

## **Rhode Island Housing**

### **Audit Committee**

#### **Minutes of Meetings of November 19 & 20, 2007**

##### **Selection of Bond Underwriters**

**Commissioners in attendance: Frank Caprio, Perry Clough, Kevin Flynn (Chair).**

**Also attending: Anne Berman, Richard Godfrey, Richard Hartley, and Thomas Hogg.**

**The sole agenda item for the Committee during both days of meetings was the selection of senior bond underwriters. As background, senior underwriters offer advice on bond structuring alternatives and lead sales efforts each time Rhode Island Housing issues a new bond.**

**The selection process followed a process described in a Request for Proposals (“RFP”) which was advertised in the primary trade publication of the municipal bond industry. Seventeen firms responded to the RFP requesting consideration to serve as senior underwriter. Proposals were graded and five were selected for interviews. Those selected as finalists were CitiGroup, Goldman Sachs, Merrill Lynch, Morgan Stanley and UBS.**

**Interviews were conducted by the Audit Committee of the Board and**

**selected staff members. Each of the finalists made prepared presentations which were followed by a question and answer session. Interrogatories from the Committee and staff spanned a wide array of issues including current and future economic conditions, implications of the sub-prime mortgage market crisis in the mortgage and bond markets and within each of the firms, responses to the shortage of tax exempt issuing authority (volume cap) in the housing sector, and any regulatory action, financial difficulties or other concerns that the investment banking firm might be dealing with or anticipating.**

**Based on presentations and interview responses, the Committee concluded that Goldman Sachs, Merrill Lynch and Morgan Stanley should be selected as co-senior managers. A further refinement to the rotation protocol was adopted wherein Goldman Sachs would serve in the senior role for about half of our bond transactions with Merrill Lynch and Morgan Stanley splitting the other. CitiGroup would be considered for the senior role if a particular bond transaction fit its corporate competency more uniquely than the capabilities of the other three firms.**

**Staff is evaluating the composition and rotation of the co-manager and selling groups.**

**Formal presentation to the Board of Commissioners of the recommendations will be scheduled for the next Board meeting in**

**December.**

**Respectfully submitted,**

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**Kevin Flynn**

**Chairperson**