BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY

Minutes of August 2, 2007 Meeting

The Buckeye Tobacco Settlement Financing Authority (the Authority) held a meeting commencing at 2:00 p.m. on Thursday, August 2, 2007, in the 35th Floor Conference Room A, Office of Budget and Management, James A. Rhodes State Office Tower, 30 East Broad Street, Columbus, Ohio, pursuant to notice of meeting given by the Secretary of the Authority pursuant to section 4.2 of the Bylaws.

[Copies of the items marked * are attached hereto and made a part of these minutes.]

The Chairman called the meeting to order.

Mr. Kauffman reported for the secretary that the written designation of Kimberly Cocroft for the Governor, pursuant to Section 183.52 of the Revised Code, was filed with the Secretary.

Pursuant to Section 3.1 of the Bylaws, Ms. Cocroft presided as Chair of the meeting. Upon roll call, the Chairman declared a quorum to be present. The following members and designee of the member of the Authority, eligible to vote at the meeting, were present during the meeting:

Kimberly Cocroft, Office of the Governor
Richard Cordray, Treasurer of State
J. Pari Sabety, Director of Budget and Management

Also present were Mark Losey and Hope Sharett (Attorney General's office), Kurt Kauffman (Assistant Secretary), Jake Wozniak (Assistant Treasurer), David Ellis, Larry Scurlock and Liberty Ziegahn (Office of Budget and Management); Leesa Brown, Todd Dieffenderfer Rodney Nespeca and Chris Glaros (Office of the Treasurer of State); Ted Ricci and Dan Kozloff (Public Financial Management); Brian Perera (Ohio Senate), Mike Roth and Laura Takeshta (Bank of New York), Fred Ransier and Herb Hedden (Vorys, Sater, Seymour & Pease), John Adams (Fifth Third Securities), Bob Selak (Thompson, Hine & Flory), Aida Chinloy (Goldman Sachs), Rich Ryffel (Bank of America Securities), Mark Fisher (A.G. Edwards), Shams Lawson (Merrill Lynch), Jeffrey Johnson and Rita Merry (Huntington Investment Co.), Matt McAuliffe (PNC Capital Markets), Brad Kastan (Bear Stearns), Bill Daley (Morgan Stanley), Mary Duffy, Steve Grassbaugh and John Peck (Peck, Shaffer and Williams), John Lee (J.P. Morgan), Mark Miller (Rice Financial Products Company), Bill Matlock and Eric Small (SBK-Brooks Investment Corp.), Lara DeLeone (Key Bank), Charlie Luken and Dan Reinhard (Calfee, Halter & Griswold), Melissa Hoeffel (Roetzel and Andress), Dennis Wilcox (Climaco, Lefkowitz, Peca, Wilcox & Garofoli), Juanita Sanchez, Chris Moore, and Bruce Colburn (Service Employees International Union) and various news and media organizations.

The Assistant Secretary filed the certificate* of compliance with the public meeting notice provisions of Section 121.22 of the Revised Code.

The Secretary began by asking those seated at the table with Authority member to introduce themselves, at which time each individual stated their name and organization.

The Chairman then requested a brief presentation of the Request for Proposals for Transaction and Co-Transaction Counsel*. Mr. Kauffman reviewed the scope of services and described the minimum requirements and evaluation criteria set forth in the legal counsel RFP. Mr. Kauffman stated the proposals would be due Wednesday, August 8th.

The Secretary then asked for a more in-depth explanation of the staffing plan structure for transaction counsel and co-transaction counsel. Mr. Kauffman replied by saying the staffing plan is comparable to the structures used in several other states and referred the question to Jeanne Vanda of Public Financial Management, who was available by telephone, for further explanation. Ms. Vanda gave an overview of the roles of each counsel and the various opinions each would provide and noted that the scope of services was divided to reflect experience in national tobacco-related legal issues versus state law issues.

Following the discussion, Treasurer Cordray moved, seconded by the Secretary to approve and release the Transaction and Co-Transaction Counsel RFP. The motion was approved upon roll call as follows: Ayes – Sabety, Cordray, Cocroft; Nays - None. The Chair declared the motion passed.

The Chair then asked for a review of the Requests for Proposals for Senior Managing* and Co-Managing* Underwriter Services. Mr. Wozniak explained that there were two RFP's - one for senior managing underwriters and one for co-managing underwriters. Mr. Wozniak then reviewed the scope of services for the senior manager RFP, noting that those applying for a book-running position are required to respond to in full to the RFP and those applying for a co-senior spot are required to answer only certain questions. The Secretary then asked if prior tobacco experience was required. Mr. Wozniak stated that prior experience was required and then reviewed the minimum qualifications and evaluation criteria.

The Secretary then inquired about joint proposal requirements. Mr. Wozniak responded that the senior manager RFP has been designed similar to the financial advisor RFP, in that both candidates must meet the minimum qualifications individually and each firm submitting jointly must also submit an individual proposal. Mr. Wozniak reported that proposals for senior manager would be due Thursday, August 9th. Mr. Wozniak also reviewed the evaluation criteria for co-managing underwriters noting that those proposals are due Friday, August 10th.

The Secretary then asked what would happen if a firm was not selected as a senior book-runner, to which Mr. Wozniak replied that they would automatically be considered for the co-senior position, or then as a co-manager or selling group member.

The Treasurer asked the staff how many responses could be expected for the co-manager RFP. Mr. Ricci responded that the Authority could receive 30 to 50 proposals.

The Secretary then requested a summary of the duties between the book-running and co-senior managers. Mr. Wozniak reviewed the scope of services in the senior underwriter RFP as they pertain to each position. Mr. Wozniak highlighted the marketing plan, communicating with the underwriting syndicate, working with the rating agencies, and pricing as important aspects related to these senior manager position. Mr. Kauffman noted that due to its complexity, the senior manager is more involved in all aspects of this transaction than they would be on a traditional state bond sale.

The Secretary then asked if PFM had any comments. Ms. Vanda commented that the entire RFP process has been very well thought out and should generate strong interest. Ms. Vanda also noted that PFM has worked closely with Authority staff in developing the RFPs and that the Authority has requested substantial information. Mr. Ricci added that the book-running senior manager's first responsibility should be a comprehensive communication plan. The Secretary concluded that communication was critical due to the size of the transaction, to which Mr. Ricci concurred.

Finally, the Secretary asked if the Authority would retain the right to negotiate the proposals. Mr. Wozniak confirmed that the Authority does retain the right to negotiate all aspects of the proposals.

The Secretary then moved, seconded by Treasurer to approve and release the RFPs for senior managing and co-managing underwriter services. The Treasurer asked to clarify if both RFP's would be included together in the motion, and the Chairman confirmed they would. Prior to roll call, the Chairman asked Juanita Sanchez, representing the Service Employees International Union, to make a presentation that was requested prior to the meeting. Ms. Sanchez urged the Authority to consider the bidders' commitment to local communities when selecting vendors. She also requested the Authority select a responsible financial institution, which supports good-paying jobs, offers access to credit and is reasonable in its approach to home foreclosure.

The Authority then approved the motion upon roll call as follows: Ayes– Cordray, Sabety, Cocroft; Nays - None. The Chair declared the motion passed.

Mr. Kauffman reported that the next meeting of the Authority would take place on August 16, 2007. The purpose of that meeting would be to select transaction and co-transaction counsels.

There being no further business, the meeting was adjourned.

Secretary

*THE BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY*

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**RICHARD CORDRAY, Treasurer**
**Treasurer of State**

**TED STRICKLAND, Chairman**
**Governor**

**J. PARI SABETY, Secretary**
**Director of Budget and Management**

# CERTIFICATION REGARDING NOTIFICATION OF MEETING TO THE PUBLIC AND NEWS MEDIA

The undersigned, Assistant Secretary of the Buckeye Tobacco Settlement Financing Authority, hereby certifies that the notice of the time, place and purposes of the meeting of the Authority of August 2, 2007 at 2:00 p.m. was posted on July 31, 2007 in the State House press room, the Office of Budget and Management (34th Floor, 30 East Broad Street), and the Office of the Treasurer of State (9th Floor, 30 East Broad Street), all in accordance Section 121.22 of the Revised Code and the Open Meetings Rule for notification of meetings to the public and news media adopted by the Authority July 2, 2007.

