected to be about the average weekly volume for the year, $5.8 billion. In the week leading up to the pricing, yields had remained little changed.

   Retail Pricing: The Series 2017A bonds had a retail order period that resulted in orders totaling 9% of the bonds. At the end of the day of the retail pricing, the MMD was left unchanged, the 10-year muni to Treasury ratio was 100.5% and the 30-year muni to Treasury ratio was 110.3%.

   Institutional Pricing: On the morning of the institutional pricing, the municipal market shows signs of weakness following hawkish comments by two Federal Reserve presidents. The yield on the 2-year Treasury note is higher by 3 basis points; the yield on the 10-year Treasury note is higher by 5 basis points; and the yield on the 30-year Treasury is higher by 6 basis points. Yields are increased 2 to 5 basis points along the 20-year yield curve for the preliminary pricing. After a 2 hour order period, a balance of $170 million remains, with approximately $20 million to $25 million in years 12 through 18 and smaller balances scattered in the remaining years.

3. Most of the Issuing Entities referenced on page 1 have outstanding Build America Bonds. Discuss the pros and cons of redeeming these bonds. Under what circumstances would your firm recommend considering redemption of these bonds?

4. Given the high credit ratings of the Commonwealth and its Issuing Entities, what type of regular investor outreach do you think would improve the marketability of these bonds? Give examples of where you have seen such strategies implemented and why they added value.

5. Do you believe that it is necessary for the Issuing Entities to have three ratings on every issue? What impact would there be from having only two ratings? If your firm believes only two ratings are needed, which two rating agencies would your firm recommend? Would the addition of or substitution of another rating agency (i.e. Kroll) be helpful/harmful?

6. Provide a discussion of the proposed structure of the syndicate for a $200 million tax-exempt fixed rate appropriation-supported (AA+/Aa1/AA+ rated) bond issue, including a brief discussion of the use and number of co-managers and/or selling group members, local Virginia firms and MBE/WBE firms. Provide recommended priority and designation rules. How would your response change for a $500 million bond issue?

7. Discuss your firm's view of how the new issue price regulations could impact pricing on both negotiated and competitive sales.

B. General Qualifications and Experience (35%)

1. Describe briefly your firm's experience as a senior bookrunning manager for state-level taxable or tax-exempt bonds, including state level transportation and GARVEEs transactions, over $150 million since January 1, 2015. Highlight any particular challenges faced with those issues. *(Limit one page.)*

2. Provide a listing of all issues over $150 million for which your firm has served as senior bookrunning manager, co-senior manager, or co-manager including (a) name of issuer, (b) description of issue, (c) date of sale, (d) par amount, (e) type of sale (competitive or negotiated), (f) credit rating and (g) your firm's role, since January 1, 2016. Provide a separate list for each category: senior bookrunning manager, co-senior manager and co-manager.

3. Provide brief biographies of the public finance personnel who will be assigned on issues undertaken by the Issuing Entities, including the person from the underwriting desk. Specify the person or persons who would have day-to-day responsibility for the Commonwealth's programs. Provide telephone number and e-mail address of the primary contact.

4. Describe your firm's commitment to public finance and describe any restructuring and staff reductions/increases in your municipal trading or investment banking areas over the last year.

5. Provide your capital position as of the date of your most recently published statement of financial position (include information on your total capital, equity capital, excess net capital and daily average uncommitted capital). Discuss your firm's ability to underwrite bonds and recent examples of when your firm needed to underwrite bonds.

6. Provide three (3) state-level references for issues your firm has senior managed, include telephone numbers and e-mail addresses.

7. Provide documentation of participation in Virginia competitive sales from January 1, 2015 to present for the Issuing Entities listed on page 1, noting where the firm won the bid.

8. Disclose any conflicts of interest, as stated in MSRB Rule 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 any pending investigation of the firm or enforcement or disciplinary actions imposed on the firm within the past three years by the SEC or other regulatory bodies. In addition, describe the current status and timing of any planned mergers with or acquisitions of any other firm that could impact your engagement with the Commonwealth.

9. 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 rate securities. Include any such investigations which concluded in an enforcement or disciplinary action ordered or imposed in the last three years.

C. Pricing (20%)

1. Provide the estimated fees and expenses using the following assumptions: (1) Aa1/AA+/AA+ $200 million tax-exempt, (2) fixed rate issue with (3) serial maturities over (4) twenty years, with (5) a 10-year par call. **(Note: The Issuing Entities reserve the right to negotiate these expenses in conjunction with a particular bond during the term of this contract.)**
   a. Takedown (takedowns by maturity and average takedown)
   b. Management Fee
   c. Expenses (itemized, including underwriter's counsel fee)
   d. Any other fees (please identify any fees proposed on a "not-to-exceed" basis)

2. Provide spreads to MMD based on market conditions at the close of business Tuesday, April 4, 2017, assuming a $200 million 10 year par call for the Commonwealth's general obligation bonds, which are rated Aaa/AAA/AAA, and for appropriation supported bonds, which are rated Aa1/AA+/AA+ by Moody's, Standard & Poor's and Fitch, respectively.

3. Please identify one or more firms with name of designated individual and contact information that you would select to serve as underwriters' counsel and their estimated cost.

D. Participation of Small, Women-Owned, and Minority-Owned Businesses (5%)

1. Describe any current, planned and suggested utilization of small, woman-owned and/or minority businesses in a negotiated bond issue undertaken by the Commonwealth.

DELIVERY OF INFORMATION:

Proposals must be received no later than 12:00 Noon EDT on Tuesday April 11, 2017. A cover letter should be submitted with your proposal stating that your firm agrees to serve as Underwriter to the Commonwealth in accordance with the attached proposal for the purposes outlined in the SFP.

SFP for Underwriting Services
Due: Noon EDT, April 11, 2017

The Commonwealth reserves the right to waive any irregularity in any proposal and to reject any or all proposals and to select an underwriting team based solely on the proposals submitted. No joint proposals will be accepted.

Questions concerning this Solicitation for Proposals must be sent via e-mail and must be received by Janet A. Aylor, janet.aylor@trs.virginia.gov, and Jay Mahone, jay.mahone@trs.virginia.gov, no later than March 31, 2017 by 4:00 p.m. EDT. Answers to all substantive questions that are not clearly specific only to the requestor will be posted on the Virginia Department of the Treasury's Division of Bond Finance website: https://trs.virginia.gov/debt/Overview.aspx.

Electronic submission of Proposals is required, and must be received by Treasury by the designated time regardless of the time submitted.

Send Proposal to:

VABonds@trs.virginia.gov

With a copy to:

Janet M. Lee
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jlee@pragadvisors.com

Christine Ilarina
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cilarina@pragadvisors.com