

419. Procedures for Issuing Bonds

At its meeting on September 18, 1998, The Board of Trustees of The University of Alabama adopted a resolution expressing a preference for the sale of bonds by competitive bid and for an open and competitive process for the selection of any services necessary or desirable in the borrowing of funds through the issuance of bonds. In that resolution, the Board directed that all bonds be sold by open, competitive bid unless it specifically authorizes otherwise and directed the Chancellor, in consultation with the financial officers of the campuses and the University Hospital, to establish a written process to be used in the selection of any services necessary or desirable in the borrowing of funds by the University.

In response to changing conditions in debt management, the Board of Trustees approved a modification of the resolution at their June 2005 meeting. These changes are incorporated in the body of this Board Rule.

To assure that the direction and intent of the Board are met, the following procedures will be followed in the borrowing of funds through the issuance of bonds.

BOND SALES

The competitive sale of bonds normally should produce the lowest total cost to the University for many bond issuances, such as: those focused on a single project; those pledging tuition, housing rentals, and similar revenues; or those that are straightforward and easily understood by investors. At the same time, for certain types of issues, such as those that pledge health care revenues, utilize a mix of bond indentures, or those that bundle different types of projects into a single issue, competitive sales generally are not utilized because they do not produce the lowest total cost for the University. To make the decision that is most advantageous to the University in the issuance of bonds, the Board, therefore, will review and approve in advance each bond issue and the recommendations of the financial officers for underwriters and any financial advisor. Any proposal to issue bonds or indebtedness other than by open and competitive bid must be proposed on the basis that the method recommended is the most advantageous to the University.

COMPETITIVE SALE

If a campus desires to sell the bonds by competitive sale, it must first present to the Board of Trustees, at a regularly scheduled meeting, the particular details of the bonds that will be competitively bid, including the process for advertising, par value of the bonds to be sold competitively, projected sale date, and the anticipated terms of the successful bid.

FINANCIAL ADVISORS

The chief financial officers of the campuses and University Hospital may hire and retain firms to provide financial advice and assistance in borrowing and the issuance of bonds. For the period of time that a firm or individual is hired or retained to provide financial advice or assistance in the borrowing or issuing of bonds, they shall not be eligible to serve as underwriter or in any other capacity than financial advisor. Financial advisors shall be selected via a Request for Proposals (RFP) process as outlined in Attachment A. At the discretion of the campus, financial advisors may be selected for each issuance or for a period not to exceed three years.

UNDERWRITERS

If the Board has approved a negotiated bond sale, the chief financial officers of the campuses and University Hospital may hire and retain firms to provide underwriting services for the issuance of bonds. Any firm or individual hired or retained to provide underwriting services or other assistance in the borrowing or issuing of bonds shall not be eligible to serve as financial advisors or other capacity than underwriter for that particular issuance. Any campus or the University Hospital desiring to issue bonds shall select an underwriter via a Request for Proposals (RFP) process as outlined in Attachment A. From the proposals received, the campus or University Hospital shall recommend to the Board the firm (or firms) to provide the underwriting service that best meets the specifications included in the RFP at the lowest cost to the University.

BOND COUNSEL

Bond Counsel shall be obtained by the General Counsel following current procedures for obtaining legal services.

OTHER PROFESSIONAL SERVICES

For other services that are customarily competitively bid, per the guidelines in Attachment A, an RFP for each type of service will be issued to any entities or firms who are known to have or indicate an interest in receiving the RFP based on advertisements placed in appropriate media. If an underwriter or financial advisor agrees to provide these services as a part of its fee, then that underwriter or financial advisor shall select the individuals or firms to provide those services by any manner it chooses. However, if the University is to pay for those services directly, those services will be subject to the provisions of this policy.

Proposal responses will be evaluated based on the specifications included in the RFP based on the particular financing requirements of the bond issue.

FINAL REPORT

Within thirty days of completion of the bond sale, the campus or University Hospital will complete a New Bond Issuance Summary (Exhibit 1) which will be submitted to the Vice Chancellor for Financial Affairs. The report will be distributed to the Board. On an annual basis, the Vice Chancellor for Financial Affairs will prepare for the Board a summary report for the bonds issued during the fiscal year.

BOND ISSUANCE BY AFFILIATE

Unless otherwise specified by agreement, no affiliate of the University may issue bonds without the prior approval of the Board. The Chancellor shall set up procedures to ensure compliance with this provision of Rule 419.

THE PURPOSE OF THIS PROCEDURE

There is no legal requirement for the University to bid the borrowing of funds, the issuance of any bonds, or any services necessary or desired in connection with those matters. The use of the term "bid process" or "bid" shall not imply or confer any property, procedural, or other rights or interests of any kind in any firm or individual. Nothing in the September 18, 1998, Board Resolution, or any other Board Resolution, or the preference of the Board for competitive bid shall create any property, procedural, or other right or interest of any kind in any prospective or actual bidder or any individual or other entity in connection with the issuance of any debt or bonds by the University. This procedure is adopted for the sole advantage of the University.

No person or firm shall have or acquire any right, interest, claim, or cause of action in or by virtue of any action taken or decision made under any of these procedures or in breach or violation of any of them. The criteria for the invitations to bid, the specifications and alternatives, and the identification and selection of firms and individuals are all at the exclusive discretion of the University. It and its officials and employees shall be the sole judge and decision-maker for all decisions to be made, actions required or desired to be taken under the Board resolution, this Board Rule, and all other aspects of the identification and selection of firms and individuals to perform services for the University in the borrowing of funds or the issuance of bonds or other debt.

(Adopted June 17, 2005; amended April 8, 2011.)

