



State of New Jersey
DEPARTMENT OF BANKING AND INSURANCE
ADMINISTRATION
PO Box 325
TRENTON, NJ 08625-0325

JON S. CORZINE
Governor

TEL (609) 777-0558
FAX (609) 633-3601

STEVEN M. GOLDMAN
Commissioner

Request for Proposal (RFP) for an Investment Banker Regarding the Review and Evaluation of Horizon Blue Cross Blue Shield's Plan of Conversion, Foundation Plan and Initial Public Offering

The Commissioner of Banking & Insurance (Commissioner) and the Attorney General (AG) desire to contract with an investment banking firm (Contractor) having expertise and experience in the areas of corporate valuation, corporate organization, and public offerings of stock and other securities for life and health insurers, particularly in relation to conversion of Blue Cross Blue Shield plans, to assist them in the review of an application filed by Horizon Healthcare Services, Inc., d/b/a/ Horizon Blue Cross Blue Shield of New Jersey (Horizon) to convert to a for-profit health insurer pursuant to the provisions of N.J.S.A. 17:48E-49 et seq. (Conversion Act)

Horizon is a non-profit health service corporation organized under the laws of New Jersey pursuant to N.J.S.A. 17:48E-1 et seq. As permitted by the Conversion Act, Horizon has applied to convert to a for-profit health insurer. The Conversion Act contemplates that Horizon will file with the Commissioner a conversion plan which will transfer ownership of Horizon to a publicly traded stock holding company (Holding Company), and that 100% of the fair market value of the company will be contributed to one or more foundations (Foundations). The transfer may involve a reorganization of ownership of Horizon's subsidiaries and affiliates. The contribution of value to the Foundations may be in the form of stock, cash, or other assets. Stock contributed to the Foundations may be subject to restrictions. An IPO and secondary offerings of holding company stock are anticipated, and other capital raising transactions are possible. In addition to the conversion plan, Horizon must file with the AG a petition for review of a foundation plan, which must provide, inter alia, for the establishment of one or more foundations to receive the fair market value of Horizon after conversion.

The Conversion Act further provides that the costs of any advisors or consultants engaged by the Commissioner or the AG are to be paid by Horizon. See N.J.S.A. 17:48E-51g and N.J.S.A. 17:48E-64b.

Project Scope of Work:

The Contractor shall serve as consultant to the Commissioner and the AG, providing guidance, analysis, and advice on the following issues. If requested, by the Commissioner or the AG, the Contractor will provide formal opinions or reports to the requesting official

confirming the Contractor=s findings on these issues:

1. The completeness and reasonableness of the business plan, including financial projections, submitted with the application;
2. Any proposed agreements between or among the Foundation(s), the converted insurer, or its parent corporation affecting the value of stock or other consideration received by the Foundation(s), including but not limited to limitations on voting or sale of stock owned by the Foundation(s), and the effect of such limitations or other restrictions on the value of the stock;
3. All matters related to valuations and appraisals, including the necessity of or desirability of appraisals, the independence and expertise of the persons conducting appraisals, the completeness or deficiency of any appraisals, and the results or findings of appraisals;
4. The effect of the conversion plan on the interests of the health services corporation;
5. The fairness and equity of the conversion plan;
6. The enhancement of operations of the converted insurer;
7. Whether the conversion plan transfers the full fair market value of the health service corporation to the Foundation(s);
8. Whether the Initial Public Offering (IPO) or other capital raising transactions by Horizon dilute the value of the assets transferred to the Foundation(s);
9. Whether any program (in addition to the IPO) for offering stock to the public or the directors, officers, and employees as a group is reasonable and whether any such program dilutes the value of the assets transferred to the Foundation(s);
10. The effect of the conversion plan on the distribution of the health service corporation=s value to the Foundation(s); and
11. Whether the proposed conversion is the best alternative to the health service corporation in carrying out its mission and purposes.
12. The capitalization of the converted stock insurance company.

The Contractor will evaluate any fairness opinions or similar documents provided by Horizon=s investment bankers, including any opinion that the fair market value of the health service corporation is being transferred to the Foundation(s), any opinion on restrictions on the sale or voting of common stock by the Foundation(s), and any opinion on the procedures followed in the conduct of an IPO or other public or private sale of securities.

