

STATE OF CONNECTICUT HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

Minutes of
Consultant Committee Meeting
January 26, 2010

The Consultant Committee of the State of Connecticut Health and Educational Facilities Authority met in session at 1:00 p.m. on Tuesday, January 26, 2010.

The meeting was called to order by Barbara Rubin, Acting Chair, at 1:00 p.m. and, upon roll call, those present and absent were as follows:

PRESENT: Barbara Rubin, Acting Chair
Benson R. Cohn

Absent: Patrick A. Colangelo, Chair
Sarah K. Sanders, (Rep. for Denise Nappier)

Other Board

Members Present: John Biancamano
John Mengacci, (Rep. for Brenda Sisco)

ALSO PRESENT: Jeffrey A. Asher, Executive Director
Paula L. Herman, General Counsel
JoAnne Mackewicz, Controller
Cynthia Peoples, Assistant Director
Debra Pinney, Manager, Administrative Services
Norberto Ramirez, Compliance/Internal Auditor
Jeanette Weldon, Managing Director
And Kathy Owens, Receptionist/Administrative Assistant
of the Connecticut Health and Educational Facilities Authority

Notice of Meeting was read and ordered spread upon the Minutes of this Meeting and filed for the record.

MINUTES OF THE CONSULTANT COMMITTEE MEETING
January 26, 2010

The Meeting of the Consultant Committee of the State of Connecticut Health and Educational Facilities Authority was called to order by Barbara Rubin at 1:00 p.m.

The purpose of the Meeting was to:

1. Approve the Minutes of the May 26, 2009 Consultant Committee Meeting
2. Review the Underwriter RFP and Review Staff's Recommendations for Firms to be appointed for the next three years

Approval of Committee Minutes

Ms. Rubin requested a motion to approve the Consultant Committee Minutes from the May 26, 2009 meeting. Mr. Cohn moved to approve the minutes and Ms. Rubin seconded his motion.

Upon roll call, the "Ayes," "Nays," and "Abstentions" were as follows:

AYES

Benson Cohn
Barbara Rubin

NAYS

None

ABSTENTIONS

None

Review Underwriter RFP and Staff's Recommendations

Mr. Asher reported that CHEFA conducted an RFP and requests were sent to those firms that had previously served. In addition, the RFP was published in The Bond Buyer, the Department of Administrative Services portal, as well as the CHEFA website. CHEFA received forty-two responses to the RFP.

Mr. Asher reported that there have been some changes with the firms. There are some firms that have disappeared completely and some firms that have merged. For example, Bank of America and Merrill Lynch merged and is now called Bank of America Merrill Lynch. Shattuck Hammond is now a subsidiary of Morgan Keegan. Toronto Dominion Bank and TD Securities merged and are now called TD Bank and include both Ameritrade and Commerce Securities. The Williams Capital Group was a subsidiary of Jefferies & Company. Wells Fargo and Wachovia Bank merged and is now Wells Fargo Securities.

Subject to receipt of required statutory compliance materials from certain firms, Mr. Asher is recommending that those firms that have previously been on the Authority's list of approved underwriters be renewed and extended for a three year period. He also recommended that

three firms be appointed to serve only as co-managers: Edward Jones, Toussaint Capital Partners and Lebenthal. Staff knows Morgan Keegan because we are familiar with the individuals and have met with them. Janney Montgomery Scott was interviewed last fall. Staff is recommending the following seven new firms to be appointed to the approved underwriter list:

Janney Montgomery Scott
Jefferies & Company
Lebenthal & Co.
Mesirow Financial Public Finance
Morgan Keegan
Stern Brothers
The Williams Capital Group

Mr. Asher stated that Lebenthal has requested to be appointed as a Senior Manager although their capital is fairly low. Mr. Asher recommended Lebenthal be appointed as Co-Manager. Ms. Rubin asked was there ever a reason to limit the number of firms on the list. Mr. Asher explained there has not been any reason to limit qualified firms. He further explained that a number of firms met with Staff and inquired how they can get assigned to deals and Staff tells them that the choice is made by the borrower from the approved list and they have to do their own marketing.

There are entities like CHEFA in other states that make exclusive appointments of a limited number of investment banking firms for a three year period and would use them on a rotating basis. Mr. Asher believes that the Authority has avoided a lot of problems and issues by appointing all qualifying firms to the list.

Ms. Rubin asked what the criterion is that makes a firm better qualified than the next. Mr. Asher responded the firm should have the ability to sell bonds; their pricing capabilities; and the firm should possess the knowledge base to be able to structure, price and sell a deal. Basically, it is a firm's ability to structure a deal and provide financial advice to the institutions.

Connecticut State University System is CHEFA's only client that historically has carried out every deal as a competitive transaction. The underwriter does not have to be on an approved list in that case, they simply have to have the ability to purchase the bonds.

Appointing co-managers can help broaden distribution of the bonds. For example, Yale University has used J.P. Morgan or Lehman Brothers (now Barclays) on most of their deals. Mr. Asher stated that he and Ms. Peoples met with Yale and because this is a "AAA" credit and Connecticut investors are hungry for good quality paper, Mr. Asher believes that the Authority should have some co-managers appointed to the transaction that have the ability to sell to retail investors. Yale has agreed to that and the Authority will have some firms that will participate in the retail order period and hopefully will do a good job for Yale University. The Authority does not force an institution to hire a particular firm as co-manager, but suggests a reasonable number of co-managers based on the size of the transaction.

There is one firm that Staff is not recommending because they did not provide a sufficient substantive response to the RFP and that firm is Ross, Sinclair & Associates.

Ms. Rubin requested a motion to accept the Staff's recommendations on underwriting firms. Mr. Cohn moved to accept the recommendations; Ms. Rubin seconded his motion. Upon roll call, the "Ayes," "Nays," and "Abstentions" were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Benson Cohn Barbara Rubin	None	None

Other Business

Mr. Asher stated that CHEFA is going to be conducting an RFP for Bond Counsel at the end of this year. The Officers have discussed whether or not the Authority has too many Bond Counsel firms and should it potentially pare that group down. Presently there are five firms. There has not been a lot of business in the recent past, but business is starting to pick up. Therefore, Staff is going to be looking at that question between now and the time of the RFP.

Mr. Asher stated that there have been performance issues with one of CHEFA's Bond Counsel. When the Authority starts the RFP Bond Counsel process, Staff will not recommend this firm for reappointment.

There being no further business, Mr. Cohn moved to adjourn the meeting; Ms. Rubin seconded his motion. Upon roll call, the "Ayes," "Nays," and "Abstentions" were as follows:

<u>AYES</u>	<u>NAYS</u>	<u>ABSTENTIONS</u>
Benson Cohn Barbara Rubin	None	None

The meeting adjourned at 1:20 p.m.

Respectfully submitted,

Barbara Rubin, Acting Chair