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Modified:

REQUEST FOR PROPOSALS

INVESTMENT BANKING SERVICES
RFP 6-100927RF

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LIST OF ACRONYMS:

A-3	Constitutional Amendment 3 Passed on November 2, 2004
BABs	Build America Bonds
CFO	Chief Financial Officer
GARVEE	Grant Anticipation Revenue Vehicles
MHTC	Missouri Highways and Transportation Commission
MoDOT	Missouri Department of Transportation
RFP	Request for Proposals
RSMo	Revised Statutes of Missouri
SRBF	State Road Bond Fund

INTRODUCTION

This Request For Proposals (**RFP**) seeks proposals from qualified firms (**Firms**) to furnish the described services to the Missouri Highways and Transportation Commission (**MHTC**). **One (1) original, four (4) copies and one (1) electronic copy on CD-ROM of each proposal** must be mailed in a sealed envelope to Ms. Frankie J. Ryan, Missouri Department of Transportation – General Services, Post Office Box 270, Jefferson City, Missouri 65102, or hand-delivered in a sealed envelope to Ms. Frankie J. Ryan, Missouri Department of Transportation – General Services, 830 MoDOT Drive, Jefferson City, Missouri. **Proposals must be returned to the office of Ms. Frankie J. Ryan no later than 2:00 p.m., September 27, 2010.** In the case of a discrepancy in information between the copy of the proposal on the CD-ROM and the original submittal, the original, signed proposal will prevail. Proposals received after the specified deadline will not be considered.

Proposals are limited to twenty (20) pages, front and back, excluding a one page cover page, with minimum margins of 1 inch, and minimum 10 point font size.

MHTC reserves the right to reject any and all proposals for any reason whatsoever. Firms selected through this RFP process will comprise a pre-qualified investment banking services pool. The size, use and relationship of the investment banking services pool shall remain subject to the discretion of the MHTC. Selection for inclusion in the pre-qualified investment banking services pool does not assure any Firm that they will be selected to lead or co-manage any future MHTC negotiated debt transaction. Assignment of investment banking or remarketing responsibilities will be at the sole discretion of the MHTC, based on its judgment of the marketing strengths of the various Firms, and the specific characteristics of the debt transaction to be executed. Compensation for those services described herein shall be contingent upon the actual issuance of bonds and shall be negotiated with the assistance of MHTC's financial advisor, subject to approval of the MHTC's representative. The MHTC also reserves the right to choose a competitive sale venue for any future new or refunding bond issues.

PROPOSAL

If selected by the MHTC for the pre-qualified investment banking services pool, the Firm agrees to provide the services under the terms of this RFP.

Name of the Firm: ____

Authorized Signature for the Firm: ______________________________

Date of Proposal: ____

Printed or Typed Name: ____

Mailing Address: ____

City: ________________________ State: ______________________ Zip: ____________

Telephone: ______________________________ Fax: ______________________________

Electronic Mail Address: ____

____

ACCEPTANCE

This proposal is accepted by MHTC.

____ ________________________
(Name and Title) Date

SECTION (1):
GENERAL DESCRIPTION AND BACKGROUND

(A) **Request for Proposal**: This document constitutes a RFP from qualified Firms to provide investment banking services to MHTC and the Missouri Department of Transportation (**MoDOT**) related to the negotiated underwriting of refunding bonds issued under the Senior Master Indenture, dated December 1, 2000, as amended, and new and refunding bonds issued pursuant to the Master Bond Indentures, dated as of July 1, 2005 and December 1, 2008 as amended and supplemented. The MHTC's multi-lien debt structure provides the framework for financing construction or reconstruction of the State Highway System. The selected pool of pre-qualified Firms will provide investment banking services, including but not limited to debt underwriting services, for negotiated transactions for an initial period ending June 30, 2014 with an option to renew for two (2) additional one-year periods, or any portion therein, at the sole discretion of the MHTC. MHTC's debt issuance programs consist not only of fixed rate state road bonds and Grant Anticipation Revenue Vehicles (**GARVEE**) bonds, but also may include any debt instruments authorized by the MHTC's Debt Management Policy (see Attachment 1).

The MHTC currently does not anticipate issuing new bonds until additional transportation funding is identified. New debt capacity will be influenced by future new or additional pledged revenues, the amortization of existing debt obligations as well as the possible development of new revenue sources that may be authorized in the future by the Missouri legislature and Missouri voters. Respondents should refer to the MHTC's Debt Management Policy for parameters related to debt coverage and debt issuance.

(B) **Constitutional & Revenue Stream Background and Credit Ratings:** Article IV, section 30(b), Missouri Constitution, authorizes the MHTC to issue state road bonds to finance or refinance the construction and reconstruction of the state highway system and requires that the first priority for payment from the State Road Fund shall be the principal and interest on outstanding state road bonds. On November 2, 2004, Missouri voters passed Constitutional Amendment 3 (**A-3**) to amend article IV, section 30(b) of the Missouri Constitution to require proceeds from the state's motor vehicle sales tax that were previously deposited into the General Revenue Fund to instead be deposited into the State Road Bond Fund (**SRBF**). Since 2005, the MHTC has issued $1.977 billion in new bonds through a multi-lien debt structure.

The MHTC also has issued $928 million in GARVEE bonds, with the MHTC's apportionment of federal-aid highway moneys pledged as the primary revenue stream for repayment of the GARVEE bonds. The outstanding GARVEE bonds also have a subordinate pledge of SRBF and State Road Fund revenues.

As of June 30, 2010, debt outstanding and credit ratings on outstanding MHTC debt are as follows:

Liens	**Par Amount Outstanding**	**Ratings** (S&P, Moody's & Fitch)
Senior Lien	$624,755,000	AAA Aaa AAA
First Lien	$929,485,000	AAA Aaa AAA
Second Lien	$511,745,000	AAA Aa1 AA+
Third Lien	$358,920,000	AA+ Aa2 AA
GARVEE Lien	$927,735,000	AA+ Aa1 AA-
Total	**$3,352,640,000**	

A portion of the Third Lien bonds ($58,920,000) are variable rate debt obligations and are currently in the weekly reset mode. Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Bank, N.A. are serving as the remarketing agents. The remaining $300 million of Third Lien bonds are Build America Bonds (**BABs**). In addition, $460,510,000 of the GARVEE Lien bonds are BABs.

(C) **Purpose:** The purpose of the RFP is to solicit your Firm's proposal to be included in a pool of pre-qualified investment banking firms. The MHTC will select a pool of qualified investment banking firms that may be appointed to underwrite (as book-running senior manager, a co-senior manager or as a co-manager) bonds and other debt instruments authorized by the MHTC's Debt Management Policy to be issued by the MHTC on a negotiated basis to meet its debt financing requirements. Firms selected may also be appointed as a remarketing agent on variable rate debt instruments. The MHTC has the sole discretion to use less than all of the Firms selected under this RFP for a particular bond issuance during the period covered by this RFP. The MHTC reserves the right to rotate the members of its investment banking pool on future financings. The Firms chosen to be part of the investment banking services pool are not guaranteed to participate in any MHTC future bond issuances. **No joint proposals will be accepted.**

(D) **Fiscal Year**: The fiscal year runs from July 1 – June 30.

(E) **Schedule of Events**: The following represents MHTC's best estimate of the schedule that will be followed. Unless otherwise specified in the table, the time of day will be 7:30 a.m. and 5:00 p.m. Central Time. MoDOT reserves the right at its sole discretion to expand this schedule, as deemed necessary, without any notification except for the deadline date for submitting a proposal.

