

**Only firms which have been prequalified by the Office of Financial Management to provide Senior Managing Underwriter services for FY 2016 and FY 2017 to the Kentucky Higher Education Student Loan Corporation may submit a response to this Request for Proposals.**

July 6, 2015

**RE: Request for Proposals (“RFP”) to Serve as Senior Managing Underwriter to the Kentucky Higher Education Student Loan Corporation for Fiscal Year 2016**

The Office of Financial Management (“OFM”), of the Finance and Administration Cabinet, (the “Cabinet”) of the Commonwealth of Kentucky (the “Commonwealth”), on behalf of the Kentucky Higher Education Student Loan Corporation (the “Corporation” or “KHESLC”), hereby invites proposals for professional services of senior managing underwriter for the Corporation’s student loan financing activities during the fiscal year beginning July 1, 2015 and ending June 30, 2016 (“FY 2016”). The investment banking firm selected will serve as senior managing underwriter for any student loan note/bond issuances (excluding transactions drawing on the Corporation’s line of credit), to be issued by the Corporation during FY 2016. The engagement may be extended for one additional fiscal year at the discretion of OFM and the Corporation.

The Corporation’s financing plans for FY 2016 are dependent on a number of factors including market access, trends in the market and the availability and cost of financing structures. Bonds may be issued for any of the following purposes:

- Refinance the Corporation’s portfolio of Federal Family Education Loan Program (FFELP) loans currently financed by variable rate demand obligations.
- Provide permanent financing for rehabilitated FFELP student loans.
- Provide permanent financing for other FFELP student loans that could be acquired during the service period.
- Finance the funding of uninsured fixed rate supplemental loans including Kentucky Advantage Education Loans (KAEL) warehoused by the Corporation. .

The Corporation is in the process of procuring a line of credit to provide interim financing. That facility may be used by KHESLC to fund FFELP loans (including rehabilitation FFELP loans) and Kentucky Advantage Education Loans (KAEL) for which KHESLC intends to obtain subsequent permanent financing. A 2008 Indenture, 2010 Indenture, two 2013 Indentures, and a 2015 Indenture were established as closed-end indentures and are comprised of VRDO’s (Variable Rate Demand Obligations), LFRB’s (LIBOR Floating Rate Bonds), and LFRN’s (LIBOR Floating Rate Notes). In addition, KHESLC’s 2014A Senior Serial and Term Bonds were issued out of a 2014 Master Trust which will also allow for additional bonds to be issued.

The Corporation may also create new Indentures of trust as needed to finance and/or refinance education loans.

The primary objectives of the Corporation and OFM in the selection of a senior managing underwriter are as follows:

1. Derive maximum economic benefit from refinancing;
2. Minimize borrowing costs and issuance costs.
3. Maximize the amount and level of financial expertise brought to each transaction;
4. Provide continuity to the debt issuance process for each financing;

The Corporation's objectives, with respect to its Student Loan Finance Program, are as follows:

1. Identify transactions that further the long-term best interests of the Corporation;
2. Select and execute transactions that optimize equity contributions, minimize or reduce financial risk, provide reasonable profits and positive cash flow;
3. Provide ongoing, relevant program services; and
4. Maintain bond ratings on existing debt and obtain ratings on new debt needed to adequately market/place the debt.

All debt issued by the Corporation will be used to finance the acquisition of student loans or to refund or convert bonds previously issued by the Corporation. Offerings will be under the direction of the Corporation and OFM. Offerings are subject to approval by the Corporation's Board of Directors, the State Property and Buildings Commission, and the Capital Projects and Bond Oversight Committee of the Kentucky General Assembly.

Financial information regarding the Corporation and its programs, including the Annual Financial Report and Secondary Market Disclosure, is available at the Corporation's web site, [www.kheslc.com](http://www.kheslc.com). Official Statements for recent transactions may be found at [www.MuniOS.com](http://www.MuniOS.com) or at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Description of Services Sought**

The firm engaged to perform senior managing underwriting services to the Corporation will be working with the Corporation, OFM, and Hawkins Delafield & Wood LLP as bond counsel. The engagement will include services for note/bond transactions of the Corporation from July 6, 2015 through June 30, 2016. The appointment may be renewed for one additional fiscal year at the discretion of OFM and the Corporation. This engagement does not include delayed delivery notes or other obligations or any new variable rate bond issues beyond the term of this engagement.

