

**To:** Board of Directors, Massachusetts School Building Authority  
**FROM:** John K. McCarthy, Executive Director  
**DATE:** January 30, 2013  
**RE:** Investment Banking and Underwriting Services RFQ Update

On December 19, 2012, the Massachusetts School Building Authority (the “MSBA”) posted a Request for Qualifications (“RFQ”) in order to establish a pool of qualified firms to provide investment banking and underwriting services. The MSBA previously established a qualified pool in September 2009, and updated the qualifications of that pool in September 2011. Since the completion of the MSBA’s last RFQ for investment banking and underwriting services there have been firm mergers, new entrants, and firms that have exited the public finance field. Given the changes in the landscape of municipal debt finance and the passage of time, the MSBA issued the RFQ to solicit responses from qualified firms.

The RFQ identified a number of roles for which firms may be qualified as part of the process. These roles include senior manager, co-manager, selling group member, variable rate remarketing agent, and commercial paper dealer. The RFQ required firms to respond to a number of questions to illustrate their qualifications and capabilities to perform the scope of services associated with the various roles identified within the RFQ. The evaluation criteria included (1) the qualifications and experience of the respondent and the respondent’s key personnel, (2) an understanding of the MSBA’s program, financing needs, and objectives, (3) a respondent’s capacity to underwrite debt and overall approach to underwriting, (4) respondent’s intent to further the development of Minority and Woman-owned Business Enterprises, and (5) overall quality of the response to the RFQ. The MSBA received 31 responses to the RFQ.

A selection committee, including members from the MSBA’s Finance and Legal departments, reviewed the submissions. Following the selection committee’s review of submissions, 12 firms were requested to make oral presentations to the selection committee in order to be pre-qualified to serve in roles such as senior managers on negotiated bond issuances, commercial paper dealers, or variable rate remarketing agents for upcoming MSBA debt issues. Following the oral presentations, the selection committee established final pools for each of the roles identified in the RFQ.

The selection committee qualified a pool of 12 firms to serve as senior managers<sup>1</sup> for MSBA negotiated, fixed-rate debt issuances. In order to determine the senior manager(s)

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<sup>1</sup> Senior managers will have the largest role of underwriter in negotiated debt issues. They will assist in the structuring, marketing, and pricing of the debt, investor and rating agency presentations, and coordination of activities with the co-managers and the selling group. They will assume a greater level of underwriting

for a particular negotiated debt issuance, the MSBA will require each of the firms within the qualified pool of senior managers to submit recommendations specific to the particular issuance. These submittals from firms within the qualified senior manager pool will inform the MSBA's selection of a firm(s) that will serve as senior manager(s) for that debt issue. The firms within the qualified senior pool that are not selected as senior managers on a particular negotiated transaction will serve as co-managers for the issue.

Additionally, within the qualified pool of senior managers the selection committee qualified 10 firms to serve as variable rate remarketing agents<sup>2</sup>, and 11 firms to serve as commercial paper dealers<sup>3</sup>. While the MSBA does not have any variable rate debt or commercial paper outstanding at this time, it is anticipated that these services may be required within the effective time period of this procurement. Prior to each variable rate debt issuance, or start of a commercial paper program, these qualified firms will be asked to submit recommendations specific to these programs in order to inform the MSBA's selection of a firm(s) to manage the transaction.

In addition to the firms qualified to serve as senior manager, variable rate remarketing agent, or commercial paper dealer, the selection committee also qualified an additional 10 firms to serve as co-managers only<sup>4</sup> and qualified 9 firms to serve as selling group members<sup>5</sup>.

The pre-qualified pools each include representation of MBE/WBE firms. In total, ten MBE/WBE firms were included within the qualified pools.

The firms qualified through this RFQ process have a balance of strengths. These firms have the capacity and capability to distribute MSBA bonds and reach investors, both retail and institutional. These firms also exhibited strong financial modeling skills, and an understanding of the critical aspects of the MSBA's long-term financial planning needs.

Attached, please find the pool of firms qualified through this process for each of the roles identified in the RFQ.

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liability, and will receive a greater share of the underwriting fees and sale commissions than co-managers or selling group members.

<sup>2</sup> Variable rate debt obligations (VRDO) are debt obligations with a stated long-term final maturity with the interest rate on the debt reset at stated time periods. Holders of the debt are permitted to tender the bonds on interest reset dates. The remarketing agent role is to set the interest rate and remarket the debt. The usual reset period for tax exempt variable rate is daily or weekly.

<sup>3</sup> Commercial paper (CP) is another form of variable rate debt. CP does not have a constant time period for resetting the interest rate. The reset period ranges from one day to 270 days. CP holders can tender the debt on the debt reset date. The role of the CP dealer is to determine the length of time of the reset period, set the interest rate, and remarket the CP.

<sup>4</sup> Co-managers' primary role is to sell bonds. These firms will be expected to assume less underwriting liability on a transaction and receive less of a share of underwriting fees and sale commissions than a senior manager.

<sup>5</sup> Selling group members' sole role is to sell bonds. These firms do not incur underwriting liability on a transaction and will not be listed on the cover of a preliminary official statement or official statement.

## **Attachment**

### **Senior Managers**

Bank of America Merrill Lynch  
Barclays  
Citi  
J. P. Morgan  
Jefferies & Co  
Loop Capital  
Morgan Stanley  
Ramirez & Co  
Raymond James Morgan Keegan (RJMK)  
RBC Capital Markets  
U.S. Bancorp  
Wells Fargo

### **Co-Managers**

BMO Capital Markets  
BNY Mellon Capital Markets  
CastleOak Securities  
Corby Capital Markets  
Fidelity Capital Markets  
Janney Montgomery Scott  
Lebenthal & Co.  
Mesirow Financial  
Piper Jaffray  
Siebert Brandford Shank

### **Selling Group**

Cabrera Capital Markets  
Drexel Hamilton  
Estrada Hinojosa & Company  
R. Seelaus & Co  
Rice  
Robert W. Baird & Co.  
Roosevelt & Cross  
Stern Brothers & Co.  
Williams Capital Group

**Variable Rate Remarketing Agents**

Bank of America Merrill Lynch

Barclays

Citi

J. P. Morgan

Jefferies & Co

Loop Capital

Morgan Stanley

RBC Capital Markets

US Bancorp

Wells Fargo

**Commercial Paper Dealers**

Bank of America Merrill Lynch

Barclays

Citi

J. P. Morgan

Jefferies & Co

Loop Capital

Morgan Stanley

Ramirez

RBC Capital Markets

US Bancorp

Wells Fargo