



The PFM Group

Public Financial Management, Inc.
PFM Asset Management LLC
PFM Advisors

99 Summer Street
Suite 1020
Boston, MA 02110-1240

617-330-6914
617-951-2361 fax
www.pfm.com

April 9, 2013

Ms. Heather Davies, Buyer
Arizona State University
Purchasing Services
1551 S. Rural Rd.
Tempe, AZ 85287-5212

Regarding: RFP 031302 – Bond Financial Advising - Best and Final Pricing

Dear Mr. Hall:

In response to your inquiry regarding the above procurement, please find Public Financial Management, Inc.'s response to the requested Best and Final Pricing offer for the cost of bond issuance followed by the specific examples you requested on April 5, 2013.

Best and Final Fee Proposal for Financial Advisory Services

PFM wishes to reach a successful agreement on fees with ASU. Therefore, should ASU wish to discuss or change any part of this fee proposal, PFM would be happy to discuss our fee schedule and reach a mutually acceptable agreement.

We propose a transaction fee of \$1/\$1,000 for negotiated or competitive bond transactions with a minimum of \$30,000 and a maximum of \$72,500. This fee would be contingent on the successful closing of each debt transaction.

For multi-series issues, we would propose charging the fees above for each series issued in a different interest rate mode. For example, the fee for a negotiated bond issue with two \$50 million series (total of \$100 million) of natural fixed bonds would be \$72,500. The fee for a negotiated bond issue with one \$50 million series of natural fixed rate bonds and one \$50 million series of variable rate demand bonds would be \$100,000.

In addition to the fees described above, we have also included our hourly rates, should there be a need to bill work on an hourly basis. Please note, these hourly rates apply to financial advisory services only and not "Other Financial Advisory" services listed in our original proposal.

Hourly Rates

Managing Director: \$375 / hour

Director: \$350 / hour

Senior Managing Consultant: \$295 / hour

Consultant: \$250 / hour

PFM would also be willing to offer ASU a retainer structure for non-transaction services in place of the hourly fee schedule provided above. We have found that a retainer structure is often more effective as it facilitates the use of PFM as an extension of staff. We recognize that this proposed retainer is different from the practice currently in place with ASU. However, we expect that the level of ongoing advisory services



covered under this retainer will be significantly comprehensive in scope and may be more cost effective for a large, sophisticated institution such as ASU that has a large number of ongoing projects at any one time.

PFM would also expect to be reimbursed at cost for travel, meals, lodging, communications, printing, graphics, postage, and any other miscellaneous costs incurred in serving ASU.

The fees listed in this proposal would apply for the contract period and any permitted renewal extensions.

Specific examples as requested:

Scenario 1 – one series

\$20 million system revenue bonds

\$30,000

Scenario 2 – one series

\$100 million system revenue bonds

\$72,500

Scenario 3 – one series

\$50 million refunding system revenue bonds

\$50,000

Scenario 4 – two series

\$10 million taxable bonds

\$100 million Tax-Exempt Bonds

\$72,500

Scenario 5 – two series

\$50 million tax-exempt bonds

\$50 million taxable bonds

\$72,500

Please provide estimated fees for managing/negotiating a substitute liquidity facility agreement for variable rate debt with a notional amount of \$100M.

\$25,000 for managing and negotiating the substitution of the liquidity facility

Includes preparation of an RFP and negotiating the terms and conditions contained in the proposed term sheets



Thank you for this opportunity to serve the University. Please do not hesitate to call if there are any outstanding clarifications.

Sincerely,

A handwritten signature in black ink, which appears to read "June M. Matte".

June M. Matte
Managing Director, Higher Education Group
mattej@pfm.com
617-330-6914