The Contractor will evaluate any appraisal, including appraisal of the fair market

value of the health service corporation or appraisal of diminution of value due to stock restrictions, provided or required.

The Contractor shall be available to meet with the Commissioner or AG, their respective staffs and consultants, Horizon, and Horizon's consultants as necessary to discuss the review and analysis of the Horizon's conversion and any related transactions, including an IPO or other public or private sale of securities.

The Contractor shall be available as necessary to attend or testify at public hearings or Superior Court proceedings, and shall assist the Commissioner and the AG in preparation for any such hearings or proceedings.

In carrying out this contract, the Contractor will perform all reviews of documents and hold and attend meetings necessary to adequately perform this contract, including but not limited to:

The Contractor shall attend and monitor the investor road shows for the holding company stock IPO or other public or private offering.

The Contractor shall participate in pricing meetings for the holding company stock IPO or other public or private offerings.

To facilitate our review process, please provide the following information:

Schedule

Horizon has filed its Conversion Plan and Petition to Review its Foundation Plan on August 15, 2008, and the Contractor will be expected to commence its engagement immediately upon the bid being accepted. The engagement will continue through the review and processing of the Plan and the Petition, including any court proceedings, until the Plan or Petition is approved, rejected, modified or withdrawn.

Other Consultants

The Commissioner and the AG intend to engage legal, actuarial, and accounting consultants. The Contractor is expected to work in concert with these other consultants. It is not contemplated that the Contractor will need to separately engage such experts in connection with its work.

Project Overview

Provide a description of your approach and plans for accomplishing the work outlined in the scope of work. You should demonstrate and describe the effort, skills and understanding of the project necessary to satisfactorily complete the project. This description should include an overview of the tasks to be performed, a time line for these tasks, the staffing levels for each task, and a description of the report or other work product for each task. Contingencies that may affect the time line should also be discussed.

Organization and Personnel

Contact Person

Please provide the name, address, telephone number, fax number and e-mail address of the individual to contact for all matters concerning this project.

Experience of Firm

Provide a comprehensive listing of projects of a similar size and scope (on 2007 GAAP basis, revenues of \$4.8 billion, assets of \$3.0 billion and capital reserves of \$1.5 billion) that have been successfully completed by the firm. Include the name, address and telephone number of the reference together with a person to contact for reference.

Staffing and Personnel

Please provide information that documents the staffing with which the project will be conducted. Include project organizational chart, with names, showing the individuals to be assigned to the project. The chart should include the labor category and title of each individual.

It is requested that resumes of all management, supervising and other personnel to be involved in the project be provided. Each resume should include:

Full name and contact information;

Qualification and employment history including any relevant publications;

Experience in a similar role in a public offering of stock and other securities for life and health insurers, particularly in relation to conversion of Blue Cross Blue Shield plans;

Specific indication of what role the individual will have in this project; and

Whether the individual owns or is covered by a contract issued by Horizon or any of its affiliates

Hourly rate or per diem charge (provides a comprehensive rate which includes travel, administrative and other expenses).

Conflict of Interest

Your firm and each of the employees assigned to this project must have no conflict of interest with regard to this project and will be required to confirm that in writing to the Commissioner and the AG. All current relationships with Horizon and its affiliates should be disclosed in the proposal. While the existence of a relationship will not automatically be considered a conflict, it is critical that all relationships, regardless of apparent materiality, be reviewed by the Commissioner and the AG. The Commissioner

and the AG will determine if any relationship constitutes a conflict with regard to this project, and such a conflict, if it cannot be cured, will be considered disqualifying.

All Horizon contracts, including contracts with Horizon affiliates, with the bidder or any personnel proposed for this project must be disclosed in the proposal.

Required Form

The forms listed below must be completed and submitted with the bid proposal. They can be downloaded from the Department of Treasury website:

<http://www.state.nj.us/treasury/purchase/forms.htm>

- _ State of NJ Waivered Standard Terms & Conditions for Service Contracts
- _ Source Disclosure Certification Form E.O. #129
- _ Ownership Disclosure**
- _ Affirmative Action Form AA302 and Affirmative Action Supplemental Form**
- _ MacBride Principles and Northern Ireland Act of 1989**
- _ P.L. 2005, Chapter 51, Political Contributions (DPPc51-C&D)
- _ P.L. 2005, Chapter 271, Political contributions (DPPc271-C&D)

**These Forms are grouped together on the Purchase Bureau Site under the heading "Vendor Forms" - Standard RFP Forms.

Note: A copy of a valid New Jersey Business Registration must be submitted. If not already registered with the New Jersey Division of Revenue, registration can be completed on line at the Division of Revenue website: <http://www.state.nj.us/treasury/revenue/index.htm> or by calling 609-292-1730.

