

STATEWIDE SECURITIES CUSTODY SERVICE PROVIDER

REQUEST FOR PROPOSAL

November 18, 2011



JAMES L. MCINTIRE
WASHINGTON STATE TREASURER

TABLE OF CONTENTS

SUMMARY INFORMATION AND PROPOSAL RETURN COVER PAGE.....	2
SECTION I - INTRODUCTION	3
<i>I-1 BACKGROUND</i>	3
<i>I-2 PURPOSE/OBJECTIVES</i>	3
<i>I-3 RFP COORDINATOR</i>	4
<i>I-4 RFP SCHEDULE.....</i>	5
<i>I-5 RFP MODIFICATION.....</i>	5
<i>I-6 APPARENT SUCCESSFUL FINANCIAL INSTITUTION</i>	5
<i>I-7 PERIOD OF PERFORMANCE</i>	6
<i>I-8 RENOGIATION OF FEES.....</i>	6
<i>I-9 FINAL SELECTION</i>	6
<i>I-10 SINGLE RESPONSE</i>	6
<i>I-11 ERRORS IN RESPONSE</i>	6
SECTION II - STATEMENT OF WORK	7
<i>II-1 SCOPE</i>	7
<i>II-2 SERVICES TO BE PROVIDED.....</i>	7
SECTION III – SELECTION PROCESS.....	10
<i>III-1 SELECTION SCHEDULE</i>	10
<i>III-2 SELECTION STEPS.....</i>	10
<i>III-3 EVALUATION AND SELECTION PROCESS</i>	11
SECTION IV – PROPOSAL PREPARATION AND CONTENT REQUIREMENTS	12
<i>IV-1 SUBMISSION OF PROPOSAL.....</i>	12
<i>IV-2 RESTATEMENT OF RESPONSE QUESTIONS</i>	13
<i>IV-3 SUPPLEMENTAL MATERIAL</i>	13
<i>IV-4 PUBLIC RECORDS.....</i>	13
<i>IV-5 CONTRACTUAL REQUIREMENTS.....</i>	13
<i>IV-6 CLARITY OF PROPOSAL</i>	14
<i>IV-7 ORGANIZATION OF PROPOSAL.....</i>	14
<i>IV-8 SINGLE VOLUME</i>	14
<i>IV-9 PROPOSAL CONTENTS</i>	14
SECTION V – EVALUATION OF RESPONSES	15
<i>V-1 EVALUATION PROCEDURES.....</i>	15
<i>V-2 BASIS FOR EVALUATION</i>	15
<i>V-3 EVALUATION TEAM.....</i>	15
<i>V-4 EVALUATION CRITERIA</i>	15
SECTION VI – MODEL CONTRACT AND LETTER OF AGREEMENT SPECIFICATIONS.....	16
<i>VI-1 MODEL CONTRACT NEGOTIATION</i>	16
<i>VI-2 LETTER OF AGREEMENT NEGOTIATION.....</i>	16
<i>VI-3 DESIGNATION OF STATEWIDE CUSTODIAN.....</i>	16
<i>VI-4 PROTEST PROCEDURES.....</i>	17
ATTACHMENT A	A-1
APPENDIX A	A-15

**SUMMARY INFORMATION
AND PROPOSAL RETURN COVER PAGE**

RFP NUMBER SWCS-11-001

ISSUE DATE: November 18, 2011

TITLE: STATEWIDE SECURITIES CUSTODY SERVICE PROVIDER

ISSUING AGENCY: Office of the State Treasurer
P.O. Box 40200
Olympia, WA 98504-0200

Douglas D. Extine
RFP Coordinator
(360) 902-9012

CLOSING DATE: December 16, 2011

LETTER OF

AGREEMENT PERIOD: The term for the Letter of Agreement will cover a four-year period, commencing on April 1, 2012 through March 31, 2016. At the option of the Treasurer's Office, and upon mutual agreement, this agreement may be extended for one, 3-year period, or a portion thereof. Total Letter of Agreement period, with extensions, shall not exceed seven (7) years.

**SUBMISSION
AGREEMENT:**

In compliance with this Request for Proposal, and to all the conditions imposed herein, the undersigned agrees to furnish statewide securities custody services in accordance with the attached signed proposal, or mutually agreed upon in subsequent negotiations.