The firm selected to perform these services for KHESLC will be responsible for services customarily performed by the senior managing underwriter including, but not limited to: structuring the issue(s); providing debt management and marketing advice; posting the preliminary (POS/POM) and final official statements/memorandums (OS/OM) on the MSRB's EMMA web site; coordinating the sale and closing of the securities, including any escrow securities, with the trustee and the Corporation; and serving as a point of contact with the rating agencies and any credit enhancements.

KHESLC acknowledges that the selected firm for this engagement will not be acting as a municipal advisor, financial advisor or fiduciary to KHESLC or OFM and that the selected firm will be acting

solely as a principal in a commercial arm's length transaction. In addition, this engagement will be neither an expressed nor an implied commitment by the selected firm to purchase or place any securities in connection with any such transaction, which commitment shall only be set forth in a separate underwriting, placement agency or other applicable type of agreement.

### **Fees and Expenses**

Management fees and total expense limits will be established pursuant to KRS 45A.857 (4)(a). A fee proposal for financings during the contract period will be requested in Section III below. A maximum not-to-exceed management fee and expense (excluding underwriter's counsel) proposal must be identified and included in your response. The fee structure requested is a ceiling on the management fee plus all expenses, excluding underwriter's counsel. The amounts proposed shall serve as limits on any financing completed during the contract period. Actual management fees, expenses and takedown will be negotiated prior to the execution of the initial financing for the contract period within the limitations established in your response. Takedown may be further negotiated during the pre-pricing phase of each transaction. Fees will be paid only upon completion and closing of bond issues.

The senior managing underwriting firm selected will engage its own underwriter's counsel. The selected firm will be reimbursed within the expense component of each transaction by the Corporation for underwriter's counsel expenses pursuant to 200 KAR 21:050. The above-referenced statutes and administrative regulations can be viewed at <http://www.lrc.ky.gov>. Fees are considered part of the overall financing plan and are not weighted separately for calculating each firm's final score (see **Attachment A**).

### **Required Components of Proposal**

Each response to the RFP must include and address the following items. **Failure to comply with the requirements of the RFP will result in the firm's response not being evaluated by the Selection Committee. (See: Selection and Notification)**

#### **I. Disclosure**

- A.** Certify that there has been no material change to any of the statements and certifications made by the firm in its response to the **Request for Qualifications, Section II, Disclosure**, issued by OFM on February 3, 2015. In the event there has been a material change, please specify the nature of the change and the impact of the change on the firm and its ability to provide the desired services.
- B.** Detail any criminal investigation, indictment, prosecution or other proceeding that has ever been brought against your firm (provide attachment if necessary). Also, describe any civil litigation pending or concluded within the last three years against your firm that would impair the firm's ability to provide the requested services (provide attachments if necessary). Also, describe the nature of any conflicts of

interest that you believe may exist or arise.

- C. Disclose any potential conflicts of interest with representing the Commonwealth in this matter, including any potential conflicts of interest of employees assigned to this project and potential conflicts with any of the Corporation's members. The Commonwealth reserves the unqualified right to disqualify an entity or cancel any contract for any potential conflict of interest issues raised initially and/or during the life of any contract awarded.
- D. Disclose if your firm's proposal has information considered proprietary that you wish to be confidentially disclosed. In the event that your firm chooses to declare the inclusion of proprietary information, please noticeably label such information as described in the "**Proprietary Information**" article of the RFP.

## II. Qualifications

### A. **Relevant Experience of the Firm**

1. Discuss your firm's history and commitment to municipal finance generally and to higher education finance specifically.
2. Provide a discussion of relevant senior managing underwriter experience of the firm in the area of student loan revenue bond financings. Specifically discuss the firm's experience with the following: A) Municipal fixed rate bonds issued to finance state-based private loan programs, and B) Student Loan Asset Backed Notes and Bonds collateralized with FFELP loans.
3. Provide specific examples of transactions of similar nature and credit for which the firm has served as senior managing underwriter.

### B. **Relevant Experience and Qualifications of the Representatives of the Firm**

1. Provide a discussion of the experience, qualifications and availability of the firm's representatives who would work on the Corporation's account. Provide the names and resumes of all individuals who will be assigned to work with the Corporation and identify one person who would serve as the lead banker. The Corporation expects the lead banker to be actively involved in all aspects of its financings. Discuss the availability of and the Corporation's access to the lead banker. Please note that any changes made to the representation for the Corporation during any engagement must be approved by the Corporation and OFM.
2. Provide specific references for the firm and lead banker's experience with similar issues. Include names, addresses and telephone numbers.

### III. Plan of Finance

#### A. Debt Structuring

Discuss in general any products, program concepts or financing methods that you consider relevant or useful to the Corporation in meeting its objectives.

