



STATE OF MICHIGAN
DEPARTMENT OF TRANSPORTATION
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

KIRK T. STEUDLE
DIRECTOR

REQUEST FOR PROPOSAL

Michigan Department of Transportation
Bureau of Finance and Administration
Murray D. Van Wagoner Building
425 West Ottawa Street
Lansing, Michigan 48933

September 30, 2010

The Michigan Department of Transportation (MDOT) is seeking statements of qualification from financial firms interested in serving as financial advisors for new money and/or refunding bond sales, issuance of revenue bonds, and cash flow financing for various transportation related programs for a period beginning three years from date of signed contract.

MDOT considers the following to be the role of the financial advisor:

- Monitoring outstanding debt to assist MDOT in presenting information to rating agencies, legislators, the Governor, the market, and the public.
- Assisting in the selection of underwriters, bond counsel, credit facility providers, and other service providers associated with proposed bond sales, including drafting requests for proposals, interviewing applicants, and evaluating candidates.
- Assisting in all scheduling, including timing of entry into the market and preparation of disclosure documentation for the purpose of assuring a smooth interface with the credit market.
- Assisting MDOT in evaluating proposals for derivatives such as swaps, asset backed transactions and other securitized deals from underwriters.
- Suggesting financing options.
- Reviewing pricing information and making recommendations on the fairness of pricing negotiated bond financings.
- Providing services to administer competitive financial transactions.

Selection will be based primarily upon the financial firm's relevant experience, knowledge of general transportation and specific MDOT financing programs and requirements, creativity in recommending efficient structuring concepts, ability to assist MDOT with the rating agencies, and proposed fee structure.

Your firm's responses to the enclosed questions will enable MDOT and the selection committee to evaluate 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 understanding of MDOT's financing requirements, MDOT's operating environment and goals, and its ability to serve their needs in general.

MDOT reserves the right to extend or terminate an engagement at any time during its term. The initial term of the engagement will be three years, with two one-year options of extension.

Your firm's decision to **not** respond (to RFP) will not affect MDOT's consideration of your firm as an underwriter for MDOT financings. Additionally, the firm selected to serve as financial advisor will **not** be eligible to serve as underwriter for MDOT financings.

If your firm is interested in providing financial advisory services to MDOT, please submit four copies of your response to the following questions no later than noon on **October 19, 2010**, to:

Myron G. Frierson, Bureau Director
Finance and Administration
Michigan Department of Transportation
P.O. Box 30050
Lansing, Michigan 48909
Telephone: 517-373-2117
E-Mail: friersonm@michigan.gov

Please structure your responses to follow the outline of questions contained in this RFP. Your overall response must be limited to a maximum of 10 pages (excluding exhibits and one-page executive summary), including any quantitative analysis. Responses should be on 8½" x 11" paper, with a minimum 10-point font, and should contain 1" margins. Responses submitted by facsimile or other electronic means will not be accepted.

MDOT will not respond to telephone inquiries or visitation by bidders or their representatives. Technical questions with respect to this request are to be put in writing and must be submitted by the United States Postal Service or other commercial delivery service or electronically, and sent as an attachment in Microsoft Word or Rich Text Format (RTF) to Mr. Myron Frierson, at the address/E-mail above, no later than noon EST on **October 11, 2010**. Answers to questions will be prepared and posted to the Contract Services Division web site at http://www.michigan.gov/mdot/0,1607,7-151-9625_32842---.00.html where the RFP was posted. The answers to the questions will supersede the original issue pertaining to the question(s).

Interested firms should not contact any other employee, elected official, member, or agent of the state of Michigan concerning this request. We also request that you refrain from contacting any representatives of the credit rating agencies concerning MDOT as a part of your preparation for your response to this request.

Firms are advised that MDOT is a public agency and its records, including statements submitted in response to this request, are considered public records. MDOT 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 affect any agreement deemed to be in its best interest. MDOT also reserves the right to seek additional information from any and all firms, to select finalists and, if necessary, to schedule interviews. MDOT shall not be responsible for any costs incurred by firms in the preparation, submission, or presentation of their proposals.

REQUEST FOR PROPOSAL QUESTIONS

A. UNDERSTANDING OF WORK ASSIGNMENT

1. Please describe your firm's method for monitoring a client's outstanding debt and assisting the client in presenting information about the client to rating agencies, legislators or the legislative body, chief executive officers, lending institutions, and the public. If available, attach an example of a work product prepared for a client in conjunction with this service as an exhibit to your response to this request. Please list the staff in your firm who prepared this work product.
2. Please describe your firm's method for assisting in the selection of underwriters, bond counsel, credit facilities, and other service entities associated with proposed bond projects, including drafting requests for proposals, interviewing applicants and evaluating clients. If available, please attach an example of a work product prepared for a client in conjunction with this service as an exhibit to your response to this request. Please list the staff in your firm who prepared this work product.
3. Please describe your firm's method for assisting in scheduling financings, including timing of entry into the market and documentation of disclosure information for the purpose of assuring a smooth interface with the credit market. If available, please attach an example of a work product prepared for a client in conjunction with this service as an exhibit to your response to this request. Please list the staff in your firm who prepared this work product.
4. MDOT receives proposals for derivatives such as swaps, asset-backed transactions, and other securitized deals from underwriters. Please indicate your experience in evaluating these types of proposals and include, if available, an example of a work product prepared for a client in conjunction with this service as an exhibit to your response to this request. If your example did not include an assessment of risk, please include a brief assessment. Please list the staff in your firm who prepared this work product.
5. What is your experience with Transportation Revenue GARVEE bonds/notes, Build America Bonds, and Federal Recovery Zone Bonds?
6. Please describe the method by which your firm evaluates pricing in a negotiated transaction, including whether your firm uses its own trading desk (if you have one). Please comment on whether you believe a trading desk helps or hinders in the evaluation of the pricing process. If your firm does not have its own trading desk, please explain how you acquire the information necessary to evaluate market prices.
7. Based on your knowledge of outstanding MDOT notes and bonds, please provide an analysis of the extent to which MDOT should structure future debt as variable rate, fixed rate, short-term, or long-term to plan for a future in which the State's immediate revenues are weak but future revenues may be expected to strengthen. Also, provide