**NAME AND ADDRESS
OF FIRM:**

DATE:

BY:

(Signature in Ink)

TITLE:

TELEPHONE NUMBER:

(_____) _____

SECTION I INTRODUCTION

I-1 BACKGROUND

The State Treasurer is an officer established by the constitution of the State of Washington. The State Treasurer and staff comprise the Office of State Treasurer, hereinafter OST or the Treasurer's Office. In January 1999, the State Treasurer introduced legislation designed to enable local governments and institutions of higher education to contract with a custodian for their investments on terms and conditions the Treasurer's Office negotiated. The legislation, now codified as RCW 43.08.280, was passed unanimously by both House and Senate, and was signed into law by the Governor, with an effective date of September 1, 1999.

The intent of the legislation was to make third-party custody available to as many local entities as possible on the best terms that could be negotiated on a statewide basis. The legislation is designed to enable the State Treasurer to select a custodian and negotiate a model contract and fees with the selected firm. The model contract and fee structure would then be available to any local government or institution of higher education in the state for an agreed upon time period.

The local government or institution of higher education, hereinafter the local entity or participating entity, may execute the model contract with the selected firm, once it had received notification by the Treasurer's Office that agreement on a statewide model contract had been reached with the firm. The local entity would therefore not have to conduct its own RFP. However, the decision to sign the model contract would rest entirely with the local entity. Nothing in the legislation prevents the local entity from arriving at its own contract with the same or a different firm. If it chose to do that, normal procurement regulations applicable to the local entity would apply, however.

Upon execution, the resulting contract would be solely between the local entity and the statewide custodian. OST would not be a party to the contract. It would be the responsibility of the local entity to understand the terms and conditions of the contract prior to executing it with the statewide custodian and to ensure the terms and conditions were met by the statewide custodian during the term of the agreement.

The current statewide provider is Union Bank. The original appointment of Union Bank was effective from April 1, 2006 through March 31, 2010. A 2-year extension was implemented to bring the current end date to March 31, 2012. As of September 30, 2011 there were 22 local entities utilizing the statewide custody program, with portfolios having a combined market value of \$2.686 billion.

I-2 PURPOSE/OBJECTIVES

The State Treasurer is seeking a qualified firm to provide custody services for safekeeping, delivery, securities valuation, reporting and other specified services to local governments and institutions of higher education in Washington State.

The State Treasurer intends to sign a Letter of Agreement with the successful financial institution, establishing a model contract and fee schedule to be made available for use by local entities at

their discretion. The term of the Letter of Agreement will be four years, commencing on April 1, 2012. At the option of the State Treasurer, and upon mutual agreement, the term may be extended for one, 3-year period, or portion thereof.

It is understood that the administration of any contract established under the terms of the model contract shall be the responsibility of the contracting local entity. Entities that choose the statewide custodian as their custody services provider will enter into a contract with the statewide custody provider. **Individual contracts will be executed between the successful financial institution and each participating entity. OST will not be a party to the contracts and will not act as principal or arbitrator with respect to executed contracts, but will act to ensure that all parties to executed contracts are treated in accordance with the terms of the Letter of Agreement.**

The statewide custody provider would be obligated to offer the model contract to participating entities. However, individual contracts may vary somewhat from the model contract due to services chosen and corresponding fees. Each entity choosing to utilize the statewide custody provider would negotiate their own contract with the statewide custody provider, using the model contract as a basis. The general terms and conditions found in the model contract will have been approved by both the evaluation team and the statewide custody provider; however, all participating entities will be expected to have the contract reviewed by their legal counsel. OST has attempted to minimize the need to negotiate individual specifications by working with several entities to arrive at acceptable language for the model contract.

As offerors review the services to be provided, it will be evident that the requirements of the local entities differ in scope. Therefore, the objective is to structure a model contract that sets forth the standard terms and conditions and a pricing matrix for custodial services.

This document should provide prospective respondents with the information necessary to assess the ability of their organization to meet the needs of the participating entities in providing the specified services, the procedures and criteria by which a financial institution will be selected, and the proposed terms of the model contract (Appendix A).

I-3 RFP COORDINATOR

Upon release of this RFP, all responding financial institutions' communications must be directed to the RFP Coordinator listed below. Disqualification from consideration for the statewide custody search may result if contact is made with any evaluation team members regarding the response or evaluation of this RFP. However, by going through the proper channel, (i.e. contacting the RFP Coordinator) approval to communicate with an evaluation team member may be granted.