Discuss the pros and cons of refinancing Variable Rate Demand Obligations with LFRNs or alternative debt instruments. What specific enhanced product or service does the firm provide to these financings?

During Fiscal Year 2016 the Corporation intends to issue taxable and/or tax-exempt bonds providing long-term financing for loans originated under the Corporation's KAEL program. Discuss significant financial issues relevant to such financings, major program considerations and your proposed financing recommendation.

#### B. Marketing and Distribution

Please provide an analysis of demand for the Corporation's debt. Discuss your firm's views on municipal markets.

#### C. Fee Structure

Since the Corporation is engaging a senior managing underwriter for a period of one year and has not specifically identified the timing, structure and amount of its financings, the fee structure requested is a ceiling on the management fee plus all expenses, excluding underwriter's counsel. Also, provide the maximum not-to-exceed amount of takedowns, and any other expenses related to expected financing plans. The amounts proposed shall serve as limits on any financing completed during the contract period. Actual management fees, expenses and takedown will be negotiated prior to the execution of each financing during the contract period within the limitations established in your response. Fees and expenses will be paid only upon completion and closing of bond issues.

Provide a fee proposal for a bond issuance on a per \$1,000 bond basis including **management fee** (senior manager only), all **expenses** and **takedown** for both a **\$150** million LIBOR Floating Rate Note issue and a **\$30** million Fixed Rate Tax-Exempt Bond issue both with a single delivery and including, but not be limited to, structuring, carrying costs, day loan, Dalcomp, Dalnet, clearance, CUSIP, DTC, PSA, copying, faxing, mailing, telephone, travel and other out-of-pocket expenses, as applicable. Provide an itemization of the components of the total per \$1,000 bond fee proposal. Do **not** include expense components for underwriter's counsel. Underwriter's counsel fees will be determined after bond counsel has been selected

pursuant to 200 KAR 21:050. These administrative regulations may be accessed at <http://www.lrc.ky.gov>.

Please also provide an itemization and an estimate of any expenses to be borne by the Issuer.

### **Reservation of Rights**

OFM and the Corporation reserve the right to:

1. Review and approve any change in staff members significantly involved in any financing during the contract period, and discharge the firm promptly if such personnel changes do not meet the needs of the Corporation.
2. Reject any and all proposals with cause.
3. Reject all proposals and seek new proposals when such procedure is reasonably in the best interest of the Corporation.
4. Make investigations regarding qualifications of any or all respondents as the Selection Committee deems necessary.
5. Request and receive such additional information as the Selection Committee may reasonably require. Failure to comply with such a request will result in disqualification.
6. Waive minor irregularities in the RFP process.
7. Make all submitted proposals and any attached materials available for Open Records requests pursuant to KRS 61.870.

### **Liability**

The Corporation and OFM shall not be liable for:

1. Any costs incurred by the proposer in the preparation of any proposal.
2. Any costs incurred by the proposer in connection with any interview or negotiation relating to this RFP (i.e., travel, accommodations, etc.).
3. Any disclosure, whether by negligence or otherwise, of any material or information in any form submitted by any proposer in response to this RFP.

### **Submission of Proposals**

Six (6) hard copies and one (1) electronic (PDF) copy of each proposal and all related materials must be received no later than **2:00 p.m. EDT on Monday, July 27, 2015** at the following address:

Office of Financial Management  
Kentucky Higher Education Student Loan Corporation  
Selection Committee Chair  
Senior Managing Underwriter FY 2016 RFP  
702 Capitol Avenue, Suite 76  
Frankfort, Kentucky 40601-3453  
Phone: (502) 564-2924 Fax: (502) 564-7416  
[Tammy.McCall@ky.gov](mailto:Tammy.McCall@ky.gov)

**Note: Proposals received after the stated deadline will NOT be accepted. It is the responsibility of the respondent, NOT the courier services, to meet the deadline. Facsimile copies and electronic transmissions will NOT be accepted for submission of proposals; however, one (1) electronic copy must be received by the stated deadline in addition to the hard copy submittals for the submittal package to be considered complete.** The media by which the electronic copy is transmitted will not be returned to the submitting firm. Please be advised that the Commonwealth's email attachment size is limited to 5 MB. Plan the electronic transmittal accordingly.

### **Questions**

All questions concerning this RFP must be submitted by facsimile, e-mail or writing to the above address by **12:00 p.m. ET on Monday, July 13, 2015**. Any questions submitted, and answers thereto, may be distributed to all respondents at the discretion of the Chairperson of the Selection Committee. Please note that questions submitted after the deadline will not receive a response.