Dated: August 2, 2007

Kurt Kauffman

Kurt Kauffman
Assistant Secretary of the
Buckeye Tobacco Settlement Financing Authority

# ** Public Meeting Notice **

July 31, 2007

TO: Members of the Buckeye Tobacco Settlement Financing Authority and their designees

Ted Strickland, Governor
Richard Cordray, Treasurer of State

Kent Markus
Chris Glaros
David Ellis
(my designee)

FROM: J. Pari Sabety, Secretary of the Buckeye Tobacco Settlement Financing Authority

SUBJECT: **Meeting on Thursday, August 2, 2007, at 2:00 p.m. in Conference Room A of the Office of Budget and Management (35th Floor, Rhodes State Office Tower)**

Pursuant to the Bylaws of the Buckeye Tobacco Settlement Financing Authority, I am notifying you of the next meeting of the Authority to be held on August 2, 2007, at 2:00 p.m. in Conference Room A of the Office of Budget and Management (35th Floor, Rhodes State Office Tower, 30 East Broad Street, Columbus, Ohio). The Authority will consider and act on motions to release Request for Proposals for transaction counsel and co-transaction counsel services, and for senior manager and co-manager underwriting services.

If you or members of your staff have any questions, please contact me or Kurt Kauffman of my staff at 466-0691.

cc. Marc Dann, Attorney General
Mike Deemer, Chief Deputy Attorney General for Governmental Affairs
Kurt Kauffman, Assistant Secretary
Jake Wozniak, Assistant Treasurer

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# *The Buckeye Tobacco Settlement Financing Authority*

## Request for Proposals for Transaction Counsel and Co-Transaction Counsel Services

## I. Introduction

The Buckeye Tobacco Settlement Financing Authority (the Authority) is soliciting proposals for transaction counsel and co-transaction counsel services in connection with the securitization of tobacco settlement receipts (TSRs) payable to the State of Ohio under the November 1998 Master Settlement Agreement (the MSA). The Authority is a body both corporate and politic created for the sole purpose of purchasing and receiving any assignment of the tobacco settlement receipts and issuing obligations to fund that purchase. The Authority is comprised of three members, being the incumbents in the elective offices of Governor and Treasurer of State, and the Director of Budget and Management.

The Authority anticipates a single un-enhanced tax-exempt issuance totaling about $5.5 billion to be completed in the fall of 2007 in which the State would assign and sell up to 100% of its TSRs over the next 35-50 years. This expectation is subject to change based, among other factors, on municipal bond yields and conditions within the tobacco bond market. The proceeds will be used to fund long-lived capital projects at state-supported institutions of higher education and to pay the State's share of the cost of rebuilding elementary and secondary school facilities across the State. The proceeds are expected to spend-down at a consistent rate over a period of about three, and not more than five, years.

The Authority requests proposals from law firms interested in providing transaction counsel services and encourages submissions from law firms that are minority business enterprises as defined in Ohio Revised Code Section 122.71(E)). The Authority intends to select two firms pursuant to this RFP – one to serve as transaction counsel and one to serve as co-transaction counsel. The division of work and the opinions to be provided by the firm selected for each position is set forth in **Section II. Scope of Services,** though the Authority reserves the right to reassign the documents and opinions among the legal counsels on the transaction if necessary to complete the securitization.

Interested firms must respond to this RFP in all respects. The selected firms will be responsible for timely notifying the Authority of material changes in ownership, organization, personnel, litigation or conflicts, regulatory investigations or enforcement actions, and any other material changes or developments (i.e., within 30 days of their occurrence).

Any and all questions regarding this RFP must be submitted by e-mail at OBM.BTSFATobaccoRFP@obm.state.oh.us. All questions and responses will be posted to the Web at www.obm.ohio.gov/tobacco. With the sole exception of questions submitted following the above protocol, respondents shall not communicate about this RFP directly with the Authority, the Governor's Office, the Treasurer of State's Office, the Office of Budget and Management, or the Authority's Financial Advisor, Public Financial Management, Inc. Any such communication will automatically disqualify the respondent and its proposal from consideration. Please note that all questions and answers become a matter of public record and will be made available to all RFP respondents.

Joint proposals will not be accepted. All proposals shall remain sealed until the designated time for opening, which will be Wednesday, August 8, 2007.

Responses to this RFP are the property of the State and will be "public records", except for information considered to be trade secrets by the responding firm (see Section VIII. Notice to Firms Regarding Confidential/Trade Secret Information Contained in Your Bid).

This RFP is not and shall not be construed as an offer of a contract by the Authority. Any contractual arrangement for transaction counsel and co-transaction counsel services will be evidenced by a separate contract authorized by the Authority. The Authority reserves the right to either award the contract without further negotiation or to negotiate the terms of the contract if determined to be in the best interest of the Authority. The contracts between the Authority and the selected transaction counsel and co-transaction counsel shall be based on the specifications, terms, and conditions of this RFP (as changed or clarified in accordance with its provisions), the proposed fee, and any other terms necessary for the purpose of completing the securitization.

## II. Scope of Services

Firms interested in serving as transaction counsel will be expected to provide or assist in the provision of the following services:

- Prepare, review, and assist in the execution of documents necessary or appropriate to the authorization, issuance, and delivery of the bonds, including primary drafting responsibilities and related opinions for the trust indenture.
- Assist in the preparation and review of documents drafted by co-transaction counsel and underwriter's counsel, including the preliminary and final offering circular particularly those sections relating to the legality of the bonds, description of the legal documents, financing structure, security for the bonds, tax matters, and disclosure.
- Render necessary legal opinions specific to tobacco securitizations, including but not limited to opinions addressing the enforceability of the MSA and whether it would be considered an executory contract or a non-dischargeable obligation in the event of bankruptcy proceedings, the enforceability of the Model Statute, the true sale of the TSRs, and the residual asset value of the sale.
- Manage the legal aspects associated with the process of securing structured investment products for the liquidity reserve, debt service and capitalized interest funds, including review of the contracts and bid forms and the rendering of any related opinions.
- Provide legal advice on federal tax matters, including private activity, arbitrage, reimbursement, and investment of funds including the bond proceeds, liquidity reserve, debt service, and capitalized interest funds.
- Participate in meetings with the Authority, the issuer's counsel, the financing team, credit rating agencies, investors, and other parties as deemed necessary or appropriate by the Authority or its financial advisor.
- Assist with the preparation of schedules for the issuance of bonds and assignment of responsibilities of involved parties.
- Conduct substantive communication and coordination with co-transaction counsel and issuer's counsel on all appropriate matters related to the Authority's issuance.
- Perform other services as requested by the Authority.

Firms interested in serving as co-transaction counsel will be expected to provide or assist in the provision of the following services:

- Prepare, review, and assist in the execution of documents necessary or appropriate to the authorization, issuance, and delivery of the bonds, including primary drafting responsibilities for the purchase and sale agreement, including the related residual certificate and enforceability opinion, the tax compliance certificate, and the continuing disclosure certificate.
- Assist in the preparation and review of documents drafted by transaction counsel and underwriter's counsel, including the preliminary and final offering circular, particularly those sections relating to the legality of the bonds, description of the legal documents, financing structure, security for the bonds, tax matters, and disclosure.
- Render an unqualified approving opinion (regarding the validity and binding nature of the bonds under State law and the excludability of interest on the bonds from gross income for federal and state income tax purposes) and a supplemental opinion.
- Render legal opinions regarding the due authorization by the State of the MSA, the Ohio model statute and complementary legislation, and the bankruptcy of the Authority.
- Provide legal advice on federal tax matters, including private activity, arbitrage, reimbursement, and investment of funds including the bond proceeds, liquidity reserve, debt service, and capitalized interest funds.

- Participate in meetings with the Authority, issuer's counsel, the financing team, credit rating agencies, investors, and other parties as deemed necessary or appropriate by the Authority or its financial advisor.
- Conduct substantive communication and coordination with transaction counsel and issuer's counsel on all appropriate matters related to the Authority's issuance.
- Perform other services as requested by the Authority.