Schedule of Events

Issuance of RFP	September 8, 2010
Written Questions Due	September 14, 2010
Question & Answer Addendum Issued	September 17, 2010
Proposals Due	By 2:00 p.m. (Central Time) on September 27, 2010
Interview Conference with Firms in Jefferson City (if needed)	October 13 – 14, 2010
MHTC Notification Date	December 1, 2010

SECTION (2):
SCOPE OF WORK

(A) Services: The Firm shall work as a team member with the MHTC's representative and designated staff, trustee, bond counsel, financial advisor and others to complete work tasks related to the negotiated sale of MHTC bonds and other debt instruments authorized by the MHTC's Debt Management Policy. In addition, Firms shall provide the following specific professional services that result in a completed debt financing that is in the best interests of the MHTC:

1. Assist in the structuring of any bond issue, including the evaluation of the mode of debt to be issued, fixed or variable rate debt, as well as the determination of need for capitalizing interest, the establishment of specific redemption provisions and use of serial versus term bonds.

2. Assist in the timely review and preparation of documents, including the Official Statement, Continuing Disclosure Agreement, indentures and other necessary bond-issuance related documents.

3. Market and underwrite the bonds. Lead bankers are expected to develop a marketing plan that results in the most favorable bond terms for the MHTC and prepare a pre-pricing analysis document for timely discussion prior to the bond sale. The marketing plan will address current market conditions and present approaches to ensure that in-state retail, out-of-state retail and institutional markets are thoroughly addressed in advance of the pricing to maximize investor interest and participation.

4. As requested, assist in obtaining credit ratings and enhancements for the bonds, participate in credit strategy discussions and attend credit rating agency presentations.

5. Purchase the bonds at interest rates appropriate to the structure, size, term, credit quality and market conditions at the time of the sale of the bonds.

6. Follow MHTC's policies, both oral and written, for liability and designation procedures, pricing procedures and the process of selling debt obligations authorized under MHTC's bond program.

7. Provide remarketing services on variable rate financings.

8. Participate in the closing and post-sale analysis of the bond issue.

9. Participate in meetings/conference calls as requested.

Firms that propose only for a co-manager role will be limited to the following scope of services:

1. Participate, if requested, in informational and due diligence meetings.

2. Assist the MHTC in the successful marketing and sale of debt obligations authorized under MHTC's bond program to achieve the lowest possible borrowing cost.

3. Follow MHTC's policies, both oral and written, for liability and designation procedures, pricing procedures and the process of selling debt obligations authorized under MHTC's bond program.

(B) **Administration of Program:** Firms selected to participate in the investment banking services of MHTC bond transactions will consult MHTC's representative regarding any problems involved with the administration of the services provided pursuant to this RFP.

SECTION (3): AGREEMENT REQUIREMENTS

At the time of a bond issuance, the MHTC will negotiate a contract with a pre-qualified Firm. If the parties are unable to agree to terms in the negotiated contract, MHTC shall reserve the right to terminate negotiations and select a different pre-qualified Firm.

(A) **MHTC's Representative:** MoDOT's Chief Financial Officer (**CFO**) is designated as MHTC's representative for the purpose of administering the provisions of the Agreement as defined in Paragraph (E) of this section. MHTC's representative may designate by written notice other persons having the authority to act on behalf of MHTC in furtherance of the performance of the Agreement. The Firm shall fully coordinate its activities for the MHTC with those of the CFO. As the work of the Firm progresses, advice and information on matters covered by the Agreement shall be made available by the Firm to the CFO throughout the effective period of the Agreement.

(B) **Release to Public:** No material or reports prepared by the Firm shall be released to the public without the prior consent of MHTC's representative.

(C) **Assignment:** The Firm shall not assign, delegate, or subcontract any interest, and shall not transfer any interest in the services to be provided (whether by assignment, delegation, subcontract, or novation) without the prior written approval of MHTC's representative.

(D) Status as Independent Contractor: The Firm represents itself to be an independent contractor offering such services to the general public and shall not represent itself or its employees to be an employee of MHTC or MoDOT. Therefore, the Firm shall assume all legal and financial responsibility for taxes, FICA, employee fringe benefits, workers' compensation, employee insurance, minimum wage requirements, overtime, or other such benefits or obligations.

(E) Components of Agreement: The Agreement between MHTC and the Firm shall consist of the RFP and any written amendments thereto, the proposal submitted by the Firm in the response to the RFP and the negotiated contract signed between the parties. However, MHTC reserves the right to clarify any relationship in writing and such written clarification shall govern in case of conflict with the applicable requirements stated in the RFP or the Firm's proposal. The Firm is cautioned that its proposal shall be subject to acceptance by MHTC without further clarification.

(F) Amendments: Any change in the Agreement, whether by modification or supplementation, must be accompanied by a formal amendment signed and approved by the duly authorized representative of the Firm and MHTC.

(G) Affirmative Action Encouraged:

1. Firms are encouraged to submit copies of existing affirmative action programs, if any. Firms are also encouraged to directly hire minorities and women as direct employees of the Firm. MHTC encourages the use of minority and women-owned business enterprises in subcontracting.

2. Regardless of which persons or firms, if any, that the Firm may use as subcontractors or suppliers of goods or services for the services to be provided, the Firm ultimately remains responsible and liable to MHTC for the complete, accurate and professional quality/performance of these services.

(H) Nondiscrimination: The Firm shall comply with all state and federal statutes applicable to the Firm relating to nondiscrimination, including, but not limited to, Chapter 213, Revised Statutes of Missouri (**RSMo**); Title VI and Title VII of Civil Rights Act of 1964 as amended (42 U.S.C. Sections 2000d and 2000e, *et seq.*); and with any provision of the "Americans with Disabilities Act" (42 U.S.C. Section 12101, *et seq*).

(I) Executive Order: The Firm shall comply with all the provisions of Executive Order 07-13, issued by the Honorable Matt Blunt, Governor of Missouri, on the sixth (6th) day of March, 2007. This Executive Order, which promulgates the State of Missouri's position to not tolerate persons who contract with the state engaging in or supporting illegal activities of employing individuals who are not eligible to work in the United States, is incorporated herein by reference and made a part of this Agreement.

1. By signing this Agreement, the Firm hereby certifies that any employee of the Firm assigned to perform services under the contract is eligible and authorized to work in the United States in compliance with federal law.

2. In the event the Firm fails to comply with the provisions of the Executive Order 07-13, or in the event the MHTC has reasonable cause to believe that the Firm has knowingly employed individuals who are not eligible to work in the United States in violation of federal law, the MHTC reserves the right to impose such contract sanctions as it may determine to be appropriate, including but not limited to contract cancellation, termination or suspension in whole or in part or both.

(J) Incorporation of Provisions: The Firm shall include the provisions of Section (3), paragraph I of this Agreement in every subcontract. The Firm shall take such action with respect to any subcontract as the MHTC may direct as a means of enforcing such provisions, including sanctions for noncompliance**.**

(K) Non-employment of Unauthorized Aliens: Pursuant to Section 285.530, RSMo, no business entity or employer shall knowingly employ, hire for employment or continue to employ an unauthorized alien to perform work within the State of Missouri. As a condition for the issuance of any negotiated contract or grant in excess of five thousand dollars by the State or by any political subdivision of the State to a business entity, or for any business entity receiving a state-administered or subsidized tax credit, tax abatement or loan from the state, the business entity shall:

1. By sworn affidavit and provision of documentation, affirm its enrollment and participation in a federal work authorization program with respect to the employees working in connection with the contracted services. E-Verify is an example of a federal work authorization program. The business entity must affirm its enrollment and participation in the E-Verify federal work authorization program with respect to the employees proposed to work in connection with the services requested herein by providing acceptable enrollment and participation documentation consisting of **completed** copy of the E-Verify Memorandum of Understanding (MOU). For business entities that are not already enrolled and participating in a federal work authorization program, E-Verify is available at http://www.dhs.gov/xprevprot/programs/gc_1185221678150.shtm.

2. By sworn affidavit, affirm that it does not knowingly employ any person who is an unauthorized alien in connection with the contracted services. A copy of the affidavit referenced herein is provided within this document, attached as Attachment 2.