RFP Coordinator: Douglas D. Extine
Office of the State Treasurer
Legislative Building,
416 Sid Snyder Avenue SW, Room 230
P.O. Box 40200
Olympia, WA 98504-0200
Phone: (360) 902-9012

Facsimile: (360) 902-9044
E-Mail: doug.extine@tre.wa.gov

I-4 RFP SCHEDULE

<u>Event</u>	<u>Date</u>
• Release RFP	November 18, 2011
• Deadline – Letter of Intent to Respond	November 23, 2011
• Deadline – Questions	November 30, 2011
• RFP Responses Due	December 16, 2011
• Finalist Meetings	January 17-20, 2012
• Winning Institution Notified	February 2, 2012
• Agreement Period Commences	April 1, 2012

I-5 RFP MODIFICATION

The Treasurer’s Office reserves the right to change the RFP Schedule or issue addenda to the RFP at any time. The Treasurer’s Office also reserves the right to cancel or reissue the RFP in whole or in part, and for any reason, at the sole discretion of the Treasurer’s Office, at any time prior to the execution of the agreement.

If it is necessary to revise any part of this RFP prior to the due date for submission of the proposals, amendments and clarifications will be presented on the OST web-site at <http://www.tre.wa.gov> in the “*What’s New*” section at the bottom of the home page under the title, “Statewide Custody Provider RFP.” It is the responsibility of each bidder to check the web-site for this information.

All responses to this RFP shall be based on the material contained in this RFP, and any amendments which may be made to the RFP.

I-6 APPARENT SUCCESSFUL FINANCIAL INSTITUTION

An evaluation team will select the apparent successful financial institution who most closely meets the requirements on the basis of the evaluation points included in Section V-4 of this RFP. When the winning financial institution is selected, a model contract will be negotiated and a Letter of Agreement signed. The letter would commit the firm to execute an attached model contract for custody services at the fees specified, for the time period agreed upon. On its part, OST would designate the firm as the statewide custodian for the period of time agreed upon.

The model contract would incorporate all the requirements, terms, and conditions of this RFP and the apparent successful financial institution’s proposal as negotiated. If the Treasurer’s Office fails to negotiate a model contract with the apparent successful financial institution, OST reserves the right to negotiate a model contract with the next most qualified financial institution. The award of a Letter of Agreement pursuant to this RFP is expressly conditional upon the development of a model contract document deemed acceptable by OST.

I-7 PERIOD OF PERFORMANCE

The term of the Letter of Agreement will cover a four-year period, commencing on April 1, 2012 through March 31, 2016. At the option of the Treasurer's Office, and upon mutual agreement, this agreement may be extended for one, 3-year period, or a portion thereof. The total Letter of Agreement period, with extensions, shall not exceed seven (7) years.

I-8 RENEGOTIATION OF FEES

OST is seeking an agreement that would remain open for four years with the possibility of a single 3-year extension. The fee schedule would apply for the initial two-year period, with annual adjustments after the first two years to any or all items no greater than the national Consumer Price Index (CPI) as published by DRI/McGraw Hill for the preceding calendar year. The limitation would continue if the term of the Letter of Agreement is extended.

I-9 FINAL SELECTION

The Treasurer's Office reserves the right, at its sole discretion, to reject any or all proposals for any reason prior to the execution of a Letter of Agreement with no penalty to the State.

The issuance of this RFP does not compel OST to sign a Letter of Agreement, nor does it compel entities to participate or purchase services. The final selection, if any, will be the proposal that, in the opinion of the Treasurer's Office, best meets the requirements set forth in this RFP and is in the best interest of the local governments and institutions of higher education in Washington State.

I-10 SINGLE RESPONSE

A single response to this RFP may be deemed a failure of competition and, at the sole option of the Treasurer's Office, the RFP may be canceled. Likewise, receipt of only one response may allow the state to claim it as a valid sole source acquisition of services.

I-11 ERRORS IN RESPONSE

The Treasurer's Office will **not** be liable for any errors in proposals from financial institutions. Financial institutions will not be allowed to alter proposal documents after the deadline for submission of the proposals. The Treasurer's Office reserves the right to waive minor irregularities in the responses.

The Treasurer's Office reserves the right to make corrections or amendments to the response due to errors identified by the State or the financial institution. This type of amendment will only be allowed for such errors as typing, transposition, omission, or any other obvious clerical error. Any changes will be date and time stamped and attached to the response. All changes must be coordinated in writing with, authorized by, and made by the RFP Coordinator. Financial institutions are liable for all errors or omissions contained in their responses.