an evaluation of MDOT's outstanding debt. Please include recommendations for improvements.

8. Please comment on the general credit quality of MDOT. What are the critical factors affecting MDOT's credit rating? How would your firm further develop MDOT's relationship with the rating agencies?

B. STAFFING QUALIFICATIONS AND OWNERSHIP

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 on a priority basis to address MDOT needs. Provide brief resumes for each and explain the responsibilities that they would assume for MDOT. These resumes may be included as an appendix.
2. 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 such arrangements.
3. Briefly describe the firm's ownership structure, location, and organization.
4. Under separate cover (excluded from page limit), please provide a copy of your firm's most recent audited annual statement of financial condition.
5. Please provide a copy of your firm's equal employment opportunity and affirmation action policy or plan (as an attachment excluded from page limit).

C. REPRESENTATIONS AND REFERENCES

1. Please list the issuer names, par amounts, and sale dates of negotiated and competitive transportation or Michigan (non-MDOT) municipal bond issues in which your firm served as financial advisor since January 2007. Briefly comment on the specific strengths and capabilities your firm offers in assuring that MDOT bonds will be issued at the lowest cost.
2. List any Michigan government, state or local, issuers that have engaged your firm as financial advisor for financing(s) expected to be completed by September 30, 2010.
3. Please provide three references from issuers that can attest to your capabilities in recent municipal bond transactions. At least one reference must be a Michigan issuer.

4. 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 or its management? Indicate whether your firm is in compliance with the State of Michigan Executive Order 2003-1. This Executive Order can be viewed on the State's Web site at www.michigan.gov.
5. Describe any existing or potential conflicts of interest your firm might have in the course of your service as financial advisor for MDOT. Please describe the nature of any such conflict. What potential conflict of interest might arise if your firm is selected as MDOT's financial advisor and disclose any activities, relationships, or contracts your firm or individuals in your firm have that may create a conflict or the appearance of a conflict of interest?
6. Please list any consultant(s) retained by your firm relative to this RFP that is reportable per the Municipal Securities Rulemaking Rule G-38, or that would be reportable under Rule G-38 if that rule applied to you.
7. Are there any pending investigations by the Internal Revenue Service, Securities and Exchange Commission, or any other regulatory body or court (local, state, or federal), or pertinent litigation, regarding the conduct of your firm or the firm's management that might affect your firm's operation or services to MDOT? Have there been any such investigations or litigations in the past 10 years? If so, please explain the nature and results of any such investigations or litigations and comment on how this might affect your firm's operation or service to MDOT.

D. MICHIGAN PRESENCE

1. Describe your firm's Michigan presence and any changes that may have occurred affecting your staffing or structure 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 and the location of your offices here.
2. What percentage of time worked on a typical financial transaction will be conducted in Michigan?

E. BONDS AND NOTES ISSUANCE ADVISORY FEES

1. List annual fees for the general financial advisor tasks:
 - Monitoring outstanding debt to assist MDOT present information to rating agencies, Legislators, the Governor, the market, and public.
 - Assisting in the selection of underwriters, bond counsel, credit facility providers, and other service providers associated with proposed bond projects; including drafting requests for proposals, interviewing applicants and evaluating candidates.

- Assisting in all scheduling, including timing of entry into the market and preparation of disclosure documentation for the purpose of assuring a smooth interface with the credit market.
- Assisting MDOT in evaluating proposals for derivatives such as swaps, asset backed transactions and other securitized deals from underwriters
- Suggesting financing options.
- Reviewing pricing information and making recommendations on the fairness of pricing negotiated bond financings.

\$ _____ **Annual Fee**

2. List Fees for Issuing Securities:

		<u>Competitive</u>	<u>Negotiated</u>
Variable rate notes	\$50 to \$200 Million	\$ _____	\$ _____
Variable rate bonds	\$50 to \$200 Million	\$ _____	\$ _____
Fixed rate notes	\$50 to \$200 Million	\$ _____	\$ _____
Fixed rate bonds	\$50 to \$200 Million	\$ _____	\$ _____
Bonds and notes	In excess of \$200 Million	\$ _____	\$ _____

3. Swaps or Derivative Products:

<u>Swap and Derivatives Advisory</u>	<u>Fee Schedule (per transaction)</u>
Structuring and Competitive Bid	_____ per annum
Structuring and Negotiation	_____ per annum
Valuation and Reporting	_____ per annum

4. Financial Advisor Request for Proposal Scoring Criteria:

Scoring Criteria	Points
Understanding of Work Assignment	35
Qualification of Staff	25
References	20
Work Location	5
Fees	30
Total Points	115