(L) Proof of Lawful Presence For Sole Proprietorships and Partnerships: If the business entity is a sole proprietorship or partnership, pursuant to Section 208.009, RSMo, each sole proprietor and each general partner shall provide affirmative proof of lawful presence in the United States. Such sole proprietorship or partnership is eligible for temporary public benefits upon submission by each sole proprietor and general partner of a sworn affidavit of his/her lawful presence in the United States until such lawful presence is affirmatively determined, or as otherwise provided by Section 208.009, RSMo. A copy of the affidavit reference herein is provided within this document, attached as Attachment 3.

(M) Bankruptcy: Upon filing for any bankruptcy or insolvency proceeding by or against the Firm, whether voluntarily, or upon the appointment of a receiver, Firm, or assignee, for the benefit of creditors, MHTC reserves the right and sole discretion to either cancel the Agreement or affirm the Agreement and hold the MHTC responsible for damages.

(N) Law of Missouri to Govern: The Agreement shall be construed according to the laws of the State of Missouri. The Firm shall comply with all local, state and federal laws and regulations relating to the performance of the Agreement.

(O) Cancellation: MHTC may cancel this Agreement at any time for a material breach of contractual obligations or for convenience by providing the Firm with written notice of cancellation. Should MHTC exercise its right to cancel the contract for such reasons, cancellation will become effective upon the date specified in the notice of cancellation sent to the Firm.

(P) Venue: No action may be brought by either party concerning any matter, thing or dispute arising out of or relating to the terms, performance, nonperformance or otherwise of the Agreement except in the Circuit Court of Cole County, Missouri. The parties agree that the Agreement is entered into at Jefferson City, Missouri, and substantial elements of its performance will take place at or be delivered to Jefferson City, Missouri, by reason of which the Firm consents to venue of any action against it in Cole County, Missouri.

(Q) Ownership of Reports: All documents, reports, exhibits, etc. produced by the Firm at the direction of MHTC's representative and information supplied by MHTC's representative shall remain the property of MHTC.

(R) Confidentiality: The Firm shall not disclose to third parties confidential factual matters provided by MHTC's representative except as may be required by statute, ordinance, or order of court, or as authorized by MHTC's representative. The Firm shall notify MHTC immediately of any request for such information.

(S) Nonsolicitation: The Firm warrants it has not employed or retained any company or person, other than a bona fide employee working for the Firm, to solicit or secure the Agreement, and it has not paid or agreed to pay any percentage, brokerage fee, gift, or any other consideration, contingent upon or resulting from the negotiated contract or making of the Agreement. For breach or violation of this warranty, MHTC shall have the right to annul the Agreement without liability, or in its discretion, to deduct from the Agreement price or consideration, or otherwise recover the full amount of such fee, commission, percentage, brokerage fee, gift or contingent fee.

(T) Conflict of Interest: By executing this RFP, the Firm covenants as follows: (1) that it presently has no actual conflict of interest or appearance of conflict of interest and shall not acquire any interest, directly or indirectly, which would conflict in any manner or degree with the performance of the services under this Agreement; (2) that no person having any such known interest shall be employed or conveyed an interest, directly or indirectly, in this Agreement by the Firm; (3) that it is in lawful compliance with all of the campaign contribution limitations, restrictions, reporting requirements and other campaign-related provisions of any state and federal securities laws, as well as all Missouri laws and regulations regarding campaign contributions, including, but not limited to, section 226.136, RSMo; and (4) that it will stay in compliance with all such state and federal securities laws and campaign contribution provisions during the duration of the RFP.

The MHTC's representative shall have the final determination as to what constitutes a conflict of interest pursuant to this subsection (T). The decision by MHTC's representative shall be final and without recourse; however, MHTC's representative will not make such decision without first presenting the Firm with an opportunity to present comments.

(U) Maintain Papers: The Firm must maintain all working papers and records relating to the Agreement. These records must be made available at all reasonable times at no charge to MHTC and/or the Missouri State Auditor during the term of the Agreement and any extension thereof, and for three (3) years from the date of final payment made under the Agreement.

1. MHTC's representative shall have the right to reproduce and/or use any products derived from the Firm's work without payment of any royalties, fees, etc.

2. MHTC's representative shall at all times have the right to audit any and all records pertaining to the services.

(V) Indemnification: The Firm shall defend, indemnify and hold harmless the MHTC, including its members and department employees, from any claim or liability whether based on a claim for damages to real or personal property or to a person for any matter relating to or arising out of the Firm's performance of its obligations under this Agreement.

SECTION (4):
PROPOSAL SUBMISSION INFORMATION

(A) Submission of Proposal:

1. Signature of Authorized Firm Representative: Proposals should be signed and returned (with necessary attachments) to Ms. Frankie J. Ryan as provided in this RFP. Specifically, any form containing a signature line in this RFP and any amendments, etc., must be manually signed and returned as part of the proposal. (Electronic signatures will be accepted for the required electronic and CD-ROM submissions.)

2. Submission of All Data Required: The Firm must respond to this RFP by submitting all data required in paragraph (B) below for its proposal to be evaluated. Failure to submit

such data shall be deemed sufficient cause for disqualification of a proposal from further consideration.

3. Public Inspection: The Firm is hereby advised that upon MHTC notification to the pre-qualified Firms, all proposals and the information contained in or related thereto shall be open to public inspection and that the MHTC does not guarantee nor assume any responsibility whatsoever in the event that such information is used or copied by individual person(s) or organization. Therefore, the Firm must submit its proposal based on such conditions without reservations.

4. Clarification of Requirements: Any and all questions regarding specifications, requirements, submittal process or other questions must be directed to:

   Ms. Frankie J. Ryan, Senior Procurement Agent
   Missouri Department of Transportation
   830 MoDOT Drive, P.O. Box 270
   Jefferson City, Missouri 65102-0270
   Telephone: (573) 522-9481
   Facsimile: (573) 526-1218
   E-mail Address: Frankie.Ryan@modot.mo.gov

(B) Required Elements of the Proposal

1. Commitment to Public Finance and Missouri: Describe your Firm's commitment to public finance, including any pending plans that will affect the commitment of capital or resources to the municipal sector. Provide a broad overview of the scope of your business, addressing the following:

   a. Staffing committed to public finance;

   b. 2009 Thomson-Reuters Full Credit Underwriting ranking (formerly published by Securities Data Company) for transportation bonds, BABs and remarketing of variable rate demand obligations;

   c. Strength of national retail, Missouri retail and institutional distribution capabilities; and

   d. Identify Missouri banking or brokerage office locations, employment, number of accounts under management and assets under management.

2. Firm's Role: Indicate the role(s) your Firm is seeking consideration for in this RFP (book running senior, co-senior, co-manager positions relative to fixed rate bonds; remarketing agent positions relative to variable rate debt instruments, etc.). Firms not considered as book running senior manager for debt transactions may be considered for co-senior or co-manager roles.

3. Experience and Expertise: Identify your Firm's experience in offering the services requested in this RFP during the past two (2) years. The description should include a list of the state transportation agencies and bond issues which your Firm has served or currently serves including your Firm's role (senior, co-senior, etc.). Include, at a minimum, the name of the issue, the name of the issuer, the sale date, the size of the issue, whether the interest rate was fixed or variable, percent sold retail and underlying ratings. Please also include the name, location, telephone number and email address of the person in your Firm the MHTC may contact to discuss particulars of these municipal issuances. Describe how your Firm's experience with other transportation issuers enhances your capacity to serve as a member of the MHTC's pre-qualified pool of investment banking service firms.

   This element also includes information describing your Firm's experience and expertise working with state departments of transportation who have issued bonds, including but not limited to municipal and GARVEE bonds. Finally, address your experience working with other Missouri issuers as a senior and/or co-managing underwriter.