SECTION II STATEMENT OF WORK

II-1 SCOPE

The selected financial institution will negotiate a model contract, including a fee schedule, with the State Treasurer, and sign a Letter of Agreement with OST to offer this contract to local governments and institutions of higher education in Washington State. The financial institution will be designated as the statewide custodian, as authorized in RCW 43.08.280, to provide the following:

Domestic Custody and Record Keeping

The custodian will provide safekeeping services for investment securities of participating entities.

Cash Management

The custodian will provide a daily sweep of net cash flows, by account, into a qualified investment vehicle, at the option of the participating entity and as directed by the model contract.

II-2 SERVICES TO BE PROVIDED

The local entities that have indicated they would be likely users of the statewide custody contract include a wide range of portfolio sizes and frequency of trades. All current participating local entities require basic custody services, with no added bells and whistles.

The preferred method of communicating with the custody provider for relaying trade information or receiving reports will vary. On-line access through a dial-up system, a fax, over the Internet, telephone, and hard copy are all possible methods for communication and should be available during times appropriate for Washington State entities. For phone communication, a toll free number to the daily account administrator must be available for participating entities.

The custodian will make available for selection, at the option of a participating entity, the following:

A. Trade Settlement and Custody

1. On-line security clearing at the DTC, Federal Reserve and other security clearing operations;
2. The ability to settle and safekeep physically held securities;
3. Actual settlement on all trades, income payments and maturities;

4. Settlement on a delivery versus payment basis. Free delivery settlement must receive prior approval by participating entities within established policies and procedures; and,
5. Procedures must allow for timely client notification, tracking, and resolution of failed trades.
6. Payable date posting for bond interest and principal, interest on collateralized mortgage obligations, mortgage-backed securities, and mortgage pass-through certificates;
7. Notification of bond calls and other non-scheduled redemptions and corporate actions must be made within one business day of the custodian receiving notification;
8. A pricing system which ensures the accuracy of the prices received. Most of the participating entities will require month-end pricing of their portfolios. However, some entities may require more frequent pricing, i.e., daily pricing of repo collateral;

B. Cash Management

1. Provide a daily sweep of net cash flows, by account, into a qualified investment vehicle, at the option of the participating entity. Generally, local entities will maintain a zero end of day balance in their account(s). However, there will be occasions where a positive balance does exist, i.e., in the case of a purchase fail or unanticipated income payments. In those cases, either the cash will be wired to the local entity or invested as authorized by state statutes, at the option of the local entity. Interest-bearing demand deposit accounts are an option if the custody provider is also a qualified public depository in Washington State. Otherwise, discrete investments, segregated by client, must be purchased. **Money market funds or other similar types of vehicles are not eligible investments.** The publication “Eligible Investments for Public Funds” is available on the OST website at: http://www.tre.wa.gov/documents/inv_elig.pdf; and,
2. Provide daily cash flow projections and other standard cash management reports.

C. Technology/Systems

The systems configurations and capabilities of potential participants in the statewide contract vary greatly. As a result, these requirements are broadly stated. The apparent successful financial institution should be able to:

1. Provide various options for communicating trades to the bank for settlement, i.e., faxing, via the internet;
2. Provide on-line or other electronic access to portfolio data. Complete histories of investment activity for current holdings should be maintained indefinitely. In addition, ad hoc query and reporting functions should be available;
3. Provide on-line or other electronic access to reports;

4. Make documents transmitted via electronic communication available as attachments on e-mails (for those participating entities with internet e-mail capability, but no Web access);
5. Provide adequate protection against unauthorized access to participant's records;
6. Safeguard records against potential loss or destruction by fire, theft, vandalism, storm, earthquake, or any other hazard, by retaining backup data and systems in a secure location;
7. Re-create records and resume operations in the event of a disaster or other event which results in records being destroyed and/or interrupts normal operation of the offeror's systems -- and guarantee such resumption of service -- within twenty-four hours;
8. Retain computer records of all audited investment transactions and month end positions on magnetic media for six years.