## III. Minimum Requirements

Responding firms must meet the following minimum requirements to be considered for selection:

Transaction Counsel

- Experience serving as transaction counsel (including primary responsibility for rendering the MSA-related opinions), or disclosure counsel, or underwriter's counsel (including primary responsibility for preparation of the offering circular) on at least two (2) tobacco securitization transactions secured by TSRs payable under the MSA within the past five years. At least one of those tobacco securitizations must have had an issuance par in excess of $400 million.
- A minimum of ten (10) years of experience serving as counsel for municipal bond issuances.
- Compliance with the submission requirements set forth in Section V. of this proposal.

Co-Transaction Counsel

- Experience serving as lead bond counsel or underwriter's counsel on at least five (5) bond transactions for state-level Ohio issuing authorities within the past five years. At least one of those transactions must have had an issuance par of $100 million or more.
- A minimum of ten (10) years of experience serving as counsel for municipal bond issuances.
- Compliance with the submission requirements set forth in Section V. of this proposal.

## IV. Evaluation Criteria

Proposals will be evaluated based upon several factors, including but not limited to:

- Capability of the firm to perform the required scope of services.
- Meaningful transaction experience in tobacco securitizations and other securitizations including drafting of key legal documents and rendering of the full range of legal opinions customary to those transactions.
- Knowledge of the State's constitutional and statutory provisions relating to the proposed tobacco bonds and to the Authority.
- Qualifications, education and experience of the personnel that would be assigned, particularly the lead bond attorney(s) with day-to-day responsibility for the transaction and the lead tax attorney(s).
- Commitment to Ohio:
    - Experience serving as legal counsel for Ohio bond issuances;
    - Physical presence within the State.
- Proposed fees.

Proposed fees will be evaluated in light of the firm's overall qualifications relative to the other evaluation criteria identified above. The Authority and/or its staff may conduct interviews with one or more responding firms and may contact firms to negotiate any aspect of their response, including fees. The Authority reserves the right to reject or accept any or all responses or to solicit additional information regarding a firm's experience in transactions that occur subsequent to its response to this RFP. The Authority may take into consideration any other information, including information not requested in this RFP or not included in the proposals received.

## V. Submission of the Proposal

Interested firms must respond to this RFP in all respects. Responses to the RFP are strictly limited to a total of 10 pages at no smaller than 12-point font, not including the requested attachments (which should be included as appendices). Responses to the RFP are also required to include a complete copy of the proposal on a standard disk or CD-ROM in both MSWord and PDF format. A single page cover letter may be submitted with the proposal at the discretion of the respondent firm and will not count toward the page limit. Information contained in the cover letter will not be used to evaluate the response. **Twelve copies** of your response enclosed in sealed containers are to be delivered to:

The Buckeye Tobacco Settlement Financing Authority
c/o J. Pari Sabety, Director of Budget and Management
30 East Broad Street, 34th Floor
Columbus, Ohio, 43215

**Four additional copies** of your response enclosed in sealed containers are to be delivered to:

The Buckeye Tobacco Settlement Financing Authority
c/o Public Financial Management
7530 Lucerne Drive, Suite 205
Cleveland, Ohio, 44130

Responses must be received no later than 1:00 p.m. on Wednesday, August 8, 2007. Faxed or e-mailed copies will not be accepted. A responding firm bears full responsibility for the timely delivery of its response at the prescribed location. Proposals received after the time and date listed above will not be considered.

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## VI. Information to be Provided by Responding Firms

1. Overview and Organizational Structure
   a) Provide a brief history and overview of your firm including its main areas of practice and the total number of employees.
   b) Identify ownership and legal organization (e.g., corporation, partnership).
   c) Indicate if your firm is a minority business enterprise (MBE) or disadvantaged business enterprise (DBE) and describe how you qualify as an MBE or DBE.

2. Provide an overview of your firm's practice and experience in public finance and related areas of law.

3. Footprint and Ohio Presence
   a) Location of firm headquarters and principal place of business (if different from headquarters).
   b) Total number of offices and the location of each.
   c) State the location of offices in the State of Ohio and the number and type of employees at each office.
   d) Discuss any recent changes in staffing levels and/or number of offices.

4. Describe your firm's experience and qualifications relative to <u>each</u> of the tasks identified in the scope of services.

5. Describe how your firm's experience serving as legal counsel on other large securitizations completed in the last five years and your knowledge of Ohio's proposed tobacco securitization enhance your qualifications to serve as transaction counsel or co-transaction counsel.

6. Highlight and discuss some of the key tax issues associated with the Authority's proposed tobacco securitization, including the residual asset value test.

7. Provide your thoughts on the non-participating manufacturer (NPM) adjustment amounts withheld and deposited into disputed accounts and place this in the context of your analysis and requirements with respect to the definition of "pledged receipts."

8. Provide as Appendix A, a summary table of the following types of transactions for which your firm has served as transaction counsel, disclosure counsel, or underwriter's counsel since July 2002. Identify your role and include the issuer name, date, par amount, tax status, term/final maturity and, for tobacco securitizations listed in response to part a, your fee. For each category, provide a total of the number of transactions and total par amount. *Note, this summary table does not count toward the page limit.*
   a) Tobacco securitizations of $250 million or more in par;
   b) Other securitizations of $250 million or more in par;
   c) Bond issuances for state-level issuing authorities in Ohio of $100 million or more in par;
   d) Bond issuances for local-level issuing authorities in Ohio of $100 million or more in par.

9. Staffing Plan
   a) Identify the firm representative who would be directly responsible for overseeing this engagement and complete the information sheet provided in Section X. of this RFP.
   b) Provide a staffing plan listing the individual(s) who will be assigned to this engagement (in summary form, list their name, title, position, office location, time in current position, and time with the firm).

c) The staffing plan must include the division of duties and the role of each assigned individual (specifically identifying lead bond counsel and lead tax counsel) and provide a concise summary of their relevant professional experience. *Note, resumes may be attached as Appendix B and would not count toward the page limit.*

10. From the list of transactions provided in response to question 7., provide at least two references. Provide full contact information for each reference (name, title, address, telephone and e-mail) and identify the relevant transaction(s).

11. Discuss any other factors, issues, or ideas you believe should be considered by the Authority.

12. Describe any existing or potential conflict(s) of interest arising from your relationship with or representation of other parties and if selected, potential conflict(s) between other parties and the Authority. Detail your plans and procedures for identifying the conflict, providing notice about the conflict, and managing or resolving the conflict, if possible. Provide sufficient facts, legal implications, and possible effects for the Authority to appreciate the significance of each potential conflict.

13. Describe any litigation, administrative and/or investigative proceedings regarding a violation or alleged violation by your firm of any state or federal law or regulation that is currently pending or concluded within the last three years that might have a material adverse impact on the firm's ability to perform the services enumerated in this request for qualifications.

14. Describe reasons for and explanations of any deviation from the Certifications in Section IX of this RFP.

## VII. Fee Proposal

Propose a fee that reflects the responsibilities outlined in the Scope of Services assuming a $5.5 billion dollar, 40-year (final rated maturity), tax-exempt issuance with a $360 million liquidity reserve fund. Any deviation in the amount of par issued will result in an adjustment in compensation based on the $/1,000 proposed fee up to your stated maximum. The proposed fee should be inclusive of all expenses, with the exception only of authorized and documented travel expenses including hotel/lodging, airfare, and mileage, which will be reimbursed from the costs of issuance. All compensation is contingent on transaction closing.

a) Indicate your proposed fee both as a total dollar amount and on a per-bond basis ($/1,000) and include a maximum amount.

b) For work outside the scope of services of this RFP, please provide an indication of the fee schedule or the hourly fee that you would propose for the individuals assigned

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## VIII. Notice to Firms Regarding Confidential/Trade Secret Information Contained in Your Bid

Submissions made in response to this RFP will be public records subject to disclosure upon request under the Ohio Public Records Act (Ohio Revised Code Section 149.43). The BTSFA recognizes that fee proposals and other information submitted in response to this request for proposals may be confidential, proprietary, trade secret information and the Authority will protect against the public release of any such information to the full extent permitted under Ohio law. Any materials deemed by the submitting firm(s) to be confidential, proprietary, trade secret information should be clearly so designated at the time of submission. Submitting firms are strongly discouraged from designating their entire submission as confidential.

While submitting firms are strongly discouraged from designating their entire submission as confidential, submitting firms should be aware that those parts of a proposal which are not marked as confidential, trade secret or proprietary information will be public record. As such, submissions may be released in open discussion by the BTSFA and will be released in response to a request from the media or other member of the public under the Ohio Public Records Act.

