



DEPARTMENT OF MANAGEMENT & BUDGET

## State Building Authority

Lewis Cass Building, 1<sup>st</sup> Floor  
320 S. Walnut, P.O. Box 30026  
Lansing, Michigan 48909 • (517) 373-3806

February 13, 2006

### **Request for Proposal**

The State Building Authority of Michigan (the "Authority") is seeking statements of qualification from firms interested in serving as a managing underwriter or co-manager in connection with proposed upcoming new money or refunding bond sales. We plan to review qualifications and proposals in connection with one or more proposed issues to be scheduled for pricing during 2006.

As you are aware, the main purpose of the Authority as created by PA 183 of 1964, as amended, is to finance the acquisition of equipment and the acquisition and construction of facilities for the use of the State of Michigan (the "State"). To date, the Authority has issued over \$2 billion of bonds for such purposes.

The SBA plans to immediately review the qualifications of investment banking firms for service as senior and co-managing underwriters for recommendations to refund existing Authority debt to achieve savings. We will select a firm or firms with experience in marketing pooled facility lease bonds. Firms submitting responses to the enclosed Request for Proposal questions should clearly indicate whether they are interested in serving as book running senior manager or co-manager. Only firms seeking to serve as book running manager need to respond to Section E. Your response will be used to evaluate the qualifications of interested firms.

The appointment of managing underwriters for each Authority transaction is ultimately approved by the Authority's Board of Trustees after a selection committee has evaluated qualifications and made a recommendation to the Board. Selection will be based primarily upon the firm's relevant experience, knowledge of the Authority's financing programs and requirements, creativity in recommending efficient structuring concepts and proposed fee structure.

Your firm's responses to the attached questions will enable the Authority and the selection committee to evaluate the firm's prior experience, along with the experience and qualifications of the individuals who will be primarily responsible for providing the services in their specific roles. The selection committee will also evaluate the firm's degree of critical understanding of the Authority's operating environment and goals, and its ability to serve the needs of the Authority in general.

The Authority reserves the right to extend or terminate an engagement at any time during its term. Selection of a firm or firms for future Authority issues will be made as those issues are scheduled. Omission from appointment as managing underwriter on a financing does not exclude consideration for any future Authority issues. Conversely, selection as managing underwriter for a bond issue does not assure any role in future financings.

If your firm is interested in providing underwriting services to the SBA, please submit four (4) copies of your response to the following questions no later than 2:00 p.m. EST on Friday, March 3, 2006 to:

Deborah Roberts, Deputy Executive Director  
State Building Authority of Michigan  
Lewis Cass Building  
320 S. Walnut Street, 1<sup>st</sup> Floor  
Lansing, Michigan 48933  
517-373-3806

One additional copy must be submitted at the same time to the Authority's Financial Advisor:

Wayne L. Workman  
Director, Public Finance  
Robert W. Baird & Co. Incorporated  
1001 Bay Street  
Traverse City, MI 49684  
Telephone: (231) 933-8440

Responses must be structured to follow the outline of questions contained in the attached Request for Proposal. Your overall response must be limited to a maximum of fifteen (15) pages, excluding any quantitative analysis. Responses should be on 8 ½ x 11 paper with at least a 10-point font and should contain 1" margins. Responses submitted by facsimile or other electronic means or after the due date and time will not be accepted.

Technical questions with respect to this Request may be directed to Ms. Roberts or Mr. Workman. Interested firms should not contact any other employee, elected official, member, or agent of the State concerning this request. In addition, we request that you refrain from contacting any representatives of the credit rating agencies on matters related to the SBA.

Firms are advised that the Authority is a public agency and its records, including statements submitted in response to this request, are considered public records. The Authority reserves the right to retain all submitted materials; to withdraw this Request, or any part of this Request; to reject any and all responses to this

Request; to waive any requirements of this Request; to waive any minor informalities in a statement; to modify or amend, with the consent of the respective firm, any statement, if otherwise permitted by law; and to effect any agreement deemed by the Authority to be in its best interest. The Authority also reserves the right to seek additional information from any and all firms, to select finalists, and, if necessary, to schedule interviews. The Authority shall not be responsible for any costs incurred by firms in the preparation, submission, or presentation of their proposals.

## QUESTIONS

### A. PRINCIPAL CONTACTS

1. State the full name, mailing address, telephone number, facsimile number and any other electronic mail addresses of the primary contact person from your firm and the principal author of this submission. Include the professional members of your firm who will be assigned to the Authority on a full-time priority basis. Provide brief resumes for each, and explain the responsibilities that he/she would assume for the Authority.
2. All firms submitting proposals will be considered for the position of co-manager. Please state your firm's interest in being considered for senior manager. (Note: only firms interested in serving as senior manager must respond to the questions in Section E.)
3. If your firm intends to use the services of any other investment banking, brokerage, financial advisory, specialty firms, or other professionals in the context of this engagement, please list the names and affiliation of any such individuals or firms, state the services to be provided by such firms or individuals, and provide details regarding any such arrangements.

### B. OWNERSHIP, MICHIGAN PRESENCE, AND STAFFING

1. Briefly describe the firm's ownership structure, location, and organization. Detail any significant changes in ownership, location, and organization since January 1, 2005. As part of your response please note:
  - Any significant changes in the structure or staffing of your Public Finance Department and Municipal Bond Department.
  - Any material changes in your firm's financial condition and its commitments to municipal finance.