D. Reporting Requirements

1. Provide accurate electronic reports of all holdings and cash projection on a daily basis, as well as other pertinent investment data;

E. Transition

The scope of services and minimum requirements set forth in this RFP define the conditions, provisions, qualifying factors, and prerequisites that are necessary to compete successfully in this process. Some of the local entities that expressed interest in participating in the contract do not currently utilize a third-party custodian, but instead safekeep the securities at the dealer(s) where they purchased the securities. Other interested local entities currently utilize a third-party custodian, with either an open agreement or a specific contract end-date. Still other local entities either did not respond to the survey or were not interested at this time. It is reasonable to assume that more local entities will be interested in participating in the contract as they are made aware of the success and the terms of the statewide custody contract. In other words, the transition for this contract will be unusual in that it will involve a number of different local entities, a number of different custody or safekeeping providers, and differing conversion dates. The firm selected to provide the statewide custody services must be prepared to do the following:

1. If applicable, perform all procedures necessary to convert from the current custodian's system to the new system of record; and,
2. Upon termination of any contract with a local entity under this agreement, the custodian shall cooperate fully with the successor custodian to facilitate the transition from the custodian's system to the successor's system.

F. Personnel

Personnel must be available for conducting site visits, if deemed necessary by participating entities, for attendance at local conferences, and to meet with the Local

Government Investment Pool Advisory Committee to discuss services related to particular needs of the participating entities and the overall administration of custody services. Additionally, the firm selected must agree to make appropriate personnel available for addressing questions regarding trade settlement, accounting issues, and systems development during Washington State business hours.

SECTION III SELECTION PROCESS

III-1 SELECTION SCHEDULE

<u>EVENT</u>	<u>DATE</u>
A. RFP Released	November 18, 2011
B. Deadline – Letter of Intent to Respond	November 23, 2011
C. Deadline – Questions	November 30, 2011
D. Proposal Development	November 18 – December 16, 2011
E. RFP Responses Due	December 16, 2011
F. Evaluate Responses/finalist Selection	December 16, 2011 – January 6, 2012
G. Finalist Meetings	January 17-20, 2012
H. Winning Institution Notified	February, 2, 2012.

III-2 SELECTION STEPS (outlined in Section III-1, “Selection Schedule” above)

A. RFP Release

OST will release the RFP document.

B. Letter of Intent to Respond

Financial institutions intending to submit a proposal must mail or fax a written Letter of Intent to Respond to the RFP Coordinator. The letter must be received by 4:00 P.M., PST, Wednesday, November 23, 2011, and include the following information:

Institution name

Contact name of person preparing proposal

Telephone number

Fax number

E-mail address

This information allows OST to distribute additional information, if necessary, to potential respondents. Failure to submit the Letter of Intent to Respond shall result in elimination from further consideration.

C. Questions

All questions regarding the RFP must be received in writing by 2:00 P.M. PST, Wednesday November 30, 2011. Written responses to all of the questions submitted to OST will be available to all institutions that submit a Letter of Intent to Respond by the deadline.

Responses to all questions will be posted on the OST website. It is the responsibility of each bidder to check the website for this information. Send inquiries to the RFP Coordinator.

D. Proposal Development

Financial institutions will use this time to develop their responses to the formal RFP, in accordance with the instructions included therein.

E. Proposal Due

Responses to the RFP must be received by the RFP Coordinator by 2:00 P.M. (PST), Wednesday, December 16, 2011. Financial institutions will be disqualified from review if this deadline is not met.

F. Evaluate Responses

Financial institutions will submit their proposals, including proposed fees, and comments regarding the terms of the draft model contract. The evaluation team will evaluate the responses and select which financial institutions will receive site visits, if site visits are deemed necessary.

G. Conduct Finalist Meetings

The evaluation team may select up to three institutions for finalist meetings. The meetings are tentatively scheduled to take place in mid-January.

H. Announce Apparent Successful Financial institution

Based upon the evaluation of the formal response to the RFP, reference checks, and information gathered during the site visits, the apparent successful financial institution will be selected and announced.

I. Model Contract Negotiated and Letter of Agreement Signed

When the winning financial institution is selected, OST will negotiate a model contract with the apparent successful financial institution which will be executed between the statewide custodian and a participating entity. Because responding to contractual requirements for the model contract is an integral part of the formal RFP response, contract negotiation should be brief in duration. However, if no agreement can be reached during contract negotiation, the evaluation team will notify the second choice for the statewide custodian and begin the negotiation process again.

Once a model contract has been negotiated, a Letter of Agreement will be signed, and OST will designate the firm as the statewide custodian for the period of time agreed upon. The Letter of Agreement will commit the firm to offer the model contract to local entities for custody services at the fees specified, for the time period agreed upon.