In the event that any person seeks access to materials designated by the submitting firm as confidential, proprietary, trade secret information, the Authority will give notice to counsel for that firm so that it will have an opportunity, within a reasonable period of time, to demonstrate to the Authority that the designated materials constitute trade secrets or are otherwise exempt from disclosure under any other exemptions provided by the public records law. If the Authority agrees as to the exempt status of the designated materials, the Authority will protect the materials to the full extent permitted under Ohio law. If the Authority disagrees as to the exempt status of the designated materials, the Authority will give notice to counsel for the submitting firm so that it may take appropriate legal action, including a request for injunctive relief, to prevent disclosure of the designated materials. Once the Authority has contracted with the selected firm(s), the Authority, in response to public record requests under Ohio Revised Code Section 149.43, intends to release all information provided in the proposals unless specifically prohibited from doing so by an injunction.

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## IX. Certifications

In addition to responding to the foregoing items, this firm certifies that:

A. The firm's position as transaction counsel to the Authority will not create any conflict of interest for the firm or any of its assigned personnel and it will promptly disclose to the Authority any such conflict of interest if, as and when it arises and is known to the firm. (If you believe that any conflict of interest may arise, the nature of the conflict must be described in Section VI., question 12).

B. The firm is an equal opportunity employer and does not discriminate against applicants or employees on the basis of race, color, religion, sex, age, disability, national origin, or Vietnam-era veteran status.

C. All of the assigned personnel of the firm who are not United States citizens will have executed a valid I-9 form and have valid employment authorization documents.

D. The firm is not currently in violation of or under any investigation or review for a violation of any state or federal law, rule (including any applicable rule for professional conduct of attorneys) or regulation that might have a material adverse impact on the firm's ability to serve if selected.

E. The firm is and will remain in compliance with all applicable federal, State and local laws, including but not limited to the applicable provisions of the following for which it also makes the following related certifications:

1. The Federal (41 U.S.C. 701(a)) and Ohio (R.C. 153.03) Drug Free Workplace Acts. The firm will make good faith efforts to ensure that all of its employees will not have or be under the influence of illegal drugs or alcohol or abuse prescription drugs in any way while working on State property.
2. The Ohio Patriot Anti-Terrorism Act (Sections 2909.32-.34 of the Ohio Revised Code). [Note: This Act was amended by Am. Sub. H.B. No. 461 enacted in December 2006 by the 126th Ohio General Assembly.]
3. State of Ohio ethics statute (Chapter 102 and Sections 2921.42 and 2921.43 of the Ohio Revised Code) and lobbying statute (Sections 101.70 and 121.60 et seq. of the Ohio Revised Code), and the Governor's Executive Order 2007-01S.
4. Chapter 3517 of the Ohio Revised Code, campaign financing, including that all applicable parties listed in Division (I)(3) or (J)(3) of Ohio Revised Code Section 3517.13 are in full compliance with Divisions (I)(1) and (J)(1) of Ohio Revised Code Section 3517.13.
5. Section 4705.01 of the Ohio Revised Code and Rule VII of the Rules for Government of the Bar of Ohio, which prohibit the unauthorized practice of law in Ohio.
6. Section 9.24 of the Ohio Revised Code. The firm is not subject to an "unresolved" finding for recovery under that section.

F. In accordance with Executive Order 2007-01S, it (1) has reviewed and understands Executive Order 2007-01S, (2) has reviewed and understands the Ohio ethics and conflict of interest laws, (3) will take no action inconsistent with those laws and that Executive Order 2007-01S, and (4) understands that failure to comply with Executive Order 2007-01S is, in itself, grounds for termination of this Agreement and may result in the loss of other contracts or grants with the Authority or with or from the State.

Firm: _____

By: _____

Name: _____

Title: _____

Date: August __, 2007

## X. Information Sheet

*The Buckeye Tobacco Settlement Financing Authority*

**Request for Proposals for**
**Transaction Counsel and Co-Transaction Counsel Services**

Name of Firm: _____

Contact Person: _____

Telephone Number: _____

Facsimile Number: _____

E-Mail Address: _____

Mailing Address: _____

_____

_____

Position: _____ Transaction Counsel

_____ Co-Transaction Counsel

*Note, firms meeting the minimum requirements set forth in Section III. of this RFP may apply for both positions.*

Date: August __, 2007

# *The Buckeye Tobacco Settlement Financing Authority*

**Request for Proposals for**

**Senior Managing Underwriter Services**

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## I. Introduction

The Buckeye Tobacco Settlement Financing Authority (the Authority) is soliciting proposals from investment banking firms wishing to serve as a senior manager (specifically, book-running senior manager or co-senior manager) in connection with the securitization of tobacco settlement receipts (TSRs) payable to the State of Ohio under the November 1998 Master Settlement Agreement (the MSA). The Authority is a body both corporate and politic created for the sole purpose of purchasing and receiving any assignment of the tobacco settlement receipts and issuing obligations to fund that purchase. The Authority is comprised of three members, being the incumbents in the elective offices of Governor and Treasurer of State, and the Director of Budget and Management.

The Authority anticipates a single un-enhanced tax-exempt issuance totaling approximately $5.5 billion to be completed in the fall of 2007 in which the State would assign and sell up to 100% of its TSRs over the next 35-50 years. This expectation is subject to change based, among other factors, on municipal bond yields and dynamics within the tobacco bond market. The proceeds will be used to fund long-lived capital projects at state-supported institutions of higher education and to pay the State's share of the cost of rebuilding elementary and secondary school facilities across the State. The proceeds are expected to spend-down at a consistent rate over a period of about three, and not more than five, years.

The Authority intends to select an underwriting team for the proposed transaction consisting of one or more firms serving in the following positions: book-running senior manager, co-senior manager, co-manager, and selling group member (together "the underwriting team"). Co-managers, and selling group members will be selected through a separate RFP entitled Co-Managing Underwriter Services.

Joint proposals will be accepted for book-running senior manager, provided that each of the firms participating in the joint proposal also submit complete and separate individual proposals which independently meet the book-running senior manager minimum requirements set forth in Section III.

Each response must designate on the included information sheet in Section X. the position for which the firm is submitting qualifications (book-running senior manager or co-senior manager).

Firms submitting proposals for consideration as book-running senior manager must respond to this RFP in all respects excluding Section VI, question 11. Those firms not selected as a book-running senior manager will automatically be considered for service in a co-senior manager or co-manager role and need not submit a separate proposal for such services.

Firms submitting proposals for consideration as a co-senior manager must respond to this RFP in all respects excluding Section VI, questions: 4,7-10,13,14, and Section VII. Those firms not selected as a co-senior manager will automatically be considered for service in a co-manager role and need not submit a separate proposal for such services.

The selected firm(s) will be responsible for timely notifying the Authority of material changes in ownership, organization, personnel, litigation or conflicts, regulatory investigations or enforcement actions, and any other material changes or developments (i.e., within 30 days of their occurrence).

Any and all questions must be submitted by e-mail to OBM.BTSFATobaccoRFP@obm.state.oh.us. All questions and responses will be posted to the Web at www.obm.ohio.gov/tobacco. With the sole exception of submitting questions via the above e-mail address, respondents shall not communicate about this RFP directly with the Authority, the Governor's Office, the Treasurer of State's Office, the Office of Budget and Management or the Authority's financial advisor, Public Financial Management, Inc. Any such communication will automatically disqualify the respondent and its proposal from consideration. Please note that all questions and answers become a matter of public record and will be made available to all RFP respondents.

Responses to this RFP are the property of the Authority and will be "public records", except for information considered to be trade secrets by the responding firm (see Section VIII. Notice to Firms Regarding Confidential/Trade Secret Information Contained in Your Bid).

All proposals shall remain sealed until the designated time for opening, which will be Thursday, August 9, 2007 at 1:00pm EDT.

This RFP is not and shall not be construed as an offer of a contract by the Authority. Any contractual arrangement for underwriting services will be evidenced solely by a separate bond purchase agreement authorized by the Authority.