4. Personnel Assigned to MHTC: Indicate the name, location, telephone number and email address of the primary contact person for your Firm, including a biography with particular attention to transportation experience. Also identify the lead trading desk professional who will be directing the marketing and pricing efforts for MHTC debt. Please provide a biography for each individual and their experience related to the development of transportation financing programs for the banker and the marketing of transportation debt for the trader. In addition, list other personnel that would be assigned to MHTC transactions and indicate their role. Information presented should highlight such personnel's previous experience in providing investment banking services for tax-exempt bond programs, BABs and also should include the length of time in current position, current firm and municipal industry.

5. Distinguishing Attributes: Briefly describe any attributes/services that distinguish your Firm from others offering similar services that would prove helpful to the MHTC in our selection process.

6. Retail and Institutional Capabilities: Describe your Firm's retail and institutional distribution capabilities nationally and in Missouri. Describe any industry surveys or recent reports that support your claims of capital market penetration relative to your Firm's competitors. If your Firm desires consideration for potential variable rate financings, please comment on the marketing and distribution capabilities of short-term interest rate products for your Firm nationally and in Missouri.

7. Financial Condition and Litigation/Investigations: Provide a three-year history of your Firm's capital levels, specifically indicating:

   a. Uncommitted Excess Net Capital;

   b. Limitation on Municipal Liability (per transaction); and

c. Total Public Finance Employees.

Also, describe any pending investigation of your Firm, or enforcement or disciplinary actions taken within the past three (3) years by the Securities and Exchange Commission or other regulatory bodies in regard to your Firm.

8. Insurance: Provide a summary of insurance coverage / bonding carried by the Firm that would be relevant to the services requested under this RFP.

9. References: Provide a list of three (3) municipal references, including name, address, telephone number and type of financing completed for these clients in the past three (3) years.

(C) Evaluation Criteria and Process:

1. Evaluation Factors: After determining responsiveness, proposals will be evaluated in accordance with the following criteria:

   a. Overall clarity and organization of the proposal (5 points);

   b. Personnel assigned to MHTC (25 points);

   c. Experience and expertise (25 points);

   d. Retail and institutional capabilities (25 points);

   e. Firm’s description, demographic information and Missouri presence (10 points); and

   f. Distinguishing attributes (10 points).

2. Historic Information: MHTC reserves the right to consider historic information and facts, whether gained from the Firm’s proposal, question and answer conferences, references or other sources in the evaluation process.

3. Responsibility to Submit Information: The Firm is cautioned that it is the Firm's sole responsibility to submit information related to the evaluation categories and MHTC’s representative is under no obligation to solicit such information if it is not included with the Firm's proposal. Failure of the Firm to submit such information may cause an adverse impact on the evaluation of the Firm's proposal.

4. Interview Conference: An interview conference with a Firm may be conducted prior to a decision concerning the Firm being included in the MHTC investment banking services pool. In addition, the Firm may be asked to make an oral presentation of its proposal during the interview conference. Attendance cost of the conference shall be at

the Firm’s own expense. All arrangements and scheduling shall be coordinated by the CFO or the CFO’s designee.

5. No Joint/Unsolicited Proposals: Firms may not submit joint proposals. MHTC shall not consider unsolicited proposals.

6. Review and Selection Process:

   a. Evaluation Team Review and Recommendation: MoDOT shall create an Evaluation Team whose responsibility is to review, evaluate and score the proposals received from Firms responding to this RFP to determine which Firms warrant inclusion in the pool of underwriters addressed under this RFP.

   b. MHTC Final Determination: The CFO will make a recommendation to the MHTC at the December 1, 2010 meeting as to which Firms warrant inclusion in the pool of underwriters to be approved by the MHTC. The MHTC will make the final determination of which Firms will be authorized to be a member of the investment banking services pool addressed under this RFP.

(D) Other Information:

1. Sole Authority to Select Firm(s): The MHTC has the sole authority to select the Firms that will be authorized to be a member of the investment banking services pool through this RFP. The MHTC also reserves the right to select among those Firms in the investment banking services pool for participation, or not, in each negotiated sale of bonds as the MHTC deems necessary for such sale.

2. Request for Ideas and Advice: The MHTC or MoDOT may, from time to time, seek ideas, advice and proposals from Firms included in the investment banking services pool.

3. Option to Form Selling Group: The MHTC retains the option of forming a selling group for any transaction and members of the selling group need not be included in the investment banking services pool selected through this RFP.

4. Underwriter’s Counsel: If seeking selection as senior manager or co-senior manager, the Firm should propose the law firm(s) to serve as counsel to the investment bankers or offer a list of law firms from which counsel will be selected. The MHTC reserves the right to approve the Firm’s counsel and related compensation.

   a. Conflict Check: The Firm will require the Firm’s proposed counsel undertakes a conflict of interest check and by executing this RFP the Firm represents such counsel has no actual conflict of interest or the appearance of a conflict of interest in undertaking this representation and the Firm’s proposed counsel agrees not to undertake any representation that may create an actual conflict of interest or give the appearance of a conflict of interest during the performance of the Agreement. The Firm further agrees to require its proposed counsel to provide MHTC's representative with written notice of any representation which the counsel has or desires to undertake which may present a conflict of interest or the appearance of a conflict of interest during the term of the Agreement and any extension thereof.

b. MHTC Final Determination: The MHTC shall have the final determination as to what constitutes a conflict of interest pursuant to this Paragraph 4 of this Subsection (D). The decision by the MHTC shall be final and without recourse; however, the MHTC will not make any such decision without first providing the Firm or Firm's counsel an opportunity to present comments.

5. Competitive Sale of Bonds: The MHTC may, at any time, and in its sole and absolute discretion, competitively sell bonds.

6. No Guarantee Firm Will Be Used: Firms chosen to be part of the investment banking services pool are not guaranteed to participate in any MHTC future bond issuances. The MHTC reserves the right to use the selected Firms in the investment banking services pool on an as needed, when needed, basis.

(E) Compensation: The MHTC reserves the right to negotiate compensation terms for investment banking services under this RFP at the time of each financing. The MHTC reserves the right to use incentive based compensation for variable rate programs. **Compensation will be contingent upon the issuance of bonds.**

MISSOURI HIGHWAYS AND TRANSPORTATION COMMISSION
DEBT MANAGEMENT POLICY
ATTACHMENT 1 – Effective Date July 8, 2009
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Section 1: Statement of Policy Objectives

The purpose of this debt management policy (**Policy**) is to ensure that each debt financing of the Missouri Highways and Transportation Commission (**Commission**) is completed in the most efficient and professional manner and in accordance with the highest standards of the industry to achieve the Commission's fiscal management goals and objectives. The goals of the Commission are to:

- Maintain the best possible underlying credit ratings on long-term debt issued by the Commission;
- Minimize borrowing costs;
- Optimize future flexibility and debt profile; and
- Use debt to fund significant projects.

This Policy has been developed and amended to reflect current state and federal laws regarding Commission and public entity debt obligations as of the effective date of this Policy.

Section 2: Application of Policy

This Policy will apply to any long-term indebtedness of the Commission. Long-term indebtedness refers to debt issued for capital financing with terms of one year or longer. This Policy shall also apply to capital equipment financing having a life of one year or longer. The Missouri Department of Transportation's Chief Financial Officer (**CFO**) will be responsible for ensuring compliance with this Policy.

The CFO has the responsibility and authority for structuring, implementing and managing the debt program. The CFO shall also advise the Commission regarding the need to amend this Policy and recommend any amendments. The Commission shall approve any amendments to this Policy.

The Commission may amend this Policy if doing so advances its fiscal management goals and objectives and such an amendment is fiscally prudent. Approved amendments shall be evidenced in writing and copies shall be delivered promptly to the rating agencies.