III-3 EVALUATION AND SELECTION PROCESS

A. Selection Method

The final selection will be based on known requirements and new information learned during the selection process. The following guidelines will be used in conducting this selection:

1. Ensure that all financial institutions at any point in the selection process receive comparable information and are evaluated with the same criteria.

2. Require best and final proposals from the financial institutions that describe in detail their formal RFP response for providing the services requested.

Provided that the above guidelines for conducting this selection are followed, the Treasurer's Office has the latitude to conduct this selection to obtain the best overall value for the State of Washington. This includes the ability to negotiate final terms, including price.

The financial institution's participation in this selection constitutes agreement with the selection method.

B. Evaluation

The evaluation process is documented in Section V – Evaluation of Responses, and includes the evaluation criteria used, changes to criteria resulting from the process, key decisions made during the evaluation process and rationale for selecting the finalist financial institutions and the apparent successful financial institution.

C. Financial institution Selection

The apparent successful financial institution will be the financial institution which, in the judgment of OST, best satisfies the combination of evaluation criteria and provides the best overall value to the state.

SECTION IV PROPOSAL PREPARATION AND CONTENT REQUIREMENTS

IV-1 SUBMISSION OF PROPOSAL

- * Financial institutions must submit One(1) hard copy with original signatures and One (1) copy available electronically (pdf format) either on disk or jump drive to share with evaluators.
- * The copy containing original signatures must be unbound and must be marked "Master Copy." The original copy of the proposal must be accompanied by the "Summary Information and Proposal Return Cover Page" (page 2 of this RFP) which has been completed and signed by the financial institution's representative who is authorized to bind the financial institution contractually.
- * The electronic copy must be in a pdf format and include all supplemental material, excluding the regulatory audit reports requested in the Statewide Securities Custody Questionnaire.
- * Responses must be readable, and reasonable and manageable in size.
- * Responses are to be prepared on standard 8 1/2 x 11 paper; however, 11 x 14 paper is permissible for charts, spreadsheets, etc.

- * The proposals must be received by the RFP Coordinator by 2:00 p.m., Pacific Standard Time, Friday December 16, 2011. Faxed proposals are not acceptable.
- * Terms and prices included in the response must be guaranteed for 120 days from the date of receipt.
- * Late proposals will not be accepted, nor will time extensions be granted. It is the sole responsibility of the financial institution to ensure receipt of proposals by the RFP Coordinator by the specified date and time and at the specified location.
- * All proposals and accompanying documentation become the property of the Treasurer's Office and will not be returned.
- * Proposals that are substantially incomplete will be disqualified from further consideration.

IV-2 RESTATEMENT OF RESPONSE QUESTIONS

- The financial institution is required to answer each question in Attachment A – Statewide Securities Custody Questionnaire.
- Responding financial institutions must provide answers to the questions by reiterating the number and text of the question in sequence and providing answers immediately following each question. To assist in the evaluation process, each answer should start on the same page as the question. Furthermore, questions with multiple parts are broken down with “a, b, c, etc.” Answers to these questions must indicate where each portion of the question is answered. For example, place an “(a)” next to the text which pertains to portion (a) of the question, place a “(b)” next to the text which pertains to portion (b) of the question, etc.

IV-3 SUPPLEMENTAL MATERIAL

The financial institution may submit materials such as brochures and articles that the financial institution believes to be helpful. However, such materials will not qualify as substitutes for direct answers to the response questions.

IV-4 PUBLIC RECORDS

All proposals, including attachments and other inclusions, become public records subject to the public disclosure law of Washington state upon receipt.

If OST receives an official request to view a financial institution's proposal, OST will respond in accordance with Title 42.56 Revised Code of Washington

IV-5 CONTRACTUAL REQUIREMENTS

Before a financial institution will be designated as the statewide custody provider, a contract will be negotiated by the Treasurer and the apparent successful financial institution. The final contract should contain substantially the same general terms and conditions as the model contract found in Appendix A. To be responsive to this RFP financial institutions must indicate, in writing, their acceptance of all provisions of the model contract, or indicate those provisions they do not accept and include the substitute language they are proposing. Unless a financial institution has indicated in its response to

the RFP that they do not accept a provision or provisions in the model contract, they may propose revisions to the model contract for clarification or of a technical nature only during the contract negotiation phase.