## II. Scope of Services

Book-Running Senior Manager

Firms responding to this RFQ for consideration as book-running senior manager will be expected to provide or assist in the provision of the following information or services:

- Presentation of information to the Authority and its financial advisor and staff, credit rating agencies, the bond market, the media, executive branch and legislative leadership, and the public.
- Advise and consult with the Authority and its representatives in the development and execution of a comprehensive plan of finance including a detailed marketing plan.
- Assist the financial advisor in identifying tasks, assigning responsibilities and coordinating dates for completing activities related to the plan of finance.
- Evaluation of alternative structures, terms and conditions to best accomplish the Authority's goals.
- Manage and oversee the underwriting syndicate and selling group members.
- Develop a comprehensive underwriting team communication and coordination plan. Proactively communicate and educate syndicate members on transaction structure and provide disclosure and suitability language for syndicate member's sales forces.
- Review of legal and other documents related to the marketing and issuance of the proposed securities, including but not limited to, official statements, bond resolutions, indentures and disclosure documents.
- Prepare and coordinate all submissions and presentations to potential investors, credit rating agencies, and credit enhancement providers.
- Provide insight and recommendations on timing and amount of the sale in light of competing supply, prevailing interest rates, investor demand, economic conditions, and other factors
- Deliver timely reports on the status of the high yield and municipal bond markets and any economic reports or other news that may impact the municipal bond market.
- Retain the services of an econometric consumption consultant to forecast domestic cigarette consumption for the term of the bonds. Such contract shall be between the senior underwriter and the consumption consultant and will not constitute an expense of the Authority.
- Employ a mutually acceptable underwriter's counsel(s), responsible for drafting the following documents and for rendering related opinions: the offering circular (including disclosure provisions), bond purchase agreement, and agreement among underwriters.
- Provide, in advance of the pricing, the proposed pricing of each member of the senior underwriting team, a recommended pre-pricing scale and the rationale for determining the recommended scale.
- During the pricing of the obligations, provide:
    - The ability to remotely monitor the placement and status of orders on a real-time basis, including the type of order (retail, institutional, member) and the firm placing the order.
    - On-site facilities for the Authority and its representatives to effectively monitor and oversee the pricing process.
    - Frequent status reports summarizing order flow, maturity by maturity subscription, and intra-day market movements.
- Purchase, or participate in the purchase of, the obligations upon terms and conditions mutually acceptable to the Authority and the underwriters as set forth in a bond purchase agreement.

- Prepare a post pricing summary outlining orders and allocations by firm.
- Provide a comprehensive post closing book summarizing key aspects of the transaction.
- Attend and participate in meetings of the Authority and the financing team as requested.
- Other related services as requested by the Authority.

Co-Senior Manager

Firms responding to this RFQ for consideration as a co-senior manger will be expected to provide or assist in the provision of the following information or services:

- Purchase, or participate in the purchase of, the obligations upon terms and conditions mutually acceptable to the Authority and the underwriters as set forth in a bond purchase agreement.
- Participate fully in transaction discussions pursuant to the book-running senior manager's comprehensive marketing and communications plans.
- Provide structuring ideas and feedback to the Authority and the financing team.
- Offer preliminary market insight and preliminary pricing input to the book-running senior manager.
- Comment on and approve draft documents as requested.
- Attend and participate in meetings of the Authority and the financing team as requested.
- Other related services as requested by the Authority.

## III. Minimum Requirements

Responding firms must meet the following minimum requirements to be considered for selection as a senior manager.

Book-Running Senior Manager

Since July 2002:

- Experience serving as a book-running or joint book-running senior manager on at least one tobacco securitization transaction secured by TSRs payable under the MSA with an issuance par in excess of $400 million; and
- Experience serving as a senior manager on at least one additional tobacco securitization transaction secured by TSRs payable under the MSA with an issuance par in excess of $400 million; and
- Experience serving as a co-manager or senior manager on at least one negotiated transaction for state-level Ohio issuing authorities; and
- Compliance with the submission requirements set forth in Section V. of this proposal.

Co-Senior Manager

Since July 2002:

- Experience serving as a senior manager on two (2) or more tobacco securitization transactions secured by TSRs payable under the MSA with at least one of those transactions having an issuance par in excess of $400 million; and
- Experience serving as a co-manager or senior manager on at least one negotiated transaction for state-level Ohio issuing authorities; and
- Compliance with the submission requirements set forth in Section V. of this proposal.

## IV. Evaluation Criteria

Proposals will be evaluated based upon several factors, including but not limited to:

Book-Running Senior Manager

- Experience serving as a book-running or co-senior manager on tobacco securitizations.
- Demonstrated ability to effectively manage a large underwriting team.
- Degree to which the proposed structure effectively targets existing and new tobacco investors.
- Breadth and depth of the proposed marketing plan across the range of maturities and products being offered.
- Tobacco related qualifications, experience and expertise of the assigned personnel.
- Financial capacity and willingness to underwrite at appropriately aggressive levels.
- Overall knowledge of the current tobacco bond market.
- Proposed fees.

Co-Senior Manager

- Experience serving as a book-running or co-senior manager on tobacco securitizations.
- Financial capacity and willingness to underwrite at appropriately aggressive levels.
- Overall knowledge of the current tobacco bond market.
- Ability to market and expand the distribution of the Authority's bonds.

Proposed fees will be evaluated in light of the firm's overall qualifications, experience, impact on pricing and the other evaluation criteria identified above. The Authority and/or its staff may conduct interviews with one or more responding firms and may contact firms to negotiate any aspect of their response, including fees. The Authority reserves the right to reject or accept any or all responses or to solicit additional information regarding a firm's experience in transactions that occur subsequent to its response to this RFP. The Authority may take into consideration any other information, including information not requested in this RFP or not included in the proposals received.

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## V. Submission of the Proposal

Responses for book-running senior manager are strictly limited to a total of 15 pages not including the requested attachments (which should be included as Appendices A, B, and C). Responses for co-senior manager are strictly limited to a total of 7 pages not including the requested attachments (which should be included as Appendices A and B). Submissions must be made in no smaller than 12-point font. Responses to the RFP are also required to include a complete copy of the proposal on a standard disk or CD-ROM in both MSWord and PDF format. A single page cover letter may be submitted with the proposal at the discretion of the respondent firm and will not count toward the page limit. Information contained in the cover letter will not be used to evaluate the response.

**Twelve copies** of your response enclosed in sealed containers are to be delivered to:

The Buckeye Tobacco Settlement Financing Authority
c/o J. Pari Sabety, Director of Budget and Management
30 East Broad Street, 34th Floor
Columbus, Ohio, 43215

**Four additional copies** of your response enclosed in sealed containers are to be delivered to:

The Buckeye Tobacco Settlement Financing Authority
c/o Public Financial Management
7530 Lucerne Drive, Suite 205
Cleveland, Ohio, 44130

Responses must be received no later than 1:00 p.m. EDT on Thursday, August 9, 2007. Faxed or e-mailed copies will not be accepted. A responding firm bears full responsibility for the timely delivery of its response at the prescribed location. Proposals received after the time and date listed above will not be considered.

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## VI. Information to be Provided by Responding Firms

### General Firm Information and Staffing Expertise

1. Overview and Organizational Structure
   a) Identify the location of the firm headquarters and principal place of business (if different from headquarters)
   b) Provide a brief overview of your firm including its business operations, organizational structure, and total number of employees.
   c) Indicate if your firm is a minority business enterprise (MBE) or disadvantaged business enterprise (DBE) and describe how you qualify as an MBE or DBE.

2. Staffing Plan
   a) Identify the firm representative who would be directly responsible for overseeing this engagement and complete the information sheet provided in Section X. of this RFP.
   b) Provide a staffing plan listing the individuals who will be assigned to this engagement. In summary form, list their name, title, engagement role, office location, time with the firm, and summarize their tobacco related qualifications and experience. *Note, resumes may be attached as Appendix A and would not count toward the page limit.*

### Experience, Management, and Capital Commitment

3. Describe your firm's experience, qualifications and resources to perform each of the tasks identified in the scope of services. Include the total number and aggregate par amount of tobacco securitizations completed since July 2002 for which your firm has served as i) book-running senior manager, and ii) co-senior manager.

4. Lack of communication among the underwriting team is a frequently cited complication inherent in large transactions. Describe the efforts your firm would undertake to ensure efficient and effective communication with the syndicate and selling group members over the course of the transaction. Provide a recent example of a transaction that demonstrates your ability to effectively manage a large underwriting syndicate and selling group.