Section 3: Definitions

Arbitrage: Investment earnings on bond proceeds and certain monies pledged for payment of bonds, which are invested at a yield greater than the yield on the applicable bonds or the yield on the obligation adjusted for federal interest subsidy payments received by the Commission. The Internal Revenue Service regulates the amount which may be earned from the investment of such money and conditions under which arbitrage must be rebated to the U. S. Treasury. Arbitrage rules enforced by the Internal Revenue Service generally apply to all Tax Advantaged Financings.

Commission:	Missouri Highways and Transportation Commission created in article IV, section 29, Missouri Constitution.
Debt Capacity:	The maximum amount of debt or financing obligations that may be issued by a borrower within legal constraints without overextending the borrower's ability to repay those obligations.
Debt Service Coverage from Pledged Federal Revenue:	Annual Pledged Federal Revenue divided by the annual debt service on outstanding bonds issued by the Commission as Grant Anticipation Revenue Vehicles (**GARVEE**) or similar bonds.
Debt Service Coverage from Pledged State Revenue:	Annual Pledged State Revenue less the amount of debt service associated with closed liens divided by the annual debt service on open liens for outstanding bonds issued by the Commission.
Department:	Missouri Department of Transportation as created in article IV, section 29, Missouri Constitution.
Derivative Product:	A financial agreement associated with a debt issue or an investment in which its value is derived from other sources. A derivative product includes agreements to exchange fixed and floating rates, limit variable interest rate risk, or fix an interest rate on an investment or debt product for certain periods.
Official Statement:	The disclosure document prepared by the Commission describing the structure and security of the bond issue, as well as the economic, financial, demographic and managerial characteristics of the Commission, as appropriate.
Original Issue Discount:	The amount below par value paid by the ultimate purchasers at the time a bond or other debt instrument is issued.
Original Issue Premium:	The amount above par value paid by the ultimate purchasers at the time a bond or other debt instrument is issued.
Pledged Federal Revenue:	Federal aid reimbursements for road and bridge projects pledged and available to pay debt service on GARVEE or similar bonds issued by the Commission pursuant to the Missouri Constitution.

Pledged State Revenue: State revenues derived from highway users pledged and available to pay debt service on bonds issued by the Commission pursuant to the Missouri Constitution.

Project Acceleration: Debt financing issued by an outside entity to finance a Commission approved project to be constructed earlier than originally programmed by the Commission.

Refunding Bonds: Bonds issued for the purpose of retiring, either at maturity, or in advance of maturity, previously issued bonds. These bonds are typically issued to achieve interest rate savings, restructure principal or to eliminate burdensome covenants with bondholders.

State Road Bonds: As defined in article IV, section 30(b), Missouri Constitution, any bonds or refunding bonds issued by the Commission to finance or refinance the construction or reconstruction of the state highway system (see Appendix A).

Tax Advantaged Financing: Bonds, notes, capital leases or other instruments treated as debt for federal income tax purposes, that are issued under provisions of federal income tax laws and regulations to provide special tax treatment either (1) for the debt holder in the form of a federal income tax credit or the ability to exclude interest paid on the obligation from gross income for federal income tax purposes or (2) for the issuer of the obligation in the form of a federal subsidy payment to offset a portion of interest expense.

Total Road and Bridge Revenue: Total Commission revenues less funds dedicated for non-highway purposes such as airports, rail, transit and waterways.

Variable Rate Debt: An instrument typically with a long-term maturity where the interest rate is adjusted periodically, on a daily, weekly, monthly, semi-annual or annual basis. With true variable rate demand obligations, the investor has the ability to unilaterally sell back their bonds to the remarketing agent. There are other types of short-term (variable rate) debt, such as auction rate securities, where investors may tender a bid to buy, sell or hold securities on a periodic basis, but there is no ability to sell the bonds back to a broker-dealer.

Section 4: Appropriate Uses of Debt

The Commission deems the following as appropriate uses of debt:

- Providing funds for the construction and reconstruction of the State Highway System

pursuant to article IV, section 30(b) of the Missouri Constitution;
- Refunding Bonds under the guidance in Section 16 of this Policy; and
- Leases of one year or longer. Similar term leases as part of a statewide contract, master agreement, or any other agreement fall within the scope of this Policy.

Section 5: Description of Types of Debt

This section identifies the three categories of debt or other long-term obligations, which may be incurred by the Commission and the intended sources of repayment.

	CATEGORIES	***REPAYMENT SOURCE***
1.	Contractual obligations of the Commission to pay for all or some portion of debt service on debt issued by an outside entity to finance a Commission approved project.	State or federal funds
2.	State Road Bonds.	State or federal funds
3.	Leases of one year or longer.	State funds

Each of these potential debt instruments are payable from resources deposited into the State Road Fund, the State Road Bond Fund or funds held in trust.

Section 6: Analysis of Debt Capacity

The Commission acknowledges the relationship between the amount of outstanding debt and the credit rating and the importance of maintaining a high credit rating. This, in turn, helps preserve the Commission's continuous access to low-cost capital financing. Thus, the Commission will monitor its Debt Capacity and incorporate its debt obligations when determining other department spending priorities.

The Commission will limit the amount of Total Road and Bridge Revenue that can be allocated to debt obligations. The following capacity constraints relate to the Commission's potential debt or long-term obligations identified in Section 5 of this Policy. These constraints are in addition to the requirements set forth by the Commission's bond indentures.

A fixed percentage not to exceed 20 percent of the annual Total Road and Bridge Revenue may be used to meet the repayment requirements of the Commission's debt obligations identified in Section 5 of this Policy.

The Commission structures its debt based on the pledged revenue sources. When issuing debt, the Commission pledges either state revenue or a combination of federal and a subordinated pledge of state revenue. The State Road Bonds are categorized into five liens – senior lien, first lien, second lien, third lien and subordinated lien. The senior lien will not have additional bonds issued other than for the purpose of refunding the senior lien bonds. As a result, the senior lien is closed. The Commission will seek to maintain at least 5.0 x Debt Service Coverage from Pledged State Revenue for the first lien debt, at least 4.0x Debt Service Coverage from Pledged State Revenue on the second lien debt and at least 3.0x Debt Service Coverage from Pledged State Revenue on the third lien debt.

The combination of federal and subordinate lien State Road Bonds are categorized into a single lien, referred to as the GARVEE lien. The Commission will seek to maintain at least 5.0x Debt Service Coverage from Pledged Federal Revenue on the GARVEE lien debt.

Section 7: Debt and Finance Plan Management

The CFO shall be responsible for implementing the debt and finance plans of the Commission, including preparing cash flow projections of the Commission's capital and debt programs. These projections should include estimates of:

- All sources of funds;
- Each capital program component;
- The timing of construction commitments and disbursements;
- The timing of operating expenditures and transfers;
- Debt service requirements; and
- Debt service coverage.

The cash flow projections shall be revised as needed to reflect and incorporate current estimates for each element, including revised revenue and expense estimates, inflation and interest rates.

The Commission may use Tax Advantaged Financing. The purposes for which Tax Advantaged Financings may be used are generally limited by federal law and treasury regulations to financing or refinancing capital expenditures for publicly owned and operated facilities. When Tax Advantaged Financing is used, the CFO is also responsible for (1) developing and maintaining a system to account for the expenditure or allocation of bond proceeds to expenditures for purposes permitted under the provisions of the Internal Revenue Code and (2) to the extent required by applicable law and specific circumstances, monitoring the ownership and use of assets financed with proceeds of a Tax Advantaged Financing until the obligations are discharged. The CFO is also responsible for ensuring the bond financings remain in compliance with federal tax and post-issuance requirements.

Section 8: Project Acceleration

A public or private entity may request Project Acceleration of a project identified in the Commission's current Statewide Transportation Improvement Program (**STIP**). If approved, the Commission will commit to future payments for all or some portion of debt service on debt issued by an outside entity to finance a Commission approved project. These debt service payments must fall within the acceptable levels of debt as outlined in this Policy.