### **Selection and Notification**

The Selection Committee is composed of two staff members of the Corporation (voting), three staff members of OFM (voting) and one merit employee of the State Auditor of Public Accounts (nonvoting). All voting members of the Selection Committee will review all proposals submitted. Proposals will be evaluated pursuant to the evaluation criteria outlined on **Attachment A** and **Attachment B**. The Selection Committee will determine whether to hold interviews with proposing firms. The Selection Committee will make a recommendation for selection pursuant to KRS 45A.840 to 45A.879. These statutes may be accessed at <http://www.lrc.ky.gov/legislation.htm>

### **Proprietary Information**

The RFP specifies the required components and general content of proposals submitted in response to the RFP. **The Finance and Administration Cabinet will not disclose any portions of the proposals prior to Contract Award to anyone outside the Finance and Administration Cabinet, representatives of the agency for whose benefit the contract is proposed, representatives of the Federal Government, if required, and the members of the evaluation committee.** After a Contract is awarded in whole or in part, the Commonwealth shall have the right to duplicate, use, or disclose all proposal data submitted by firms in response to this RFP as a matter of public record. Although the Commonwealth recognizes the firm's possible interest in preserving selected data which may be part of a proposal, the Commonwealth must treat such information as provided by the Kentucky Open Records Act, KRS 61.870 et sequitur, which allows for exemptions as provided in KRS 61.870(1)(c).

Pursuant to KRS 61.870(1)(c), informational areas which normally might be considered proprietary shall be limited to **individual personnel data, customer references, selected financial data, formulae, and financial audits** which, if disclosed, would permit an unfair advantage to competitors. If a proposal contains information in these areas that a firm declares proprietary in nature and not available for public disclosure, the **firm shall declare in the Disclosure (See "Required Components of the Proposal," Section I, Subsection D) the inclusion of proprietary information and shall noticeably label as proprietary each sheet containing such information.** The Cabinet will make all reasonable efforts to maintain the confidentiality of any information provided by the firm, which is clearly identified by the firm as proprietary, provided such designation is reasonable, and subject to the order of the Attorney General or any court directing the Cabinet to release such information.

### **Contact with Selection Committee Members**

Please note that any contact made by the firm with any member of the Selection Committee regarding the RFP, the firm's response, or the RFP process, from the date of issuance of the RFP until an award of a contract, is required to be disclosed by such Committee member to the entire Committee and will become a part of the permanent file for this selection process, which is subject to "open records requests" pursuant to Kentucky Open Records laws.

The Office of Financial Management on behalf of the Corporation respectfully solicits the submission of a proposal by your firm.

### **Attachments:**

Attachment A: Evaluation Criteria  
Attachment B: Evaluation Form

**ATTACHMENT A**

**EVALUATION CRITERIA**

**Kentucky Higher Education Student Loan Corporation  
Request for Proposals  
Senior Managing Underwriter FY 2016**

	<b><u>Evaluation Criteria</u></b>	<b><u>Weight</u></b>
1.	Relevant Experience of the Firm	30%
2.	Relevant Experience and Qualifications of the Firm's Representatives	30%
3.	Plan of Finance	<u>40%</u>
Total		100%

**ATTACHMENT B**

**EVALUATION FORM**

**Kentucky Higher Education Student Loan Corporation  
Request for Proposals  
Senior Managing Underwriter FY 2016**

FIRM: \_\_\_\_\_

REVIEWER ID: \_\_\_\_\_

Disclosure: \_\_\_\_\_ Yes \_\_\_\_\_ No

1. **RELEVANT FIRM EXPERIENCE** - Qualifications, recent similar transactions, firm organization, firm references)

Score (30 points possible): \_\_\_\_\_

Notes: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. **RELEVANT EXPERIENCE AND QUALIFICATIONS OF FIRM'S REPRESENTATIVES** - (Number and availability of staff, background, individual experience on similar transactions, identification of lead banker, relevance of lead banker's experience, availability of staff, specific lead banker references.)

Score (30 points possible): \_\_\_\_\_

Notes: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

3. **PLAN OF FINANCE** - (Capability of the proposed debt structure to meet the Corporation's financing objectives, depth and quality of discussion, demonstration of understanding of the student loan industry and the Corporation's financing programs, marketing and distribution, and fee components.)

Score (40 points possible): \_\_\_\_\_

Notes: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Total Score: \_\_\_\_\_