5. Provide a summary table (as Appendix B) of the following types of negotiated transactions for which your firm has served as a senior underwriter since July 2002. Identify your specific role (book-runner, joint book-runner, or co-senior manager) and include the issuer name, date, par amount, tax status, term and final maturity, and nature and extent of the pledge. Provide a total of the par amount issued within each category.
   a) Tobacco securitizations of $250 million or more in par;
   b) Other asset-backed securitizations of $250 million or more in par;
   c) Bond issuances for state-level issuing authorities of $1 billion or more in par.

6. Capital capacity and tobacco commitment.
   a) Provide the following financial and municipal information:
      i) Excess net capital position as of the date of the most recent filing with the NASD.
      ii) The maximum amount of bonds your firm may underwrite based on this excess net capital amount.
      iii) Since July 1, 2006 with respect to tobacco securitization bonds, provide the total amount of bonds your firm has traded in the secondary market and indicate your average daily inventory.

b) Describe a recent example of a tobacco securitization that demonstrates your firm's willingness to commit capital to underwrite unsold balances and preserve the integrity of the pricing.

## Structuring and Marketing

7. Based on the below assumptions, present a plan for sizing and structuring the proposed securitization to generate $5.05 billion in net proceeds to the State of Ohio at the lowest possible cost of borrowing as measured by the all-in TIC. Include your detailed numbers and cash flows as Appendix C. Provide your assumptions and rationale for projected consumption decline, indicate which, if any, rating agency stress tests are not satisfied, and identify all other key assumptions inherent in your structure. For each rated maturity, provide the expected maturity and average life, coupon(s), and yield spread to the AAA MMD. Provide the takedowns you would propose for each structuring component including serials, CIBS, CABS, subordinate CABS, or any other proposed element.

   Discuss important and unique elements of your proposed structure and elaborate on why your structure would ultimately benefit the Authority at pricing.

   In addition to the structuring plan submitted above, use the same transaction assumptions and spreads to AAA MMD to provide answers to the following questions:

   a) What is the maximum amount of net proceeds that can be generated and what is the associated all-in TIC?

   b) Assuming a 40-year rated final maturity, what uniform percentage TSR pledge is necessary to generate $5.05 billion in net proceeds?

   **Transaction Assumptions:**

| | |
|---|---|
| • Dated date: | 10/15/2007 |
| • First P and I payment date | 6/1/2008 |
| • First TSRs Sold | April 2008 |
| • Underwriter's discount & cost of issuance: | 0.5% |
| • Capitalized interest account | 4.50% |
| • Debt service account | 4.00% |
| • Debt service reserve account | 5.00% |
| • Operating expenses | $2,250,000 for 2008, inflated 3% annually thereafter |
| • Capitalized interest | None |
| • Minimum annual coverage | 1.20x |
| • Final rated maturity | 2047 (or earlier) |
| • Maximum issuance par | $6 Billion |
| • Scale | AAA MMD (8/3/2007) |
| • Tax-status | 100% Tax exempt |
| • Ratings (CABS) | Investment grade only |

8. Marketing and Timing

   a) What is the best strategy for timing and positioning of the Authority's proposed transaction in light of the forward tobacco calendar, the current regulatory and litigation environments, and high yield bond market supply?

   b) Provide recommendations regarding the composition and size of the underwriting syndicate and selling group, and the designation policy that would maximize marketing and distribution efforts.

   c) Describe the types of investors your firm would target to purchase these obligations. What unique structuring or marketing techniques would your firm employ to attract these investors?

d) Discuss the suitability of this investment across different segments of the retail market (individuals, trust departments, financial/investment advisors). Which of those segments do you recommend targeting and why. Approximately how many bonds do you believe could be sold on a retail basis?

9. Provide a marketing plan for the proposed transaction. Include a timeline that sets forth your retail and institutional investor outreach efforts from selection through pricing.

10. Provide two references for which your firm has served as a book-running or joint book-running senior manager of a tobacco securitization in the last five years that can be contacted by the Authority. Identify the primary contact (name, title, address, telephone and e-mail) and identify the relevant transaction(s).

11. Describe how your inclusion as a co-senior manager on the proposed securitization will broaden the distribution and ultimately benefit the pricing.

12. Please discuss any other factors, ideas, or recommendations that you believe should be considered by the Authority.

13. Underwriter's counsel(s) will be responsible for preparing the offering circulars (including disclosure sections), the bond purchase agreement, agreement among underwriters, and other documents on behalf of the underwriter. The Authority encourages the consideration of law firms that are minority business enterprises as defined in Ohio Revised Code section 122.71(E) to serve as co-underwriter's counsel. Identify two firms that you would recommend as underwriter's counsel and two firms that you would recommend as co-underwriter's counsel. Discuss the evaluation criteria on which your recommendations are based. Indicate the approximate fixed dollar fee you would provide each as compensation for services rendered. (Note, the proposed fee should be inclusive of all expenses, with the exception only of authorized and documented travel expenses.)

14. If submitting a joint proposal, list and explain the synergies created through your proposed partnership. Describe how these synergies directly benefit the Authority and the proposed securitization. Provide a work plan outlining the separation of transaction responsibilities between the firms. Please note that if you provide a joint proposal, each party must also provide complete and separate individual proposals.

**Regulatory**

15. With respect to the State of Ohio, describe your firm's compliance with MSRB Rule G-37.

16. Describe any investigation, review or litigation regarding a violation or alleged violation by your firm of any state or federal securities, investment advisor, or tax law or regulation relating to tax-exempt financings that is currently pending or that was concluded since January 1, 2004.

17. Describe any official investigation or review, or litigation regarding a violation or alleged violation by your firm of any State of Ohio ethics (Chapter 102 and Sections 2921.42 and 2921.43 of the Ohio Revised Code), campaign financing (Chapter 3517 of the Ohio Revised Code), or lobbying (Sections 101.70 et seq. and 121.60 et seq. of the Ohio Revised Code), laws or rules that is currently pending or concluded since January 1, 2004.

18. Detail any existing or potential conflict of interest that the firm might have if selected to serve as an underwriter to the Authority. Describe your plans and procedures for identifying conflicts of interest, providing timely notice to the Authority about the conflict, and managing or resolving the conflict if possible.

19. Describe reasons for and explanations of any deviation from the Certifications in Section IX of this RFP

## VII. Fee Proposal

Proposed fees should reflect the responsibilities outlined in the scope of services and assume the transaction structuring assumptions as listed in Section VI, question 7 of this RFP. All compensation is contingent on transaction closing.

a) Propose the gross spread ($/1000) that you would work for as book-running senior manager.

b) Delineate within the proposed ($/1000) gross spread the following cost components.

- Takedown*
- Management/Structuring Fee (if applicable)
- Expenses
- For variable rate bonds, if any, the remarketing fee.

* The takedown proposed should correlate directly to the structuring plan and products presented as a response to Section VI, question 7 of this RFP and should represent the average takedown.

c) Provide a comprehensive list of expenses including underwriter's counsel(s) and consumption consultant fees. Identify the expenses that are fixed and those that vary with issuance size.

d) Provide an example of a tobacco securitization, of similar size and structure, in which your proposed takedown level or a lesser takedown was used and resulted in a successful and aggressive pricing of the obligations. If your proposed takedown has not been market tested, provide a rationale for the proposed takedown and identify the associated risks and rewards.

e) If submitting a joint proposal, delineate how the fees and expenses quoted above would be allocated between the firms.

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## VIII. Notice to Firms Regarding Confidential/Trade Secret Information Contained in Your Bid

Submissions made in response to this RFP will be public records subject to disclosure upon request under the Ohio Public Records Act (Ohio Revised Code Section 149.43). The BTSFA recognizes that fee proposals and other information submitted in response to this request for proposals may be confidential, proprietary, trade secret information and the Authority will protect against the public release of any such information to the full extent permitted under Ohio law. Any materials deemed by the submitting firm(s) to be confidential, proprietary, trade secret information should be clearly so designated at the time of submission. Submitting firms are strongly discouraged from designating their entire submission as confidential.

While submitting firms are strongly discouraged from designating their entire submission as confidential, submitting firms should be aware that those parts of a proposal which are not marked as confidential, trade secret or proprietary information will be public record. As such, submissions may be released in open discussion by the BTSFA and will be released in response to a request from the media or other member of the public under the Ohio Public Records Act.