Attachment A to Board Rule 419

GUIDELINES FOR OBTAINING FINANCIAL ADVISOR, UNDERWRITER, AND OTHER RELATED SERVICES

Obtaining Board Approval for Financial Advising Services:

The chief financial officer (CFO) will issue an RFP for financial advising services. An RFP will be issued to firms that have indicated an interest in providing these services. In addition, notices of the RFP will be published in the major state newspapers, on the University website, and the Red Book.

Submitted proposals will be evaluated and ranked by a committee established by the CFO. In choosing among financial advisors with comparable qualifications, campus selection committees shall grant a preference to Alabama-based firms and firms with a Substantial Alabama Presence, as defined below. Both categories of firms shall be included in the term “Alabama-based firms,” as used in this Board Rule.

Alabama-Based Firm: *Firm whose primary place of business is within the State of Alabama.*

Substantial Alabama Presence Firm: *Firm whose headquarters or primary place of business is not in the State of Alabama, but which maintains significant ongoing business in the state. (e.g., an Alabama law firm of long-standing is merged with or acquired by an out-of-state firm; however, the same lawyers practice in the same city in Alabama after the merger. This firm would qualify as a Substantial Alabama Presence Firm.)*

Non-Alabama Based Firm: *Firm whose headquarters or primary place of business is not in Alabama and which maintains minimal or no significant presence within the state. (e.g., a 200-engineer firm in another state which has a satellite office in Alabama of three engineers would be a non-Alabama Based Firm.)*

The CFO will submit to the Vice Chancellor for Financial Affairs the top three firms in the order of preference. The Vice Chancellor will meet with the Chairman of the Finance Committee to review the RFP process and the ranking of the submitted RFPs. The Vice Chancellor will advise the campus CFO in writing when this review has been completed. After notification that the review has been completed, the

campus CFO will present the list of recommended financial advisors to the Board for review and approval.

After obtaining Board approval, the CFO may initiate negotiations with the first ranked firm. If these negotiations are not successful, the second ranked firm will be contacted and negotiations initiated. The CFO shall proceed using this methodology until a fair and reasonable fee acceptable to the University is negotiated.

Each campus and University Hospital has the option of contracting with a financial advisor for a term not to exceed three years.

Obtaining Board Approval for Bond Issuance:

Campuses or University Hospital desiring to issue bonds must present to the Board a resolution requesting approval to begin the process of issuing bonds. Included in the request will be the completion of the Summary of Current Debt (Form A) and Request for New Debt Issuance (Form B). The resolution will also specify whether the bond issuance will be competitively bid or sold under another method. Once approval is obtained, the campus or Hospital may begin the process of obtaining professional services for underwriting. This process can be done simultaneously with the selection of a financial advisor.

Obtaining Board Approval for the Competitive Sale of Bonds:

After the request to issue debt has been approved, the CFO may begin the process of issuing bonds through the competitive bid process. Before the bonds are competitively bid, the CFO must present to the Board the particular details of the bonds that will be competitively bid, including the process for advertising, sale date, and the projected terms of the successful bid. Upon approval, the CFO may proceed with the competitive bid process, selling the bonds to the underwriter or syndicate which provides the best price at the bid opening on the established sale date.

Obtaining Board Approval for Underwriting Services:

After the request to issue debt has been approved utilizing a method other than the competitive sale of bonds, the CFO may issue an RFP for underwriting services.

An RFP will be issued to firms that have indicated an interest in providing these services to the University. In addition there will be notices of the RFP published in the major state newspapers and other media the campus feels will receive the widest exposure.

Submitted proposals will be evaluated and ranked by a committee established by the CFO. In choosing an underwriter from equally qualified firms, preference will be given to Alabama-based firms or syndicates as defined above.

The CFO will submit to the Vice Chancellor for Financial Affairs the top three firms and or syndicates in the order of preference. The Vice Chancellor will meet with the Chairman of the Finance Committee to review the RFP process and the ranking of the submitted proposals. The Vice Chancellor will advise the campus CFO in writing when this review has been completed. After notification that the review has been completed, the campus CFO will present the list of recommended underwriter(s) to the Board for review and approval.

After obtaining Board approval, the CFO may initiate negotiations with the first ranked underwriter. If these negotiations are not successful, the second ranked firm will be contacted and negotiations initiated. The CFO shall proceed using this methodology until a fair and reasonable fee acceptable to the University is negotiated.

Each bond issue that is not competitively bid will require the above process unless the campus seeks Board approval for an alternate process.

Obtaining Board Approval for Other Services:

Other financial services related to the issuance of debt that would customarily be competitively bid will be obtained by following the process outlined above for obtaining underwriting services.

**New Bond Issuance Summary
For Presentation to The Board of Trustees of
The University of Alabama**

Board Meeting on: _____
(date of meeting)

Campus: _____

Fiscal Year: _____ Series: _____

Amount of Offering: _____ Par Value: _____

Stated Interest Rate:

Fixed: _____ Variable: _____

Bond Counsel: _____

Underwriters: _____

Bond Sale is: Negotiated: _____ Bid: _____ Both: _____

(Please summarize how the decision was made)

Amount of Offering that is:

New Money: _____

Refunded: _____

Restructured: _____

What is the net present value of savings/loss on the restructuring: _____

Annual savings: _____

Total campus debt including this offering: _____

How much will this offering increase annual debt service: _____

Total annual campus debt service including this offering: _____

**UNIVERSITY OF ALABAMA SYSTEM
FORM B
Requested New Debt Issuance**

For Fiscal Year _____

Campus: _____

Summary of Proposed Long-Term Debt:
(Insert additional rows if needed)

Projects to be Bonded	Project Cost	Amount Funded From Bonds	Amount Funded From Other Sources	Other Funding Source(s) Please list	Projected Annual Debt Service	Projected Maturity Date
Total	\$				\$	