IV-6 CLARITY OF PROPOSAL

Proposals should be prepared simply and economically, providing straightforward, concise descriptions of capabilities to satisfy the requirements of the RFP. Emphasis should be placed on completeness and clarity of content.

IV-7 ORGANIZATION OF PROPOSAL

Proposals should be organized in the order in which the requirements are presented in Section IV-9, “Proposal Contents” of this RFP. All pages of the proposal should be numbered, and each paragraph in the proposal should reference the paragraph number of the corresponding section of the RFP. The proposal should contain a table of contents, which cross-references the RFP requirements. Additional information which the financial institution wishes to present that does not fall within any of the requirements of the RFP should be inserted at an appropriate place or be attached at the end of the proposal and designated as additional material.

IV-8 SINGLE VOLUME

Original copy of the proposal shall be contained in a single volume. All documentation submitted with the proposal should be contained in that single volume.

IV-9 PROPOSAL CONTENTS

Financial institution’s proposal must address each of the requirements noted below in the same order as listed to be considered responsive. The proposal should be as thorough and detailed as possible so that the evaluation team can properly evaluate your organization’s capability to provide the required services and the proposed pricing structure. Proposals that merely state that the firm will conduct the services in accordance with the respective sections shall be considered non-responsive to this request.

Responses must include the “Summary Information and Proposal Return Cover Page” and must address each question in the “Statewide Securities Custody Questionnaire – Attachment A”. Each question must be addressed in the order in which they are asked and any supplemental information must be included in the section where it is requested.

The proposal shall include the following sections, separated by tabs:

TAB 1: Summary Information and Proposal Return Cover Page

TAB 2: Attachment A – Organizational Background

TAB 3: Attachment A –Services

TAB 4: Attachment A –Automation and Communication

TAB 5: Attachment A –Fee Schedule

TAB 6: Attachment B –Contract Provisions

SECTION V EVALUATION PROCESS

V-1 EVALUATION PROCEDURES

The financial institution must satisfy the requirements of this RFP to qualify for further consideration. Staff from the Treasurer's Office and the evaluation team will perform a technical and financial evaluation of each financial institution's response. The evaluation process will determine the merits of the financial institutions' approach and relative competitive position.

It is the intent of this section to indicate the basic methodology that will be used to evaluate all proposals.

V-2 BASIS FOR EVALUATION

The Organizational Background, Services, Automation and Communication, Proposed Model Contract Changes, and Fee Schedule will be evaluated on the basis of information provided in the proposal and any subsequent interviews, presentations, and clarification response.

V-3 EVALUATION TEAM

All proposals will be reviewed by members of an evaluation team, which consists of potential users of the statewide custody contract and OST staff. The evaluators will consider how well the financial institution's response meets all requirements as described. It is important that the responses be clear and complete so that the evaluators can adequately understand all aspects of the proposal.

Disqualification from consideration for the statewide custody search could result if improper contact is made with any evaluation team members regarding the response or evaluation of this RFP. However, by going through the proper channel, (i.e. contacting the RFP Coordinator) approval to communicate with an evaluation team member may be granted. Furthermore, if a vendor contacts any evaluation team member without going through the proper channels, the evaluation team member will contact the RFP Coordinator immediately.

V-4 EVALUATION CRITERIA

The Evaluation Committee will evaluate proposals based on their technical merits and cost factors. The following criteria, not listed in order of significance, including but not limited to the following will be used to evaluate proposals.

- Compliance with RFP requirements

- Financial institution's qualifications and experience in providing required services
- Qualifications and relevant experience of personnel assigned
- Cost of services
- References
- Degree of acceptance of contract terms
- Prior experience with the financial institution

These criteria, combined with information obtained from interviews and other sources, if any, will be used to determine the successful financial institution(s).

Note: Cost will not be the sole determining factor in the selection.

SECTION VI MODEL CONTRACT AND LETTER OF AGREEMENT SPECIFICATIONS

VI-1 MODEL CONTRACT NEGOTIATION

The Treasurer's Office shall conduct contract negotiations with the financial institution that has most closely met the requirements on the basis of the Evaluation Criteria points. If the Treasurer's Office and the apparent successful financial institution fail to negotiate an agreement deemed acceptable by the Treasurer's Office, the Treasurer's Office reserves the right to negotiate a model contract with the next most qualified financial institution.