In the event that any person seeks access to materials designated by the submitting firm as confidential, proprietary, trade secret information, the Authority will give notice to counsel for that firm so that it will have an opportunity, within a reasonable period of time, to demonstrate to the Authority that the designated materials constitute trade secrets or are otherwise exempt from disclosure under any other exemptions provided by the public records law. If the Authority agrees as to the exempt status of the designated materials, the Authority will protect the materials to the full extent permitted under Ohio law. If the Authority disagrees as to the exempt status of the designated materials, the Authority will give notice to counsel for the submitting firm so that it may take appropriate legal action, including a request for injunctive relief, to prevent disclosure of the designated materials. Once the Authority has contracted with the selected firm(s), the Authority, in response to public record requests under Ohio Revised Code Section 149.43, intends to release all information provided in the proposals unless specifically prohibited from doing so by an injunction.

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## IX. Certifications

In addition to responding to the foregoing items, this firm certifies that:

1. The firm's position as underwriter to the Authority will not create any conflict of interest for the firm or any of its assigned personnel and it will promptly disclose to the Authority any such conflict of interest if, as and when it arises and is known to the firm.
2. The firm is an equal opportunity employer and does not discriminate against applicants or employees on the basis of race, color, religion, sex, age, disability, national origin, or Vietnam-era veteran status.
3. All of the assigned personnel of the firm who are not United States citizens will have executed a valid I-9 form and have valid employment authorization documents.
4. The firm is not currently in violation of or under any investigation or review for a violation of any state or federal law or regulation that might have a material adverse impact on the firm's ability to serve if selected.
5. The firm is and will remain in compliance with all applicable federal, State and local laws, including but not limited to the applicable provisions of the following for which it also makes the following related certifications:
   a) The Federal (41 U.S.C. 701(a)) and Ohio (R.C. 153.03) Drug Free Workplace Acts. The firm will make good faith efforts to ensure that all of its employees will not have or be under the influence of illegal drugs or alcohol or abuse prescription drugs in any way while working on State property.
   b) The Ohio Patriot Anti-Terrorism Act (Sections 2909.32-.34 of the Ohio Revised Code). [Note: This Act was amended by Am. Sub. H.B. No. 461 enacted in December 2006 by the 126th Ohio General Assembly.]
   c) State of Ohio ethics (Chapter 102 and Sections 2921.42 and 2921.43 of the Ohio Revised Code) and lobbying (Sections 101.70 and 121.60 et seq. of the Ohio Revised Code), and the Governor's Executive Order 2007-01S.
   d) Chapter 3517 of the Ohio Revised Code, campaign financing, including that all applicable parties listed in Division (I)(3) or (J)(3) of Ohio Revised Code Section 3517.13 are in full compliance with Divisions (I)(1) and (J)(1) of Ohio Revised Code Section 3517.13.
   e) Section 9.24 of the Ohio Revised Code. The firm is not subject to an "unresolved" finding for recovery under that section.
6. The firm understands and agrees that during the time it serves as underwriter it (and its affiliates) will not during that time have a financial interest in the firm providing financial advisory services to the Authority.

Firm: _____

By: _____

Name: _____

Title: _____

Date: August__, 2007

## X. Information Sheet

*The Buckeye Tobacco Settlement Financing Authority*

**Request for Proposals for**
**Senior Managing Underwriter Services**

Name of Firm: _____

Contact Person: _____

Telephone Number: _____

Facsimile Number: _____

E-Mail Address: _____

Mailing Address: _____

_____

_____

Position: _____ Book-Running Senior Manager

_____ Co-Senior Manager

*Note, firms that meet the minimum requirements for Book-Running Senior Manager will automatically be considered for Co-Senior Manager and do not need to submit separate proposals.*

Date: August, __, 2007

# *The Buckeye Tobacco Settlement Financing Authority*

**Request for Proposals for**

**Co-Managing Underwriter Services**

DRAFT

## I. Introduction

The Buckeye Tobacco Settlement Financing Authority (the Authority) is soliciting proposals from investment banking firms wishing to serve as a co-manager in connection with the securitization of tobacco settlement receipts (TSRs) payable to the State of Ohio under the November 1998 Master Settlement Agreement (the MSA). The Authority is a body both corporate and politic created for the sole purpose of purchasing and receiving any assignment of the tobacco settlement receipts and issuing obligations to fund that purchase. The Authority is comprised of three members, being the incumbents in the elective offices of Governor and Treasurer of State, and the Director of Budget and Management.

The Authority anticipates a single un-enhanced tax-exempt issuance totaling approximately $5.5 billion to be completed in the fall of 2007 in which the State would assign and sell up to 100% of its TSRs over the next 35-50 years. This expectation is subject to change based, among other factors, on municipal bond yields and dynamics within the tobacco bond market. The proceeds will be used to fund long-lived capital projects at state-supported institutions of higher education and to pay the State's share of the cost of rebuilding elementary and secondary school facilities across the State. The proceeds are expected to spend-down at a consistent rate over a period of about three, and not more than five, years.

The Authority intends to select an underwriting team for the proposed transaction consisting of one or more firms serving in the following positions: book-running senior manager, co-senior manager, co-manager, and selling group member (together "the underwriting team"). The book-running and co-senior managers will be selected through a separate RFP entitled Request for Proposals for Senior Managing Underwriter Services.

Interested firms must respond to this RFP in all respects. Those firms not selected as a co-manager will automatically be considered for inclusion in the selling group.

The selected firm(s) will be responsible for timely notifying the Authority of material changes in ownership, organization, personnel, litigation or conflicts, regulatory investigations or enforcement actions, and any other material changes or developments (i.e., within 30 days of their occurrence).

Any and all questions regarding must be submitted by e-mail to OBM.BTSFATobaccoRFP@obm.state.oh.us. All questions and responses will be posted to the Web at www.obm.ohio.gov/tobacco. With the sole exception of questions via the above e-mail address, respondents shall not communicate about this RFP directly with the Authority, the Governor's Office, the Treasurer of State's Office, the Office of Budget and Management or the Authority's financial advisor, Public Financial Management, Inc. Any such communication will automatically disqualify the respondent and its proposal from consideration. Please note that all questions and answers become a matter of public record and will be made available to all RFP respondents.

Responses to this RFP are the property of the State and will be "public records", except for information considered to be trade secrets by the responding firm (see section VII. Notice to Firms Regarding Confidential/Trade Secret Information Contained in Your Bid).

All proposals shall remain sealed until the designated time for opening, which will be Friday, August 10, 2007 at 1:00 p.m. EDT.

This RFP is not and shall not be construed as an offer of a contract by the Authority. Any contractual arrangement for underwriting services will be evidenced solely by a separate bond purchase agreement authorized by the Authority.

## II. Scope of Services

Firms responding to this RFQ may be asked to provide or assist in the provision of the following information or services:

- Purchase, or participate in the purchase of, the obligations upon terms and conditions mutually acceptable to the Authority and the underwriters as set forth in a bond purchase agreement.
- Conduct proactive investor information and marketing efforts to the firm's investor base in coordination with the book running senior managers marketing plan.
- Comment on and approve draft documents as requested.
- Provide distribution of the Authority's bonds to interested investors.
- Attend and participate in meetings of the Authority and the financing team as requested.
- Other related services as requested by the Authority.

## III. Minimum Requirements

Responding firms must meet the following minimum requirements to be considered for selection as a co-manager.

Since July 2002:

- Experience serving as co-manager on at least two (2) tobacco securitization transaction secured by TSRs payable under the MSA; or
- Experience serving as a co-manager or senior manager on at least two (2) negotiated transactions for state-level Ohio issuing authorities; and
- Compliance with the submission requirements set forth in Section V. of this proposal.

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## IV. Evaluation Criteria

Proposals will be evaluated based upon several factors, including but not limited to:

- Experience serving on tobacco securitization transactions.
- Marketing and distribution capabilities.
- Financial capacity and willingness to underwrite bonds.
- Commitment to Ohio:
  - Physical presence within the State.
  - Underwriting experience for state-level issuing authorities.