Section 9: Disclosure Practices

Official Statements and other financial disclosure documents shall be prepared based upon industry practices, regulatory requirements and the *Disclosure Guidelines for State and Local Government Securities* prepared by the Government Finance Officers Association (**GFOA**) where applicable. The Commission shall covenant to comply with all applicable market disclosure requirements.

Section 10: Credit Rating Relations and Selection

Credit ratings are a major factor in determining the cost of borrowed funds in the municipal market. The determination of credit quality by a rating agency is based on that agency's assessment of the creditworthiness of the Commission with respect to a specific obligation. The goal of the Commission is to maintain its positive presence in the credit markets through the maintenance and improvement of all relevant credit characteristics within its control.

As this Policy is amended from time to time, a copy will be sent to the credit rating agencies.

Section 11: Use of Credit Enhancement

Credit enhancement (third party guarantees of debt including but not limited to bond insurance, bank facilities, and surety bonds, as appropriate) may be used to improve the marketability of a particular issue or when the cost of the credit enhancement is less than the financial benefit, which results from use of the enhancement. Absent special circumstances, credit enhancement providers shall be selected by competitive proposal.

Section 12: Optional Redemption Provisions

Commission debt issues shall customarily include an option by the Commission to redeem the outstanding principal after a specific date at a price at or above the par amount of the principal then outstanding. Exceptions may exist for shorter-term debt for which optional redemption may have an adverse effect on the interest rate or marketability of debt. The optional redemption terms shall be determined based upon the following factors:

- Special requirements of the Commission due to program or business terms; and
- The earliest date at which bonds may be redeemed at the lowest price which does not have a material adverse effect on the price or marketability of the issue.

Section 13: Financial Advice

The Commission may retain an independent professional service provider and bond counsel advisor in connection with all debt issues, when necessary. A service provider is prohibited from acting as an underwriter on any financing for which they have been engaged by the Commission to provide financial advisory services for a period of one year after the scheduled expiration of such financial advisor agreement.

Any person, firm, corporation or other entity doing business in the state of Missouri as a financial advisor, underwriter or investment advisor shall be selected in a manner consistent with the requirements of federal and state laws, regulations and administration rules.

Section 14: Method of Sale

Analysis will be conducted to ensure the most effective and efficient method of sale is selected.

Section 15: Term of Bonds

The term of the bonds will match the useful life of the projects.

Section 16: Refunding Procedures and Practices

Refunding of outstanding debt will be considered in order to:

- Achieve interest rate savings;
- Restructure principal; and
- Eliminate burdensome covenants with bondholders.

An advanced refunding takes place when new bonds are issued at least 90 days before the call date on the outstanding bonds being refunded. The proceeds of the new bonds are invested in an escrow account and then used to pay off the old bonds when the old bonds are callable. The number of advanced refundings on governmental bonds is limited to one by federal regulations. Therefore, refunding to achieve interest rate savings should be sufficient to offset reduced future refunding flexibility. The targeted level of the net present value of debt service savings for advance refundings will be 5 percent of the refunded par amount of bonds. Current refundings (issued and used to pay off old bonds within 90 days of call date) must achieve material net savings above the cost of issuance.

The manner in which savings are realized (up front, deferred or on a level annual basis) should be determined based upon the overall needs and objectives of the Commission. In most instances, up front savings will be used to fund the construction and reconstruction of state highway system projects, while annual savings will be used to reduce ongoing revenue or appropriation requirements.

Refundings involving a restructuring of principal shall be considered if there is no adverse affect on the credit rating or credit perception of the issue, or if the Commission can achieve a more favorable matching of revenues or other resources pledged to meet debt service payments. Restructuring of principal shall seek to minimize the amount of Refunding Bonds to be issued.

Refundings undertaken to respond to a change of legal covenants or to make pledged reserves available for other purposes should determine any economic impact on the Commission as measured by present value savings or loss, inclusive of cash contributions and any debt service reserve fund earnings. Such economic effects include:

- Limitations imposed by the Internal Revenue Code;
- Use of reserves;
- Future financing capacity;
- Future marketability of the Commission's debt; and
- Credit ratings, which may be related to the specific circumstances of the refunding.

Any debt service reserve funds, which are released after a refunding, shall not be used for operating expenses.

Section 17: Use of Variable Rate Debt

The Commission will not have unhedged Variable Rate Debt outstanding in excess of 20 percent of the total principal amount of all debt outstanding.

Section 18: Use of Derivative Products

The Commission may consider the use of Derivative Products to manage interest rate risk, other financing risks, or to reduce the interest cost on any debt it is authorized to incur. The

Commission shall not consider any Derivative Product that creates extraordinary leverage or financial risk.

Before entering into a Derivative Product contract, the Commission shall:

- Identify the specific financial objective(s) to be realized;
- Seek and obtain analysis and recommendations on the use of any Derivative Product(s) from an independent financial advisor (**advisor**); and
- Assess the product's risks.

The analysis and recommendation of the advisor shall establish that the financial risks to the Commission from using Derivative Product(s) are justified in relation to the expected benefit to be obtained from such product(s). At a minimum, the Commission and advisor shall evaluate the following risk factors: potential basis cost, interest rate, tax, termination, credit, liquidity, counterparty, rating agency and amortization.

Derivative Product contracts shall not exceed 20 percent of the Commission's outstanding long-term debt, adjusted for any authorized long-term debt not yet issued. This limitation excludes cash settled swaps.

The Commission shall only enter into agreements with highly rated financial institutions (**counterparties**). All counterparties shall be rated by at least two of the three national rating agencies and at least one rating shall be no lower than "AA-" by Standard & Poor's Rating Services or Fitch Investors Ratings Service or "Aa3" by Moody's Investors Services, Inc. In addition, the Commission and advisor shall establish criteria to diversify its exposure to individual counterparties.

Derivative Product transactions shall be managed and evaluated by the advisor and Department staff responsible for such transactions on behalf of the Commission. All services related to the Derivative Products shall be procured in a manner which is intended to satisfy applicable state laws and federal income tax laws and regulations applicable to the use of the Derivative Product in a Tax Advantaged Financing and to provide the Commission the highest level of service at the best available terms and pricing while ensuring consistency with applicable laws.

Section 19: Investment of Bond Proceeds

To the extent possible, investments will be managed to preserve principal, maximize the interest earned, meet legal covenants and requirements, match liquidity requirements and observe tax law limitations.

Section 20: Arbitrage Rebate Compliance

To the extent required by applicable federal laws, regulations and bond covenants, the Commission will comply with all Arbitrage rebate requirements including Tax Advantaged Financing. The Commission may use outside experts, including bond counsel, financial advisor or public accountants, to assist in preparing required filings and making payments. The Commission will annually determine any accrued rebate liability and make provisions for reserving funds for rebate purposes.

Section 21: Debt Service Reserve Funds

Debt service reserves funded by proceeds of bonds or available cash or cash equivalents may be created to secure debt issues of the Commission. Debt service reserve funds will be created only when required to market a specific type of debt, achieve a desired credit rating or provide a needed liquidity source for a debt issue.

Section 22: Market and Investor Relations

The Commission and/or its financial advisor shall maintain favorable relations with the investing public and the underwriters, which buy and sell its debt. The following actions shall be taken to achieve this purpose:

- Maintain contacts with investment banking firms;
- Maintain contacts with rating agencies to ensure that they are informed of the Commission's financial position and major initiatives; and
- Provide financial statements, Official Statements and periodic financial information pursuant to the Commission's ongoing disclosure obligations.