As indicated in Section IV-5, contract negotiation will be limited to those provisions the apparent successful financial institution did not accept in the RFP phase and so indicated at that time, and to technical or clarifying changes, as opposed to substantive issues. The general terms and conditions of the proposed model contract, located in Appendix A, will be available on the OST web-site.

VI-2 LETTER OF AGREEMENT NEGOTIATION

After successful model contract negotiations have been completed, a Letter of Agreement will be negotiated and signed. This letter will include all requirements, terms and conditions of this solicitation and the financial institution's response. The negotiation of the Letter of Agreement should be brief in duration. However, if no agreement can be reached during this negotiation, the Treasurer's Office reserves the right to negotiate a model contract and Letter of Agreement with the next most qualified financial institution.

VI-3 DESIGNATION OF STATEWIDE CUSTODIAN

After successful Letter of Agreement negotiations have been completed, the apparent successful financial institution will be awarded a Letter of Agreement for statewide custody services for the State of Washington. The term of the Letter of Agreement will cover a four-year period, commencing on April 1, 2012 through March 31, 2016. At the

option of the Treasurer's Office, and upon mutual agreement, this agreement may be extended for one, 3-year period, or a portion thereof. The total Letter of Agreement period, with extensions, shall not exceed seven (7) years.

VI-4 PROTEST PROCEDURES

In the event a respondent protests this RFP process or protests the selection of an "Apparent Successful Financial Institution," the respondent must follow the procedures set forth in the paragraphs below.

- Protests and appeals—Form and substance

All protests and appeals must be in writing and signed by the protester or appellant or an authorized agent. Such writing must state all facts and arguments on which the protester or appellant is relying as the basis for its action. Such protester or appellant shall also attach, or supply on demand by the RFP Coordinator, any relevant exhibits referred to in the writing. Copies of all protests, appeals, and exhibits shall be mailed or delivered by the protester or appellant to the respondent(s) against whom the protest is made at the same time such protest, appeal, and exhibits are submitted to the Treasurer's Office.

- Protest procedure prior to award

Prior to award, a respondent desiring to protest the proposal of another respondent must send or deliver its protest to the RFP Coordinator in charge of the RFP process as soon as possible after it becomes aware of the reason(s) for the protest. If the protest is mailed, the protester shall immediately notify the RFP Coordinator in charge of the proposal by telephone, or some other means of instant communication, that a protest is being made.

The RFP Coordinator shall consider all of the facts available and issue a decision in writing within ten business days after receipt of the protest, unless more time is needed. The protester and the respondent(s) against whom the protest is made will be notified if longer time is necessary. If the protesting respondent or the respondent against whom the protest is made is not satisfied with the decision of the RFP Coordinator, he/she shall have the right to appeal to the agency designated review officer, hereinafter Review Officer or Designee. Such appeal must be received by the Review Officer or Designee within five business days after notification of the RFP Coordinator's decision. The Review Officer or Designee shall consider all of the facts available and issue a decision in writing within ten business days after receipt of the appeal, unless more time is needed. The appealing respondent will be notified if longer time is necessary.

Unless the Treasurer's Office deems an emergency to exist, award of the model contract, if one is to be made, will be postponed until after the Review Officer or Designee has issued a decision.

*Protest procedure after award

Protests after award will not be considered unless the protest concerns a matter which arises after the award or could not reasonably have been known or discovered prior to award. Such protests shall be received by the Review Officer or Designee not later than five business days after announcement of the award. If the protest is mailed, the protester shall immediately notify by telephone, or some other means of instant communication, the RFP Coordinator and the respondent that has received the award that a protest is being made. The Review Officer or Designee shall consider all of the facts available and issue a decision on the protest within ten business days after receipt thereof, unless more time is needed. In such event, the protester and the respondent that has received the award shall be notified of any delay.

If the Review Officer or Designee finds that the award should not have been made, he/she shall notify the respondent which received the award of his/her intent to cancel the award and the reasons therefor. Such respondent shall then have five business days in which to appeal the decision to the Review Officer or Designee. The Review Officer or Designee shall consider all of the facts available and issue a decision within ten business days after receipt of the appeal, unless more time is needed. If more time is needed, the respondent shall be so notified.

If the Review Officer or Designee agrees that the award should be canceled he/she shall cancel the award within ten business days after the decision is delivered to the respondent to whom the model contract had been awarded. All bids shall then be rejected and new bids solicited.