## V. Submission of the Proposal

Interested firms must respond to this RFP in all respects. Responses to the RFP are strictly limited to a total of 5 pages at no smaller than 12-point font, not including the requested attachment (which should be included as Appendix A to your response). Responses to the RFP are also required to include a complete copy of the proposal on a standard disk or CD-ROM in both MSWord and PDF format. A single page cover letter may be submitted with the proposal at the discretion of the respondent firm and will not count toward the page limit. Information contained in the cover letter will not be used to evaluate the response.

**Twelve copies** of your response enclosed in sealed containers are to be delivered to:

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Responses must be received no later than 1:00 p.m. EDT on Friday, August 10, 2007. Faxed or e-mailed copies will not be accepted. A responding firm bears full responsibility for the timely delivery of its response at the prescribed location. Proposals received after the time and date listed above will not be considered.

## VI. Information to be Provided by Responding Firms

1. Overview and Organizational Structure
   a) Identify the location of the firm headquarters and principal place of business (if different from headquarters)
   b) Provide a brief overview of your firm including its business operations, organizational structure, number and location of offices, and total number of employees.
   c) Indicate if your firm is a minority business enterprise (MBE) or disadvantaged business enterprise (DBE) and describe how you qualify as an MBE or DBE.

2. Ohio Commitment
   a) Describe the extent of your experience in and commitment to Ohio.
   b) List: i) the number and location of each Ohio office; and ii) the total number of Ohio employees and number of investment banking professionals employed in Ohio.

3. Describe your firm's experience, qualifications and resources in the public finance arena. Specifically address your ability to perform <u>each</u> of the tasks identified in the scope of services.

4. Provide a summary table (as Appendix A) of the following types of negotiated transactions for which your firm has served as an underwriter since July 2002. Identify your specific role (book-runner, joint book-runner, co-senior manager, or selling group member) and include the issuer name, date, par amount, tax status, term and final maturity, and nature and extent of the pledge. Provide a total of the par amount issued within each category.
   a) Tobacco securitizations;
   b) Other securitizations;
   c) Bond issuances for state-level Ohio issuing authorities.

5. Capital capacity.
   a) Provide the following financial and municipal information:
      i) Excess net capital position as of the date of the most recent filing with the NASD.
      ii) The maximum amount of bonds your firm may underwrite based on this excess net capital amount.
      iii) Since January 1, 2007 with respect to tobacco securitization bonds, provide the total amount of bonds your firm has traded in the secondary market and indicate your average daily inventory.

6. Provide an overview of your firm's distribution capability and describe how your inclusion as a co-manager on the proposed securitization will broaden the transaction's distribution and ultimately benefit the pricing. Provide the following information as part of your response:
   (a) Number of institutional salespeople dedicated to municipal bonds.
   (b) Number and type of institutional accounts covered by your municipal sales force.
   (c) Number of retail salespeople dedicated to municipal bonds.
   (d) Number of Ohio retail accounts held by your firm.

7. Discuss any other factors, ideas, or recommendations that you believe should be considered by the Authority.

**Regulatory**

8. With respect to the State of Ohio, describe your firm's compliance with MSRB Rule G-37.

9. Describe any investigation, review or litigation regarding a violation or alleged violation by your firm of any state or federal securities, investment advisor, or tax law or regulation relating to tax-exempt financings that is currently pending or that was concluded since January 1, 2004.

10. Describe any official investigation or review, or litigation regarding a violation or alleged violation by your firm of any State of Ohio ethics (Chapter 102 and Sections 2921.42 and 2921.43 of the Ohio Revised Code), campaign financing (Chapter 3517 of the Ohio Revised Code), or lobbying (Sections 101.70 et seq. and 121.60 et seq. of the Ohio Revised Code), laws or rules that is currently pending or concluded since January 1, 2004.

11. Detail any existing or potential conflict of interest that the firm might have if selected to serve as an underwriter to the Authority. Describe your plans and procedures for identifying conflicts of interest, providing timely notice to the Authority about the conflict, and managing or resolving the conflict if possible.

12. Describe reasons for and explanations of any deviation from the Certifications in Part VIII of this RFP

## VII. Notice to Firms Regarding Confidential/Trade Secret Information Contained in Your Bid

Submissions made in response to this RFP will be public records subject to disclosure upon request under the Ohio Public Records Act (Ohio Revised Code Section 149.43). The BTSFA recognizes that fee proposals and other information submitted in response to this request for proposals may be confidential, proprietary, trade secret information and the Authority will protect against the public release of any such information to the full extent permitted under Ohio law. Any materials deemed by the submitting firm(s) to be confidential, proprietary, trade secret information should be clearly so designated at the time of submission. Submitting firms are strongly discouraged from designating their entire submission as confidential.

While submitting firms are strongly discouraged from designating their entire submission as confidential, submitting firms should be aware that those parts of a proposal which are not marked as confidential, trade secret or proprietary information will be public record. As such, submissions may be released in open discussion by the BTSFA and will be released in response to a request from the media or other member of the public under the Ohio Public Records Act.

In the event that any person seeks access to materials designated by the submitting firm as confidential, proprietary, trade secret information, the Authority will give notice to counsel for that firm so that it will have an opportunity, within a reasonable period of time, to demonstrate to the Authority that the designated materials constitute trade secrets or are otherwise exempt from disclosure under any other exemptions provided by the public records law. If the Authority agrees as to the exempt status of the designated materials, the Authority will protect the materials to the full extent permitted under Ohio law. If the Authority disagrees as to the exempt status of the designated materials, the Authority will give notice to counsel for the submitting firm so that it may take appropriate legal action, including a request for injunctive relief, to prevent disclosure of the designated materials. Once the Authority has contracted with the selected firm(s), the Authority, in response to public record requests under Ohio Revised Code Section 149.43, intends to release all information provided in the proposals unless specifically prohibited from doing so by an injunction.

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## VIII. Certifications

In addition to responding to the foregoing items, this firm certifies that:

1. The firm's position as underwriter to the Authority will not create any conflict of interest for the firm or any of its assigned personnel and it will promptly disclose to the Authority any such conflict of interest if, as and when it arises and is known to the firm.
2. The firm is an equal opportunity employer and does not discriminate against applicants or employees on the basis of race, color, religion, sex, age, disability, national origin, or Vietnam-era veteran status.
3. All of the assigned personnel of the firm who are not United States citizens will have executed a valid I-9 form and have valid employment authorization documents.
4. The firm is not currently in violation of or under any investigation or review for a violation of any state or federal law or regulation that might have a material adverse impact on the firm's ability to serve if selected.
5. The firm is and will remain in compliance with all applicable federal, State and local laws, including but not limited to the applicable provisions of the following for which it also makes the following related certifications:
   a) The Federal (41 U.S.C. 701(a)) and Ohio (R.C. 153.03) Drug Free Workplace Acts. The firm will make good faith efforts to ensure that all of its employees will not have or be under the influence of illegal drugs or alcohol or abuse prescription drugs in any way while working on State property.
   b) The Ohio Patriot Anti-Terrorism Act (Sections 2909.32-.34 of the Ohio Revised Code). [Note: This Act was amended by Am. Sub. H.B. No. 461 enacted in December 2006 by the 126th Ohio General Assembly.]
   c) State of Ohio ethics (Chapter 102 and Sections 2921.42 and 2921.43 of the Ohio Revised Code) and lobbying (Sections 101.70 and 121.60 et seq. of the Ohio Revised Code), and the Governor's Executive Order 2007-01S.
   d) Chapter 3517 of the Ohio Revised Code, campaign financing, including that all applicable parties listed in Division (I)(3) or (J)(3) of Ohio Revised Code section 3517.13 are in full compliance with Divisions (I)(1) and (J)(1) of Ohio Revised Code section 3517.13.
   e) Section 9.24 of the Ohio Revised Code. The firm is not subject to an "unresolved" finding for recovery under that section.
6. The firm understands and agrees that during the time it serves as underwriter it (and its affiliates) will not during that time have a financial interest in the firm providing financial advisory services to the Authority.

Firm: _____

By: _____

Name: _____

Title: _____

Date: August__, 2007

## IX. Information Sheet

*The Buckeye Tobacco Settlement Financing Authority*

**Request for Proposals for**
**Co-Managing Underwriter Services**

Name of Firm: _____

Contact Person: _____

Telephone Number: _____

Facsimile Number: _____

E-Mail Address: _____

Mailing Address: _____

_____

_____

Date: August, __, 2007