Section 23: Use of Original Issue Discount and Premium

The Commission will minimize the use of Original Issue Discount or Original Issue Premium (**OID** and **OIP**, respectively) unless financial benefits can be demonstrated or it is necessary for purposes of marketing a portion of a bond issue. Bonds which carry significant OID may be rendered nonrefundable, a significant disadvantage to the Commission for which a commensurate benefit should be received. Bonds that generate a substantial OIP create more proceeds for the Commission but at a higher rate of interest.

(Adopted May 5, 2000) (Amended June 10, 2005) (Amended May 10, 2006)

Appendix A:

Missouri Constitution

Article IV

<u>EXECUTIVE DEPARTMENT</u>

Section 30(b)

Source and application of state road fund--sales tax imposed on sale of motor vehicles, apportionment, how, use of revenue--distribution of increases--sales taxes not part of total state revenues or expenses of state government.

Section 30(b). 1. For the purpose of constructing and maintaining an adequate system of connected state highways all state revenue derived from highway users as an incident to their use or right to use the highways of the state, including all state license fees and taxes upon motor vehicles, trailers and motor vehicle fuels, and upon, with respect to, or on the privilege of the manufacture, receipt, storage, distribution, sale or use thereof (excepting those portions of the sales tax on motor vehicles and trailers which are not distributed to the state road fund pursuant to subsection 2 of this section 30(b) and further excepting all property taxes), less the (1) actual cost of collection of the department of revenue (but not to exceed three percent of the particular tax or fee collected), (2) actual cost of refunds for overpayments and erroneous payments of such taxes and fees and maintaining retirement programs as permitted by law and (3) actual cost of the state highway patrol in administering and enforcing any state motor vehicle laws and traffic regulations, shall be deposited in the state road fund which is hereby created within the state treasury and stand appropriated without legislative action to be used and expended by the highways and transportation commission for the following purposes, and no other:

First, to the payment of the principal and interest on any outstanding state road bonds. The term state road bonds in this section 30(b) means any bonds or refunding bonds issued by the highways and transportation commission to finance or refinance the construction or reconstruction of the state highway system.

Second, to maintain a balance in the state road fund in the amount deemed necessary to meet the payment of the principal and interest of any state road bonds for the next succeeding twelve months.

The remaining balance in the state road fund shall be used and expended in the sole discretion of and under the supervision and direction of the highways and transportation commission for the following state highway system uses and purposes and no other:

(1) To complete and widen or otherwise improve and maintain the state highway system heretofore designated and laid out under existing laws;

(2) To reimburse the various counties and other political subdivisions of the state, except incorporated cities and towns, for money expended by them in the construction or acquisition of roads and bridges now or hereafter taken over by the highways and transportation commission as permanent parts of the state highway system, to the extent of the value to the state of such roads and bridges at the time taken over, not exceeding in any case the amount expended by such counties and subdivisions in the construction or acquisition of such roads and bridges, except that the highways and transportation commission may, in its discretion, repay, or agree to repay, any cash advanced by a county or subdivision to expedite state road construction or improvement;

(3) In the discretion of the commission to plan, locate, relocate, establish, acquire, construct and maintain the following:

(a) interstate and primary highways within the state;

(b) supplementary state highways and bridges in each county of the state;

(c) state highways and bridges in, to and through state parks, public areas and reservations, and state institutions now or hereafter established to connect the same with the state highways, and also national, state or local parkways, travelways, tourways, with coordinated facilities;

(d) any tunnel or interstate bridge or part thereof, where necessary to connect the state highways of this state with those of other states;

(e) any highway within the state when necessary to comply with any federal law or requirement, which is or shall become a condition to the receipt of federal funds;

(f) any highway in any city or town which is found necessary as a continuation of any state or federal highway, or any connection therewith, into and through such city or town; and

(g) additional state highways, bridges and tunnels, either in congested traffic areas of the state or where needed to facilitate and expedite the movement of through traffic.

(4) To acquire materials, equipment and buildings and to employ such personnel as necessary for the purposes described in this subsection 1; and

(5) For such other purposes and contingencies relating and appertaining to the construction and maintenance of such state highway system as the highways and transportation commission may deem necessary and proper.

2. (1) The state sales tax upon the sale of motor vehicles, trailers, motorcycles, mopeds and motortricycles at the rate provided by law on November 2, 2004, is levied and imposed by this section until the rate is changed by law or constitutional amendment.

(2) One-half of the proceeds from the state sales tax on all motor vehicles, trailers, motorcycles, mopeds and motortricycles shall be dedicated for highway and transportation use and shall be apportioned and distributed as follows: ten percent to the counties, fifteen percent to the cities, two percent to be deposited in the state transportation fund, which is hereby created within the state treasury to be used in a manner provided by law and seventy-three percent to be deposited

in the state road fund. The amounts apportioned and distributed to the counties and cities shall be further allocated and used as provided in section 30(a) of this article. The amounts allocated and distributed to the highways and transportation commission for the state road fund shall be used as provided in subsection 1 of this section 30(b). The sales taxes which are apportioned and distributed pursuant to this subdivision (2) shall not include those taxes levied and imposed pursuant to sections 43(a) or 47(a) of this article. The term "proceeds from the state sales tax" as used in this subdivision (2) shall mean and include all revenues received by the department of revenue from the said sales tax, reduced only by refunds for overpayments and erroneous payments of such tax as permitted by law and actual costs of collection by the department of revenue (but not to exceed three percent of the amount collected).

(3) (i) From and after July 1, 2005, through June 30, 2006, twenty-five percent of the remaining one-half of the proceeds of the state sales tax on all motor vehicles, trailers, motorcycles, mopeds and motortricycles which is not distributed by subdivision (2) of subsection 2 of this section 30(b) shall be deposited in the state road bond fund which is hereby created within the state treasury; (ii) from and after July 1, 2006, through June 30, 2007, fifty percent of the aforesaid one-half of the proceeds of the state sales tax on all motor vehicles, trailers, motorcycles, mopeds and motortricycles which is not distributed by subdivision (2) of subsection 2 of this section 30(b) shall be deposited in the state road bond fund; (iii) from and after July 1, 2007, through June 30, 2008, seventy-five percent of the aforesaid one- half of the proceeds of the state sales tax on all motor vehicles, trailers, motorcycles, mopeds and motortricycles which is not distributed by subdivision (2) of subsection 2 of this section 30(b) shall be deposited in the state road bond fund; and (iv) from and after July 1, 2008, one hundred percent of the aforesaid one-half of the proceeds of the state sales tax on all motor vehicles, trailers, motorcycles, mopeds and motortricycles which is not distributed by subdivision (2) of subsection 2 of this section 30(b) shall be deposited in the state road bond fund. Moneys deposited in the state road bond fund are hereby dedicated to and shall only be used to fund the repayment of bonds issued by the highways and transportation commission to fund the construction and reconstruction of the state highway system or to fund refunding bonds, except that after January 1, 2009, that portion of the moneys in the state road bond fund which the commissioner of administration and the highways and transportation commission each certify is not needed to make payments upon said bonds or to maintain an adequate reserve for making future payments upon said bonds may be appropriated to the state road fund. The highways and transportation commission shall have authority to issue state road bonds for the uses set forth in this subdivision (3). The net proceeds received from the issuance of such bonds shall be paid into the state road fund and shall only be used to fund construction or reconstruction of specific projects for parts of the state highway system as determined by the highways and transportation commission. The moneys deposited in the state road bond fund shall only be withdrawn by appropriation pursuant to this constitution. No obligation for the payment of moneys so appropriated shall be paid unless the commissioner of administration certifies it for payment and further certifies that the expenditure is for a use which is specifically authorized by the provisions of this subdivision (3). The proceeds of the sales tax which are subject to allocation and deposit into the state road bond fund pursuant to this subdivision (3) shall not include the proceeds of the sales tax levied and imposed pursuant to sections 43(a) or 47(a) of this article nor shall they include the proceeds of that portion of the sales tax apportioned, distributed and dedicated to the school district trust fund on November 2, 2004. The term "proceeds from the state sales tax" as used in this subdivision (3) shall mean and include all revenues received by the department of revenue from the said sales tax, reduced only by refunds for overpayments and erroneous payments of such tax as permitted by law and actual

costs of collection by the department of revenue (but not to exceed three percent of the amount collected).