Fees

The proposed fee shall be in the form of a single flat fee for the entire project, which provides for consultation, research, review of opinions, attendance at meetings with Commissioner and/or AG staff, and attendance at public hearings. This fee should include all travel, administrative and other expenses. The fee will be paid in the form of 10 monthly installments. If the transaction is terminated prior to completion, only monthly installments through the time of termination will be payable.

An additional flat fee should be proposed for each fairness opinion, and an additional flat fee should be proposed for an appraisal, as discussed in Additional Work (below).

Hourly rates must be provided in order to allow the approval of additional work (other than fairness opinions and appraisals) as stated below.

Additional Work

Should additional work beyond the scope described in this request be deemed appropriate by the Commissioner or the AG, the Contractor must present to the requesting official a written request to perform the additional work. The written proposal must be based on the hourly or per diem rates submitted with the investment banker=s original proposal. The Contractor shall not begin performing any additional work prior to obtaining written approval from the Commissioner or the AG.

The Contractor may, if requested and not impaired by a conflict, perform an appraisal, including an appraisal of the fair market value of the health service corporation or appraisal of diminution of value due to stock restrictions, using one or more methodologies specified in the law (except that any appraisal requiring actuarial methodology shall be the responsibility of the Commissioner or its actuarial consultant). The fee proposal should include an additional flat fee for the fair market value appraisal and a separate flat fee for the diminution of value appraisal.

The Contractor may, if requested and not impaired by a conflict, provide one or more fairness opinions, including an opinion that the full fair market value of the health service corporation is being transferred to the Foundation(s), an opinion on restrictions on the sale or voting of common stock by the Foundation(s), and/or an opinion on the procedures to be followed in the conduct of an IPO or other public or private sale of securities. The fee proposal should include an additional flat fee for each fairness opinion.

Confidentiality Agreement

The Contractor will be required to sign a confidentiality agreement that is acceptable to the Commissioner, the AG, and Horizon.

Procedures for Contractor's Questions

Investment bankers should submit to the Commissioner, in writing, any questions regarding the RFP within one week of receipt of this request. If the Commissioner or the AG consider a question and its answer to be substantive, the Commissioner or the AG will send a copy of the question and or reply to the other investment bankers. If found necessary by the Commissioner or the AG, the due date for response will be changed to allow the proposal to reflect this additional information.

Questions may be submitted in writing at the address for submission of bids, by email to ellen.nerbak@dobi.state.nj.us or by telefax to 609-633-3601, Attention: Horizon Questions.

Evaluation Criteria

All proposals will be reviewed to determine responsiveness. The Attorney General or the Commissioner may reject non-responsive proposals without evaluation, but may waive minor non-compliance. An Evaluation Committee will evaluate responsive proposals. Proposals will be evaluated on the basis of the capacity of the bidder to perform the proposed tasks within the time frame and at the level of expertise required, and on the

basis of cost. The evaluation of firm's capacity will include consideration of the firm's experience and proposed personnel in the field of Blue Cross Blue Shield conversions and the quality of the project overview.

Deadline for Proposal

The investment banker's response must be received in hard copy at the Commissioner and the AG by 4:00 p.m. on September 12, 2008. Proposals provided by fax or e-mail will not be considered. Please provide ten (10) copies along with a signed original. Proposals should not exceed forty (40) pages excluding the required forms.

Bids should be submitted to:

New Jersey Department of Banking and Insurance
Attn: Ellen Nerbak, Assistant Supervisor
Administration
20 West State Street, 10th Floor
P.O. Box 325
Trenton, NJ 08625-0325

Mailing Instructions: U.S. Mail must be sent to the P.O. Box. Mail sent to the street address may not be delivered. The street address is given for use by express or courier services.