2. Describe your firm's Michigan presence and any changes that may have occurred over the last two years or are anticipated to occur over the next 12 months. State the number of full-time employees from your company that are currently based in Michigan, the location of your offices here, and the number of NASD registered representatives you employ at each office.

C. UNDERWRITING
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1. Please list the issuer names, par amounts and sale dates of negotiated Michigan (non SBA) municipal bond issues in which your firm served as senior or co-managing underwriter since January 1, 2005. Provide information on your firm's participation and sales performance for each of the aforementioned issues including liability, orders, allotments, designations, and "going away business".
2. Describe your retail and institutional sales capability for Michigan tax-exempt securities.
3. Describe your strategy for marketing the Authority's bonds under current market conditions. What cost-effective marketing or structuring innovations could you suggest to broaden the appeal for this Authority issue? If you are responding as a candidate for senior manager, you should skip this question and answer question 21.
4. Describe the current capital base of you firm. Indicate the total amount of capital, the portion of which is equity and debt, and the amount of the firm's excess net capital based upon SEC uniform reporting requirements. Under separate cover (excluded from page limit), please provide a copy of your firm's most recent audited annual statement of financial condition, and a financial statement from your most recent quarterly reporting period.
5. What assurances can you provide the Authority that your firm will continue to underwrite tax-exempt bonds in the future?
6. List any state or local Michigan government issuers that have engaged your firm as senior managing underwriter for financing (s) expected to be completed by October 31, 2006.

D. REPRESENTATIONS AND REFERENCES
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1. Please provide three (3) references from issuers that can attest to your capabilities and your retail sales performance in recent municipal bond transactions. If your firm is interested in serving the Authority as senior

managing underwriter, at least one reference must be a Michigan issuer.

2. Are there any investigations by the Securities and Exchange Commission, or any other regulatory body or court, or pertinent litigation regarding the conduct of your firm, its management, and public finance/municipal bond department(s)? Indicate whether your firm is in compliance with the State of Michigan Executive Order 2003-1. The Executive order can be viewed on the State's web site at [www.michigan.gov](http://www.michigan.gov). In addition, please provide a statement indicating that your firm has adopted and is adhering to the principals set forth in the agreement reached between Merrill Lynch & Co., Inc., and the New York State Attorney General Spitzer, dated May 21, 2002.
3. Describe any existing or potential conflicts of interest your firm might have in the course of your service as underwriter for the Authority.
4. Do you believe that any other conflict of interest related to your current business relationships with any corporations or entities may arise to affect your service to the Authority? Please describe the nature of any such conflict.
5. Please provide a copy of your firm's equal employment opportunity and affirmation action policy or plan (as an attachment).

E. QUESTIONS FOR PROSPECTIVE SENIOR MANAGERS
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1. Present your firm's scenario for the following: (1) The largest refunding that generates present value savings to the Authority and (2) The refunding (if any) that will generate more than 3% present value savings to the Authority. Please describe in detail the refunding bond structure your firm is proposing to the Authority with supporting rationale for that structure. Include any advantages and disadvantage of the particular structure. Indicate any unique structuring, legal or tax assumptions that were necessary to execute your firm's recommendation.
2. Prepare your firm's recommended structure for both a fixed rate bond issue and a variable rate new money issuance. Use 0.60% for all costs of issuance for the fixed rate scenario, and 0.40% for the variable rate scenario. Assume an issuance date of October 18, 2006. Use the projects outlined in Appendix A. Provide a brief description of your firm's tax-exempt short-term remarketing capabilities, including the number and par amount of bonds currently being remarketed.

3. Assuming market conditions as of February 14, 2006 and the marketing and structuring recommendations you have made, please present your proposed gross spread, detailing takedown, management fee, and all associated expenses for each bond issue your firm is proposing.
4. Describe your strategy for marketing the Department's bonds under current market conditions. What cost-effective marketing or structuring innovations could you suggest to broaden the appeal for these issues?
5. Describe your recent experience in managing order periods in a retail priority sale.
6. Please briefly describe up to three (3) transactions completed by your firm as book-running manager within the past 24 months that demonstrate your firm's ability to analyze and execute pooled facility lease transactions.
7. Present your firm's 180- day forecast for the U.S. credit markets.
8. Present your recommendations on market timing for this issue, and comment on specific credit issues or significant calendar items. Please note that the Authority seeks to have only your firm's internal views on this matter. Do not contact any of the credit rating agencies or any other institutions in the process of developing your response.

F. CONCLUSION
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1. Please discuss any other factors, ideas or recommendations that you believe should be considered by the Authority either in the structure of its proposed bond issues or as to your selection as an underwriter on one of the Authority transactions.

**APPENDIX A**

**FACILITIES PROJECTS**

<b>Facility</b>	<b>SBA Cost</b>	<b>Annual Rental 35 Years</b>
1	\$23,325,000	\$2,100,000
2	37,231,000	3,350,000
3	5,000,000	450,000
4	29,624,900	2,670,000
5	23,924,900	2,150,000
6	3,046,500	270,000
7	18,749,900	1,690,000
8	3,967,400	360,000
9	49,500,000	4,455,000
10	21,000,000	1,890,000
11	31,230,000	2,810,000

**Assumptions:**

- 1.) 0.60% for all costs of issuance – fixed rate
- 2.) 0.40% for all costs of issuance – variable rate
- 3.) Debt Service Reserve Fund =  $\frac{1}{4}$  maximum principal & interest
- 4.) Use market interest rates as of February 14, 2006
- 5.) Dated date October 18, 2006