3. After January 1, 1980, any increase in state license fees and taxes on motor vehicles, trailers, motorcycles, mopeds and motortricycles other than those taxes distributed pursuant to subsection 2 of this section 30(b) shall be distributed as follows: ten percent to the counties, fifteen percent to the cities and seventy-five percent to be deposited in the state road fund. The amounts distributed shall be apportioned and distributed to the counties and cities as provided in section 30(a) of this article, to be used for highway purposes.

4. The moneys apportioned or distributed under this section to the state road fund, the state transportation fund, the state road bond fund, counties, cities, towns or villages shall not be included within the definition of "total state revenues" as that term is used in section 17 of Article X of this constitution nor be considered as an "expense of state government" as that term is used in section 20 of article X of this constitution.

(Adopted March 6, 1962) (Amended November 6, 1979) (Amended by Initiative November 2, 2004)

(1962) Highway commission had authority to condemn easement to provide a substitute location for pipelines which was necessary for interstate highway construction as the taking was for public purpose and was not in violation of Article III, § 38(a) since state received compensation in surrender of existing right-of-way. State ex rel. State Highway Commission v. Eakin (Mo.), 357 S.W.2d 129.

(1968) Toll road authority act of the 74th General Assembly which permitted resorting to gas tax money to meet bonding obligations violated constitutional provision for allocation of gas tax money. Pohl v. State Highway Commission (Mo.), 431 S.W.2d 99.

(1972) Subdivision (5) of this section does not empower the State Highway Commission to provide rest areas abutting state routes. State ex rel. State Highway Commission v. Pinkley (A.), 474 S.W.2d 46.

(1973) Held, this provision requires interest or income from state road fund to be credited to such fund and not diverted to general revenue or any purpose other than state highway purposes. State Highway Commission v. Spainhower (Mo.), 504 S.W.2d 121.

(1984) Fees collected by motor vehicle unit of Dept. of Revenue for copies of motor vehicle records made pursuant to section 109.190, RSMo, are "revenue derived from state highway users" and as such are to be credited to state road fund. State Highways and Transportation Commission of Missouri v. Director, Department of Revenue (Mo. banc), 672 S.W.2d 953.

(1992) Logo signs along highway rights-of-way, announcing availability of purveyors of food, fuel and lodging at highway exits constitute an improvement to the highways and the initial use of highway funds, whether reimbursed or not, does not transgress constitutional restrictions. Missouri Outdoor Advertising Association, Inc. v. Missouri State Highways and Transportation Commission, 826 S.W.2d 342 (Mo. en banc).

(1994) Expenditure of state road fund for mitigation plan required by federal Pipeline Safety Act is appropriate expenditure as it relates and appertains to the construction of Page Avenue Extension of state highway. DeMere v. Missouri State Highway and Transportation Commission, 876 S.W.2d 652 (Mo. App. W.D.).

ATTACHMENT2: ANNUAL WORKER ELIGIBILITY VERIFICATION AFFIDAVIT

(for joint ventures, a separate affidavit is required for each business entity)

STATE OF ________________)
) ss
COUNTY OF ________________)

On the _____ day of _______________, 20____, before me appeared ____________________________,

personally known to me or proved to me on the basis of satisfactory evidence to be a person whose name is subscribed to this affidavit, who being by me duly sworn, stated as follows:

- I, the Affiant, am of sound mind, capable of making this affidavit, and personally certify the facts herein stated, as required by Section 285.530, RSMo, to enter into any contract agreement with the state to perform any job, task, employment, labor, personal services, or any other activity for which compensation is provided, expected, or due, including but not limited to all activities conducted by business entities.
- I, the Affiant, am the _______________ of ______________________________, and I am duly authorized, directed, and/or empowered to act officially and properly on behalf of this business entity.
- I, the Affiant, hereby affirm and warrant that the aforementioned business entity is enrolled in a federal work authorization program operated by the United States Department of Homeland Security, and the aforementioned business entity shall participate in said program to verify the employment eligibility of newly hired employees working in connection with any services contracted by the Missouri Highways and Transportation Commission (MHTC). I have attached documentation to this affidavit to evidence enrollment/participation by the aforementioned business entity in a federal work authorization program, as required by Section 285.530, RSMo.
- I, the Affiant, also hereby affirm and warrant that the aforementioned business entity does not and shall not knowingly employ, in connection with any services contracted by MHTC, any alien who does not have the legal right or authorization under federal law to work in the United States, as defined in 8 U.S.C. § 1324a(h)(3).
- I, the Affiant, am aware and recognize that, unless certain contract and affidavit conditions are satisfied pursuant to Section 285.530, RSMo, the aforementioned business entity may be held liable under Sections 285.525 though 285.550, RSMo, for subcontractors that knowingly employ or continue to employ any unauthorized alien to work within the state of Missouri.
- I, the Affiant, acknowledge that I am signing this affidavit as a free act and deed of the aforementioned business entity and not under duress.

____ ____

Affiant Signature   Affiant's Social Security Number or
Applicable Federal Identification Number

Subscribed and sworn to before me in ______________________, _____, the day and year first above-written.

____

Notary Public

My commission expires:

[Attach documentation of enrollment/participation in a federal work authorization program]

ATTACHMENT 3: APPLICANT AFFIDAVIT FOR SOLE-PROPRIETORSHIP OR PARTNERSHIP
(a separate affidavit is required for each owner and general partner)

STATE OF ________________)
) ss
COUNTY OF ________________)

On this _______ day of _____________________, 20_____, before me appeared ____________________, personally known to me or proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instruments, who being by me duly sworn, deposed as follows:

My name is __________________________________, and I am of sound mind, capable of making this affidavit, and personally certify the facts herein stated, as required by Section 208.009, RSMo, for failure to provide affirmative proof of lawful presence in the United States of America:

I am the ____________________ of ______________________________, which is applying for a public benefit (grant, contract, and/or loan) administered/provided by the Missouri Highways and Transportation Commission (MHTC), acting by and through the Missouri Department of Transportation (MoDOT).

I am classified by the United States of America as: (check the applicable box)

☐ a United States citizen.
☐ an alien lawfully admitted for permanent residence.

I am aware that Missouri law provides that any person who obtains any public benefit by means of a willfully false statement or representation, or by willful concealment or failure to report any fact or event required to be reported, or by other fraudulent device, shall be guilty of the crime of stealing pursuant to Section 570.030, RSMo, which is a Class C felony for stolen public benefits valued between $500 and $25,000 (punishable by a term of imprisonment not to exceed 7 years and/or a fine not more than $5,000 – Sections 558.011 and 560.011, RSMo), and is a Class B felony for stolen public benefits valued at $25,000 or more (punishable by a term of imprisonment not less than 5 years and not to exceed 15 years – Section 558.011, RSMo).

I recognize that, upon proper submission of this sworn affidavit, I will only be eligible for temporary public benefits until such time as my lawful presence in the United States is determined, or as otherwise provided by Section 208.009, RSMo.

I understand that Missouri law requires MHTC/MoDOT to provide assistance in obtaining appropriate documentation to prove citizenship or lawful presence in the United States, and I agree to submit any requests for such assistance to MHTC/MoDOT in writing.

I acknowledge that I am signing this affidavit as a free act and deed and not under duress.

____ ____________________________

Affiant Signature — Affiant's Social Security or Number orApplicable Federal Identification Number

Subscribed and sworn to before me this ______ day of ________________, 20_____.

____

Notary Public — My commission expires: