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# MISSOURI HIGHWAYS AND TRANSPORTATION COMMISSION

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## REQUEST FOR PROPOSALS INVESTMENT MANAGEMENT SERVICES RFP NUMBER: 6-050330

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- ATTACHMENT A**            **PREFERENCE IN PURCHASING PRODUCTS**  
*(to be signed and returned with proposal)*
- ATTACHMENT B:**        **MHTC Investment Holdings – For Information Only**
- ATTACHMENT C:**        **MTFC Investment Policy – For Information Only**
- ATTACHMENT D:**        **MHTC Board Of Trustees Investment Policy:**  
   **Medical And Life Insurance Plan – For Information Only**

**TERMS & CONDITIONS**    **Standard Bid/Proposal Provisions, General Terms And  
Conditions And Special Terms And Conditions**

**ACRONYMS:**

- MHTC**            Missouri Highways and Transportation Commission  
**MoDOT**         Missouri Department of Transportation  
**RFP**             Request for Proposals

## INTRODUCTION

### Summary

This Request For Proposals (**RFP**) seeks proposals from qualified Offerors to furnish the investment management services described herein for the Missouri Highways and Transportation Commission (**MHTC**), and Missouri Department of Transportation (**MoDOT**). Respondents should be experienced in providing such services to entities similar to MoDOT. Based on the responses to the RFP, MoDOT expects to retain one or more firm(s) to provide such investment management services.

The Missouri Department of Transportation currently manages an investment portfolio on average in excess of \$100 million. The portfolio has to be invested with consideration given to the need for short-term withdrawals to meet current obligations. A copy of the *MHTC's Investment Holdings* (Attachment B), *MTFC Investment Policy* (Attachment C) and *MHTC Investment Policy: Medical And Life Insurance Plan* (Attachment D) is included in this RFP.

### Proposal Submission Information

An original and ten (10) copies of each proposal must be mailed in a sealed envelope or box, or else delivered by hand or courier service (UPS, Federal Express, etc.) to:

General Services Procurement  
Attention: Ms. Frankie Ryan, Sr. Procurement Specialist  
Missouri Department of Transportation  
830 MoDOT Drive, P.O. Box 270  
Jefferson City, MO 65102-0270

All proposals must be received **on or before 3:00 p.m., Central Standard Time, March 30, 2005.**

The sealed envelope or box in which each proposal is submitted must be clearly marked **"Investment Management Services Proposal"**.

### Pre-Submission Information on the RFP and Proposal Requirements

Any pre-submission question(s), comment(s), concern(s) or request(s) for clarification regarding the RFP or proposal requirements shall be submitted **on or before 4:00 p.m., Central Standard Time, March 15, 2005**, by facsimile transmission (fax), electronic mail (email), telephone, or in writing, to:

Ms. Frankie Ryan  
Missouri Department of Transportation  
830 MoDOT Drive, P.O. Box 270  
Jefferson City, Missouri 65102-0270  
Telephone No.: (573) 522-9481  
Facsimile No.: (573) 526-1218  
E-mail address: <mailto:frankie.ryan@modot.mo.gov>

Responses to the questions will be posted on MoDOT's website at [http://www.modot.mo.gov/business/contractor\\_resources/NonHighway-ConstructionBids.htm](http://www.modot.mo.gov/business/contractor_resources/NonHighway-ConstructionBids.htm) in the form of a written addendum. **It is anticipated that this particular addendum will be issued approximately seven (7) calendar days prior to the proposal due date.** No contact with MHTC Board members or other MoDOT staff will be allowed during the RFP process. Any contact with these individuals will be grounds for disqualification.

**Proposals received after the above date and time will not be considered.** MoDOT is under no obligation to return proposals.

**Reservation of Rights by Missouri Highways and Transportation Commission**

As specified in the RFP, MHTC reserves the right to negotiate clarifications and modifications of any or all proposals through MoDOT staff, prior to making any contract award. MHTC also reserves the right to reject any and all responses for any reason whatsoever, and then either reissue another RFP, or discontinue the project.

The MHTC reserves the right to award this contract to the financial institution(s) that best meet the requirements of the RFP, and not necessarily, to the lowest Offeror. Further, the MHTC reserves the right to reject any or all proposals prior to execution of any contract, with no penalty to the MHTC.

**Note to Respondent:**

The Offeror must be in compliance with the laws regarding conducting business in the State of Missouri. Within ten (10) business days of notification, the successful firm must provide a copy of his/her Missouri Secretary of State's "Certificate of Good Standing" prior to the issuance of any contract or initial purchase order by the Missouri Department of Transportation (MoDOT).

**PROPOSAL**

**Investment Management Services – RFP 6-050330**

**Please sign and return this page with your proposal**

- (1) The Offeror shall provide a fee proposal to MHTC in accordance with the terms of this RFP.
- (2) The Offeror agrees to provide the services at the fees quoted, under the terms of this RFP.

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**Authorized Signature of Offeror’s Representative**

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**Date Proposal Was Signed**

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Please type, or print legibly in dark blue or black ink, all of the following information requested:

**Name of Offeror’s Representative:** \_\_\_\_\_

**Firm’s Complete Legal Name:** \_\_\_\_\_

**Offeror’s Fictitious Name (under which the Offeror does business):**

**Offeror’s Street Address:** \_\_\_\_\_

**Mailing Address:** \_\_\_\_\_

**City:** \_\_\_\_\_ **State:** \_\_\_\_\_ **Zip:** \_\_\_\_\_

**Telephone:** \_\_\_\_\_ **Fax:** \_\_\_\_\_

**Offeror’s Federal Employer ID (or Social Security) No.:** \_\_\_\_\_

**Offeror’s Registered Agent in Missouri:** \_\_\_\_\_

**Address of Missouri Registered Agent:** \_\_\_\_\_

**City:** \_\_\_\_\_ **State:** \_\_\_\_\_ **Zip:** \_\_\_\_\_

**SECTION (1):  
GENERAL DESCRIPTION AND BACKGROUND**

- (A) **Request for Proposal:** This document constitutes an RFP from qualified Offerors to provide Investment Management Services for the Missouri Highways and Transportation Commission (MHTC), and Missouri Department of Transportation (MoDOT). Proposals are being solicited from firms who have experience in providing this type of service on behalf of an organization such as MoDOT. Details of the scope of work, proposal format and Offeror selection process are contained in this announcement.
- (B) **Background:** The MoDOT operates under a decentralized organization with headquarters in Jefferson City, and is governed by the MHTC, a six (6) member bipartisan Commission appointed by the Governor. The Central Office provides staff assistance and functional control for the various departmental tasks in ten (10) geographical districts. Each district contains approximately ten percent (10%) of the total road mileage in the state highway system.
- MoDOT employs approximately 6,200 full-time employees. About eighty percent (80%) of those employees work in the ten (10) districts with the remainder working in the various functional units of the Central Office. Approximately 1,300 of these employees are supervisors.
- MoDOT will utilize the Investment Management Services to manage an investment portfolio averaging in excess of \$100 million. The portfolio has to be invested with consideration given to the need for short-term withdrawals to meet current obligations.
- (C) **Contract Period:** The original contract(s) period is intended to be from the date of execution of the contract through June 30, 2008. In addition, the contract may be extended for two (2) additional one-year periods, for a possible total contract term of five (5) years, and in accordance with the specifications, terms, conditions, and pricing offered in response to this RFP. The decision to renew the contract(s) will be at the sole discretion of the MHTC. The undersigned Offeror agrees to provide Investment Management Services during the contract period as requested in MHTC's RFP, at the fee schedule submitted by the Offeror, in accordance with the terms and conditions of the RFP and this Proposal, as those terms and conditions may be finally clarified or modified by negotiation or agreement of the parties.
- (D) **Fiscal Year:** The fiscal year runs from July 1-June 30.

**SECTION (2):  
SCOPE OF WORK**

- (A) **Services:** The Offeror shall provide the following professional services:
- The contractor shall provide Investment Management Services for the Missouri Highways and Transportation Commission (hereinafter referred to as MHTC), Missouri Department of Transportation (hereinafter referred to as MoDOT), in accordance with the provisions and requirements stated herein.
- The contractor shall manage the portfolio under advisement within parameters of the MHTC's current investment policy.

- The contractor shall work with the MHTC to establish an investment policy in accordance with the provisions and requirements of this RFP.
- The contractor shall provide fundamental and technical market research to help the MHTC to choose investments appropriate to the current or projected interest rate environment.
- The Contractor shall assist the MHTC in developing and implementing investment strategies based on cash flow projections and expected liquidity needs.
- The contractor shall coordinate all investment activities with the Director of Finance or his/her designee.

**(B) Invoicing and Payment Requirements:**

1. The contractor shall submit all invoices to MoDOT at the address provided by the Director of Finance.
2. Upon successful completion of the services related to the activities identified in the RFP, the contractor shall be paid in accordance with the applicable guaranteed not-to-exceed total prices stated on the contractor's submitted pricing proposal.
3. Other than the payments specified above, no other payments or reimbursements shall be made to the contractor.

**(C) Preparation of Proposal:**

1. Each proposal shall be prepared simply and economically avoiding the use of elaborate promotional materials beyond what is sufficient to provide a complete, accurate, and reliable presentation.
2. For ease of review, the proposals must follow the outline in Section 4 "Proposal Submission Information" of this request for proposal. Each response should be clearly numbered and the full requirement or question listed and answered.
3. The Offeror will not be compensated for any costs associated with the preparation of his/her proposal. Further, the MHTC will not compensate the Offeror for any costs associated with oral presentations, if requested by the MHTC.

**(D) Schedule of RFP Events: (NOTE: this schedule is subject to change at the discretion of the MHTC)**

Issue RFP	March 3, 2005
Deadline for Questions	March 15, 2005
Issuance of Q&A Addendum	March 21, 2005
Proposals Due	March 30, 2005
Interviews, if necessary	April 12, 2005

Selected Offerors may be requested to provide oral presentations. Those Offerors will be notified by the Director of Finance in order to make specific arrangements.

**(E) Administration of Program:**

The Offeror will consult MHTC's representative regarding any problems involved with the administration of the services provided pursuant to this RFP.

**(F) Effective Period of Proposals:**

*All proposals must state the period for which the proposal shall remain in effect (i.e. how much time does the MHTC have to accept or reject the proposal under the terms proposed.) Such period shall not be less than 120 days from the date noted in the "Schedule of RFP Events" for the Proposals Due date.*

**(G) Contract Negotiations:**

After a review of the proposals, and possible oral presentations, the MHTC intends to enter into contract negotiations with the winning financial institution(s). These negotiations could include all aspects of services and fees. If a contract is not finalized in a reasonable period of time, the MHTC will open negotiations with the next ranked firm(s).

**SECTION (3):  
AGREEMENT REQUIREMENTS**

The following contract provisions shall govern this RFP. The award of this RFP is subject to a post-award negotiated contract. These same contract provisions will appear in the post-award negotiated contract.

If the parties are unable to agree to terms in the post-award contract, MHTC shall reserve the right to cancel the award of the RFP and contract and select a different Offeror. The selected firm(s) shall be required to enter into a written contract or contracts with the MHTC for investment management services in a form approved by legal counsel for the MHTC. This RFP and the proposal will be incorporated into and made a part of the final contract(s). The MHTC reserves the right to negotiate the terms and conditions of the contract(s) with the selected Offerors(s).

**(A) MHTC's Representative:** MoDOT's Director of Finance or his/her designee, 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 Offeror shall fully coordinate its activities for MHTC with those of the Director of Finance. As the work of the Offeror progresses, advice and information on matters covered by the Agreement shall be made available by the Offeror to the Director of Finance throughout the effective period of the Agreement.

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

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

- (D) **Status as Independent Contractor:** The Offeror 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 Offeror 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 Offeror shall consist of: the RFP and any written amendments thereto, the proposal submitted by the Offeror in the response to the RFP, the Terms and Conditions and Special Terms and Conditions as noted in the RFP, and the post-award contract agreement 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 Offeror's proposal. The Offeror 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 contract amendment signed and approved by the duly authorized representative of the Offeror and MHTC.
- (G) **DBE/WBE Participation Encouraged:**
1. Bidders are encouraged to submit copies of existing affirmative action programs, if any. Bidders are also encouraged to directly hire minorities and women as direct employees of the bidder. MHTC reserves the right to consider the use of minority and female employee when making the award of the Agreement.
  2. Regardless of which persons or firms, if any, that the Offeror may use as subcontractors, subconsultants, or suppliers of goods or services for the services to be provided, the Offeror ultimately remains responsible and liable to MHTC for the complete, accurate and professional quality/performance of these services.
- (H) **Nondiscrimination:** The Offeror shall comply with all the provisions of Executive Order No. 94-03, issued by the Honorable Mel Carnahan, Governor of Missouri, on the fourteenth (14<sup>th</sup>) day of January 1994, which Executive Order is incorporated herein by reference and is made part of the Agreement. This Executive Order promulgates a Code of Fair Practice for the Executive Branch of Missouri Government and prohibits discrimination against recipients of services, and employees or applicants or employment of state contractors and subcontractors, on the grounds of race, color, religion, national origin, sex, age, disability, or veteran status. The Offeror shall also comply with all state and federal statutes applicable to the Offeror relating to nondiscrimination, including, but not limited to, Chapter 213, 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) **Bankruptcy:** Upon filing for any bankruptcy or insolvency proceeding by or against the Offeror, whether voluntarily, or upon the appointment of a receiver, Offeror, 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 Offeror responsible for damages.

- (J) **Law of Missouri to Govern:** The Agreement shall be construed according to the laws of the state of Missouri. The Offeror shall comply with all local, state and federal laws and regulations relating to the performance of the Agreement.
- (K) **Cancellation:** MHTC may cancel the Agreement at any time by providing the Offeror with written notice of cancellation. Should MHTC exercise its right to cancel the Agreement for such reasons, cancellation will become effective upon the date specified in the notice of cancellation sent to the Offeror.
- (L) **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 Offeror consents to venue of any action against it in Cole County, Missouri.
- (M) **Ownership of Reports:** All documents, reports, exhibits, etc. produced by the Offeror at the direction of MHTC's representative and information supplied by MHTC's representative shall remain the property of MHTC.
- (N) **Confidentiality:** The Offeror 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 Offeror shall notify MHTC immediately of any request for such information.
- (O) **Nonsolicitation:** The Offeror warrants that it has not employed or retained any company or person, other than a bona fide employee working for the Offeror, to solicit or secure the Agreement, and that it has not paid or agreed to pay any percentage, brokerage fee, gift, or any other consideration, contingent upon or resulting from the award 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.
- (P) **Conflict of Interest:** The Offeror covenants 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. The Offeror further covenants that no person having any such known interest shall be employed or conveyed an interest, directly or indirectly, in this Agreement.
- (Q) **Maintain Papers:** The Offeror 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 Offeror'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.

**(R) Indemnification:** The Offeror shall be responsible for injury or damages as a result of any services and/or goods rendered under the terms and conditions of this Agreement. In addition to the liability imposed upon the Offeror on the account of personal injury, bodily injury, including death, or property damage, suffered as a result of the Offeror's performance under this Agreement, the Offeror assumes the obligation to save harmless MHTC, including its agents, employees and assigns, and to indemnify MHTC, including its agents, employees and assigns, from every expense, liability or payment arising out of such wrongful or negligent act or omission, including legal fees. The Offeror also agrees to hold harmless MHTC, including its agents, employees and assigns, from any wrongful or negligent act or omission committed by any subcontractor or other person employed by or under the supervision of the Offeror for any purpose under this Agreement, and to indemnify MHTC, including its agents, employees and assigns, from every expense, liability or payment arising out of such wrongful or negligent act or omission. Any requirement of the Offeror that MHTC indemnify and hold harmless the Offeror in its response to this RFP or in the post-award contract will result in the Offeror's response being deemed non-responsive and will be rejected.

**(S) Insurance:** Refer to section (4) B "Qualifications" for insurance requirements.

#### **SECTION (4): PROPOSAL SUBMISSION INFORMATION**

##### **(A) SUBMISSION OF PROPOSALS**

1. **Pricing and Signature:** Proposals should be priced, signed and returned (with necessary attachments) to Ms. Frankie Ryan, Sr. Procurement Specialist as provided in the "Introduction" section of 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.
2. **Submission of All Data Required:** The Offeror must respond to this RFP by submitting all data required in paragraph (B) below for its proposal to be evaluated and considered for award. Failure to submit such data shall be deemed sufficient cause for disqualification of a proposal from further consideration.
3. **Public Inspection:** The Offeror is hereby advised that all proposals and the information contained in or related thereto shall be open to public inspection and that 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 Offeror must submit its proposal based on such conditions without reservations.

4. **Clarification of Requirements:** Any and all questions regarding specifications, requirements, competitive procurement process, or other questions must be directed to Ms. Frankie Ryan, Sr. Procurement Specialist, as outlined in the “Introduction” section of this RFP. The Offeror must follow the “RFP Schedule of Events” outlined in Section 2 of this RFP.

## **(B) REQUIRED ELEMENTS OF PROPOSAL**

The Offeror, at a minimum, must supply documentation of the following elements of the RFP:

### **(1) Qualifications:**

1. Have a minimum of five (5) years of experience in managing fixed income assets for state and local governments.
2. Have under management at least one billion dollars in domestic fixed income assets.
3. Be able to assign an account manager to the MHTC’s account who has a minimum five (5) years of experience in providing investment and cash management services to large public entities.
4. Either be registered with the Securities and Exchange Commission under the Investment Advisor’s Act of 1940 or have a qualified exemption (if so, please describe) and be properly registered to provide investment management services in Missouri.
5. Be financially solvent and adequately capitalized to be able to service the MHTC for the duration of the contract.
6. Have Errors & Omissions and Fiduciary Liability Insurance coverage of at least ten (10) million dollars.

### **(2) Organization:**

1. Describe the organization, date founded, ownership of firm. If your firm has experienced a significant change in organizational structure, ownership or management during the past three (3) years, please describe.
2. Describe any other business affiliations (e.g., subsidiaries, joint ventures, and “soft dollar” arrangements with brokers).
3. Describe your firm’s policy on soft dollars.
4. Is your firm a registered investment advisor under the Investment Advisor’s Act of 1940?
5. Describe any SEC, NASD or any other regulatory censure or litigation involving your firm or its employees during the past (5) years.
6. Summarize fidelity bond coverage, errors and omissions, employee dishonesty, fiduciary liability insurance, or other fiduciary coverage your firm carries. Provide a current Certificate of Insurance.
7. Provide a copy of your firm’s most recent audited financial statement.
8. Describe your firm’s revenue sources and comment on your firm’s financial condition.

9. Does your firm adhere to the Code of Professional and Ethical Standards as described by AIMR?

**(3) Experience:**

1. Describe your firm's experience in managing fixed-income portfolios for public funds and governmental entities.
2. Summarize your fixed-income assets under management (institutional only) over the past five (5) years.
3. What is your firm's experience in developing investment policies and portfolio management guidelines for government operating funds?
4. Provide the number and type of accounts, total asset value, and composition of portfolios currently being managed by your firm.
5. How many accounts have you gained the last 12 months? List the number of any accounts lost by your organization in the last 12 months and provide an explanation for the loss of each of these accounts.
6. Has your organization in the last twelve (12) months, lost an investment account due to malfeasance, lack of adherence to professional standards or general neglect?

**(4) Personnel:**

1. Please indicate the name, location, telephone number, fax number and email address of the primary contact person for the Offeror.
2. Please indicate your firm's investment service experience, including any work with other state agencies or local governments in Missouri.
  - a. Offeror must furnish a complete listing of each subconsultant, if any, and complete contact information for each subconsultant.
3. Identify the number of professionals employed by your firm, by classification.
4. Provide detailed resumes and biographical information for all *key investment professionals who will be directly responsible for the investment of the MHTC's funds*. Include the following information for each of these key professionals:
  - a. Title.
  - b. Number of years at your firm.
  - c. Total number of years of experience in investment management.
  - d. Professional designations or licenses.
5. Describe your firm's activities to keep portfolio managers informed of developments relevant to the management of public sector investment portfolios.

**(5) Investment Management Approach and Discipline:**

1. Briefly describe your firm's investment management philosophy including your approach to managing governmental operating funds.
2. How are portfolios managed (e.g., by team, individual manager)? Is talent concentrated or spread across the organization?
3. What are the primary strategies employed by your firm for adding value to portfolios (e.g., market timing, credit research, etc.)?
4. Describe the in-house technical and research support services you have available. What other sources are used by the firm on a regular basis?

5. How will you handle fluctuating cash flows and cash forecasting process?
6. Describe the investment program you are proposing for the MHTC, including the type of securities you propose to purchase, how the funds will be managed after the initial investments are made and how you will provide liquidity.
7. Provide your firm's investment performance with an investment horizon of approximately 1 to 3 years compared to an appropriate benchmark for the most recent five (5) years. Please show annualized quarterly returns, gross of all management fees.
8. Provide recommendations regarding performance benchmarks for a portfolio similar to that of the MHTC.
9. How frequently would you suggest your staff make contact with the MHTC's staff? Who will make contact?
10. Briefly describe any additional feature, attributes or conditions that the MHTC should consider in selecting your firm.

**(6) Accounting and Reporting:**

1. Describe the investment accounting and reporting system used by your firm and whether it complies with AIMR standards.
2. Describe the frequency and format of reports that your firm would provide to the MHTC (including the methods and formulas used to calculate yield and performance).
  - a. Provide a sample of all reports that will be provided.
3. Are confirmations of investment transactions sent directly by the broker-dealer to the client?

**(7) Fees:**

1. Describe your firm's fee schedule.
  - a. Is there a minimum fee?
  - b. What expenses would be covered through the fee structure?
2. What additional expenses, not covered by the fee schedule, will the MHTC be expected to pay in order to implement your investment services?
3. Provide a description and/or example of the billing method that will be used.

**(8) References:**

Provide five (5) client references (preferably public sector) for whom you provide similar services including client name, contact personnel, address, phone number, and length of time you have managed their assets

**(C) EVALUATION CRITERIA AND PROCESS**

This RFP seeks financial institutions to provide investment management services to the MHTC. Selection will be made from a short list of Offerors deemed to be fully qualified and best suited among those submitting proposals on the basis of the evaluation factors listed below:

- Experience, expertise and reliability. - 25%
- Proposed method of performance - 25%
- Cost, fees and expenses. – 25%
- Recommendations from references – 10%
- The affirmative action program of the Offeror. – 5%

- Overall completeness, clarity, and quality of the proposal and responsiveness to the RFP. – 5%
  - Interviews, if performed. – 5%
1. **Evaluation Factors:** Any agreement for services resulting from this RFP shall be awarded to the Offeror providing the best proposal to MHTC. After determining responsiveness, proposals will be evaluated in accordance with the following criteria:
    - A. Experience, expertise and reliability:
      - Offeror’s demonstrated record and depth of experience as an investment manager and/or advisor related to the types and amounts of assets typical of the MHTC’s investment profile, and in providing services to clients similar to the MHTC.
      - Qualifications, experience and availability of the proposed engagement team assigned to this account, including experience pertinent to the services requested in this RFP.
    - B. Proposed Method of Performance:
      - Robustness and effectiveness of the procedures used by the Offeror to conduct business relevant to providing investment management services.
      - The quality, feasibility, and innovation reflected in the service description and strategic recommendations provided by the Offeror.
    - C. Cost, Fees and Expenses:
      - Proposed fees and compensation. Although fees and compensation will be an important factor in the evaluation of proposals, the MHTC is not required to choose the lowest Offeror.
    - D. Recommendations from references.
    - E. The affirmative action program of the Offeror.
    - F. Overall completeness, clarity, and quality of the proposal and responsiveness to the RFP.
    - G. Interviews, if performed.
  2. **Historic Information:** MHTC reserves the right to consider historic information and facts, whether gained from the Offeror's proposal, question and answer conferences, references, or other sources, in the evaluation process.
    4. **Responsibility to Submit Information:** The Offeror is cautioned that it is the Offeror's sole responsibility to submit information related to the evaluation categories and that MHTC’s representative is under no obligation to solicit such information if it is not included with the Offeror's proposal. Failure of the Offeror to submit such information may cause an adverse impact on the evaluation of the Offeror's proposal.

**ATTACHMENT A**  
**PREFERENCE IN PURCHASING PRODUCTS**

DATE: \_\_\_\_\_

The bidders attention is directed to Section 34.076 RSMo 2000 which gives preference to Missouri corporations, firms, and individuals when letting contracts or purchasing products.

Bids/Quotations received will be evaluated on the basis of this legislation.

**All vendors submitting a bid/quotation must furnish ALL information requested below.**

**FOR CORPORATIONS:**

State in which incorporated:

\_\_\_\_\_

**FOR OTHERS:**

State of domicile:

\_\_\_\_\_

**FOR ALL VENDORS:**

List address of Missouri offices or places of business:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**THIS SECTION MUST BE COMPLETED AND SIGNED:**

**FIRM NAME:**

\_\_\_\_\_

**ADDRESS:**

\_\_\_\_\_

**CITY:** \_\_\_\_\_ **STATE:** \_\_\_\_\_ **ZIP:** \_\_\_\_\_

**BY (signature required):**

\_\_\_\_\_

**Federal Tax I.D. #: \_\_\_\_\_ if no Federal Tax I.D. # - list Social Security #: \_\_\_\_\_**

NOTE: For bid/quotation to be considered, the "Preference in Purchasing Products" form must be on file in the General Services (Procurement) Division and must be dated in the current calendar year.

**ATTACHMENT B**  
**MHTC INVESTMENT HOLDINGS**  
*For Information Only*  
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<u>Issued by</u>	<u>Cusip Number</u>	<u>Face Value</u>	<u>Coupon Rate</u>	<u>Maturity Date</u>	<u>Net Effective Yield</u>
<b>Missouri Transportation Finance Corporation</b>					
FNMA	313589EY5	\$ 8,370,000	0.000%	4/29/2005	2.0600%
FNMA	313589LU5	\$ 7,300,000	0.000%	9/16/2005	2.2300%
FNMA	313589LU5	\$ 2,263,000	0.000%	9/16/2005	2.2300%
FHLMC	3128X1EV5	\$ 1,416,000	2.150%	6/2/2006	2.5300%
FHLB	3133MVHK2	\$ 5,000,000	2.500%	3/15/2006	2.3900%
FHLB	3133X14N4	\$ 5,000,000	2.875%	9/15/2006	2.6100%
Overnight		\$ 11,780,000			2.5200%
		\$ 41,129,000			

<b>Local Fund</b>					
FHLB	3133MYX69	\$ 2,500,000	2.040%	11/15/2005	1.4633%
FHLB	31339XC44	\$ 2,500,000	2.260%	6/19/2006	2.2466%
FHLMC	3128X1HX8	\$ 2,500,000	2.000%	12/19/2006	1.2005%
FNMA	31359MTX1	\$ 2,500,000	2.625%	1/19/2005	2.7489%
		\$ 10,000,000			

<b>Medical and Life Insurance</b>					
FHLB	3133MUMU6	\$ 3,000,000	2.500%	12/15/2005	1.7159%
FHLB	3133X2ZF5	\$ 3,000,000	1.625%	6/15/2005	2.0061%
FHLB	3133X96P0	\$ 3,000,000	2.750%	12/15/2006	3.1800%
FHLB	31359MVA8	\$ 3,000,000	2.500%	6/15/2006	2.7306%
		\$ 12,000,000			

<b>Self Insurance</b>					
FHLMC	3128X1TX5	\$ 750,000	1.500%	7/29/2005	1.7159%
FNMA	3136F4WR1	\$ 1,200,000	2.250%	12/9/2005	2.0061%
FHLB	31339XGL2	\$ 2,000,000	2.100%	6/12/2006	1.5960%
FHLMC	3128X1CA3	\$ 1,500,000	2.600%	11/21/2006	2.0756%
FNMA	3136F3WZ5	\$ 2,000,000	2.280%	12/11/2006	1.6503%
FNMA	3136F3YX8	\$ 1,000,000	2.100%	12/26/2006	1.7510%
FHLMC	3128X2KN4	\$ 1,000,000	2.850%	1/5/2007	2.8617%
FHLMC	3128X2KN5	\$ 1,250,000	2.850%	1/5/2007	2.8613%
FHLMC	3128X1VW4	\$ 2,000,000	2.750%	1/30/2007	2.7468%
FHLB	31339YWW8	\$ 500,000	2.750%	2/12/2007	1.5281%
FHLMC	3128X2WN1	\$ 1,000,000	2.850%	2/23/2007	3.0003%
FHLMC	3128X1QG5	\$ 1,500,000	2.380%	3/30/2007	2.6787%
FNMA	3136F5PS4	\$ 2,000,000	2.550%	4/13/2007	2.7779%
FHLMC	3128X3BP7	\$ 2,000,000	3.000%	4/27/2007	3.0000%
FHLB	3133MYKG1	\$ 2,000,000	3.210%	5/5/2007	1.6008%
FNMA	3136F3YH3	\$ 2,000,000	2.500%	6/18/2007	2.0007%
FHLB	31339YU26	\$ 500,000	2.700%	7/30/2007	3.2468%



**ATTACHMENT C**  
**MTFC INVESTMENT POLICY**  
*For Information Only*  
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**MISSOURI TRANSPORTATION FINANCE CORPORATION**

**Investment Policy**

**I. Scope**

This policy applies to the investment of Missouri Transportation Finance Corporation (MTFC) funds.

Investment through external programs, facilities and professionals operating in a manner consistent with this policy will constitute compliance.

**II. General Objectives**

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield:

- 1. Safety.** Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.
  - a. Credit Risk.** The MTFC will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:
    - Limiting investments to the safest types of securities.
    - Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the MTFC will do business.
    - Diversifying the investment portfolio so that potential losses on individual securities will be minimized.
  - b. Interest Rate Risk.** The MTFC will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:
    - Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
    - Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.
- 2. Liquidity.** The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio also may be placed in money market mutual funds or local government investment pools that offer same-day liquidity for short-term funds.

3. **Yield.** The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:
  - o A security with declining credit may be sold early to minimize loss of principal.
  - o A security swap would improve the quality, yield, or target duration in the portfolio.
  - o Liquidity needs of the portfolio require that the security be sold.

### III. Standards of Care

1. **Prudence.** The standard of prudence to be used by MTFC investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. The standard of prudence to be used by MTFC financial advisors shall be the "prudent expert" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

2. **Ethics and Conflicts of Interest.** Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of the MTFC.
3. **Delegation of Authority.** Authority to manage the investment program is granted to the Board of Directors. Responsibility for the operation of the investment program is hereby delegated to the Treasurer and Assistant Treasurer, hereinafter referred to as investment officers, who shall act in accordance with established written procedures

and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the investment officers. The investment officers shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

#### **IV. Safekeeping and Custody**

- 1. Authorized Financial Dealers and Institutions.** A list will be maintained of financial institutions authorized to provide investment services. In addition, a list also will be maintained of approved security broker/dealers selected by creditworthiness (e.g., a minimum capital requirement of \$10,000,000 and at least five years of operation). These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission (SEC) Rule 15C3-1 (uniform net capital rule).

All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

- Audited financial statements.
- Proof of National Association of Securities Dealers (NASD) certification.
- Proof of state registration.
- Completed broker/dealer questionnaire.
- Certification of having read and understood and agreeing to comply with the MTFC's investment policy.

An annual review of the financial condition and registration of qualified financial institutions and broker/dealers will be conducted by the investment officers.

- 2. Internal Controls.** The investment officers are responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the MTFC are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

Accordingly, the investment officers shall establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following points:

- Control of collusion.

- Separation of transaction authority from accounting and record keeping.
- Custodial safekeeping.
- Avoidance of physical delivery securities.
- Clear delegation of authority to subordinate staff members.
- Written confirmation of transactions for investments and wire transfers.
- Development of a wire transfer agreement with the lead bank and third-party custodian.
- Timely check of internal trade tickets and dealer confirmations.
- Sufficiency check of repurchase agreement collateral on the day of trade execution.

**3. Delivery vs. Payment:** All trades where applicable will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities will be held by a third-party custodian as evidenced by safekeeping receipts.

## **V. Suitable and Authorized Investments**

- 1. Investment Types.** In accordance with and subject to restrictions imposed by current statutes, the following list represents the entire range of investments that the MTFC will consider:
  - a. United States Treasury Securities. The MTFC may invest in obligations of the United States government for which the full faith and credit of the United States are pledged for the payment of principal and interest.
  - b. United States Agency Securities. The MTFC may invest in obligations issued or guaranteed by any agency of the United States Government as described in V.2.
  - c. Repurchase Agreements. The MTFC may invest in contractual agreements between the MTFC and commercial banks or primary government securities dealers. The purchaser in a repurchase agreement (repo) enters into a contractual agreement to purchase U.S. Treasury and government agency securities while simultaneously agreeing to resell the securities at predetermined dates and prices.
  - d. Collateralized Public Deposits (Certificates of Deposit). Instruments issued by financial institutions, which state that specified sums have been deposited for specified periods of time, and at specified rates of interest. The certificates of deposit are required to be backed by acceptable collateral securities as dictated by State statute.
  - e. Bankers' Acceptances. Time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances. The MTFC may invest in bankers' acceptances issued by domestic commercial banks possessing the highest rating issued by Moody's Investor Services, Inc. or Standard and Poor's Corporation.

- f. Commercial Paper. The MTFC may invest in commercial paper issued by domestic corporations, which has received the highest rating issued by Moody's Investor Services, Inc. or Standard and Poor's Corporation. Eligible paper is further limited to issuing corporations that have total commercial paper program size in excess of five hundred million dollars (\$500,000,000).
- g. Money Market Mutual Funds or Local Government Investment Pools. The MTFC may invest in money market mutual funds or similar investment pools that offer same-day liquidity for short-term funds.

## 2. Security Selection

The following list represents the entire range of United States Agency Securities that will be considered and which shall be authorized for the investment of funds by the MTFC. Additionally, the following definitions and guidelines should be used in purchasing the instruments:

- a. U.S. Govt. Agency Coupon and Zero Coupon Securities. Bullet coupon bonds with no embedded options.
- b. U.S. Govt. Agency Discount Notes. Purchased at a discount with maximum maturities of one (1) year.
- c. U.S. Govt. Agency Callable Securities. Restricted to securities callable at par only with final maturities of five (5) years.
- d. U.S. Govt. Agency Step-Up Securities. The coupon rate is fixed for an initial term. At coupon date, the coupon rate rises to a new, higher fixed term. Restricted to securities with final maturities of five (5) years.
- e. U.S. Govt. Agency Floating Rate Securities. The coupon rate floats off one index. Restricted to coupons with no interim caps that reset at least quarterly.
- f. U.S. Govt. Mortgage Backed Securities. Restricted to securities with final maturities of five (5) years.

## 3. Investment Restrictions and Prohibited Transactions. To provide for the safety and liquidity of the MTFC's funds, the investment portfolio will be subject to the following restrictions:

- a. Borrowing for investment purposes ("Leverage") is prohibited.
- b. Instruments known as Structured Notes (e.g. inverse floaters, leveraged floaters, and equity-linked securities) are not permitted. Investment in any instrument, which is commonly considered a "derivative" instrument (e.g. options, futures, swaps, caps, floors, and collars), is prohibited.
- c. Contracting to sell securities not yet acquired in order to purchase other securities for purposes of speculating on developments or trends in the market is prohibited.

d. No more than 5% of the total market value of the portfolio may be invested in bankers' acceptances issued by any one commercial bank and no more than 5% of the total market value of the portfolio may be invested in commercial paper of any one issuer.

4. **Collateralization.** Collateralization will be required on two types of investments: certificates of deposit and repurchase agreements. The market value (including accrued interest) of the collateral should be at least 100%. For certificates of deposit, the market value of collateral must be at least 100% or greater of the amount of certificates of deposits plus demand deposits with the depository, less the amount, if any, which is insured by the Federal Deposit Insurance Corporation, or the National Credit Unions Share Insurance Fund. All securities, which serve as collateral against the deposits of a depository institution, must be safekept at a non-affiliated custodial facility. Depository institutions pledging collateral against deposits must, in conjunction with the custodial agent, furnish the necessary custodial receipts within five business days from the settlement date. The MTFC shall have a *depository contract and pledge agreement* with each safekeeping bank that will comply with the Financial Institutions, Reform, Recovery, and Enforcement Act of 1989 (FIRREA). This will ensure that the MTFC's security interest in collateral pledged to secure deposits is enforceable against the receiver of a failed financial institution.
5. **Repurchase Agreements.** The securities for which repurchase agreements will be transacted will be limited to U.S. Treasury and government agency securities that are eligible to be delivered via the Federal Reserve's Fedwire book entry system. Securities will be delivered to the MTFC's designated Custodial Agent. Funds and securities will be transferred on a delivery vs. payment basis.

## VI. Investment Parameters

1. **Diversification.** The investments shall be diversified to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer, or specific class of securities. Diversification strategies shall be established and periodically reviewed. At a minimum, diversification standards by security type and issuer shall be:
  - a. U.S. treasuries and securities having principal and/or interest guaranteed by the U.S. government.....100%
  - b. Collateralized time and demand deposits.....100%
  - c. U.S. Government agencies, and government sponsored enterprises .....no more than 75%
  - d. Collateralized repurchase agreements..... 50%

- e. U.S. Government agency callable securities..... no more than 50%
- f. Commercial Paper..... no more than 30%
- g. Bankers' Acceptances..... no more than 30%

2. **Maximum Maturities.** To the extent possible, the MTFC shall attempt to match its investments with anticipated cash flow requirements. The MTFC shall adopt weighted average maturity limitations that should not exceed three (3) years and is consistent with the investment objectives.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as in bank deposits or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

**VII. Reporting**

1. **Methods** The investment officers shall prepare an investment report at least quarterly, including a management summary that provides an analysis of the status of the current investment portfolio and transactions made over the last quarter. This management summary will be prepared in a manner that will allow the MTFC to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the Missouri Transportation Finance Corporation Board. The report will include the following:
  - o Listing of individual securities held at the end of the reporting period.
  - o Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year duration that are not intended to be held until maturity (in accordance with Governmental Accounting Standards Board (GASB) requirements).
  - o Average weighted yield to maturity of portfolio on investments as compared to applicable benchmarks.
  - o Listing of investment by maturity date.
  - o Percentage of the total portfolio which each type of investment represents.
2. **Performance Standards** The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. A series of appropriate benchmarks shall be established against which portfolio performance shall be compared on a regular basis.

Commercial paper and bankers' acceptances must be reviewed monthly to determine if the rating level has changed. The commercial paper and bankers' acceptances should be reviewed for possible sale if the securities are downgraded below the minimum acceptable rating levels.

- 3. Marking to Market** The market value of the portfolio shall be calculated at least quarterly and a statement of the market value of the portfolio shall be issued at least quarterly. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed. In defining market value, considerations should be given to the GASB Statement 31 pronouncement.

### **VIII. Policy Considerations**

- 1. Exemption.** Any investment currently held that does not meet the guidelines of this policy shall be exempted from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.
- 2. Amendments.** This policy shall be reviewed on an annual basis. Any changes must be approved by the investment officers and the Missouri Transportation Finance Corporation Board, as well as the individual(s) charged with maintaining internal controls.

### **IX. List of Attachments**

The following documents, as applicable, are attached to this policy:

*(The list of attachments that would be necessary upon implementation)*

- Listing of authorized personnel,
- Relevant investment statutes and ordinances,
- Repurchase agreements and tri-party agreements,
- Listing of authorized broker/dealers and financial institutions,
- Credit studies for securities purchased and financial institutions used,
- Safekeeping agreements,
- Wire transfer agreements,
- Portfolio stress testing,
- Sample investment reports, and
- Methodology for calculating rate of return.

### **Appendix 1: Glossary of Cash Management Terms**

**Accrued Interest** - The accumulated interest due on a bond as of the last interest payment made by the issuer.

**Agency** - A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Federally sponsored agencies (FSAs) are backed by each particular agency with a market perception that there is an implicit government guarantee. An example of federal agency is the Government National Mortgage Association (GNMA). An example of a FSA is the Federal National Mortgage Association (FNMA).

**Amortization** - The systematic reduction of the amount owed on a debt issue through periodic payments of principal.

**Average Life** - The average length of time that an issue of serial bonds and/or term bonds with a mandatory sinking fund feature is expected to be outstanding.

**Basis Point** - A unit of measurement used in the valuation of fixed-income securities equal to 1/100 of 1 percent of yield, e.g., "1/4" of 1 percent is equal to 25 basis points.

**Bid** - The indicated price at which a buyer is willing to purchase a security or commodity.

**Book Value** - The value at which a security is carried on the inventory lists or other financial records of an investor. The book value may differ significantly from the security's current value in the market.

**Callable Bond** - A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

**Call Price** - The price at which an issuer may redeem a bond prior to maturity. The price is usually at a slight premium to the bond's original issue price to compensate the holder for loss of income and ownership.

**Call Risk** - The risk to a bondholder that a bond may be redeemed prior to maturity.

**Cash Sale/Purchase** - A transaction which calls for delivery and payment of securities on the same day that the transaction is initiated.

**Collateralization** - Process by which a borrower pledges securities, property, or other deposits for the purpose of securing the repayment of a loan and/or security.

**Commercial Paper** - An unsecured short-term promissory note issued by corporations, with maturities ranging from 2 to 270 days.

**Convexity** - A measure of a bond's price sensitivity to changing interest rates. A high convexity indicates greater sensitivity of a bond's price to interest rate changes.

**Coupon Rate** - The annual rate of interest received by an investor from the issuer of certain types of fixed-income securities. Also known as the "interest rate."

**Credit Quality** - The measurement of the financial strength of a bond issuer. This measurement helps an investor to understand an issuer's ability to make timely interest payments and repay the loan principal upon maturity. Generally, the higher the credit quality of a bond issuer, the lower the interest rate paid by the issuer because the risk of default is lower. Credit quality ratings are provided by nationally recognized rating agencies.

**Credit Risk** - The risk to an investor that an issuer will default in the payment of interest and/or principal on a security.

**Current Yield (Current Return)** - A yield calculation determined by dividing the annual interest received on a security by the current market price of that security.

**Delivery Versus Payment (DVP)** - A type of securities transaction in which the purchaser pays for the securities when they are delivered either to the purchaser or his/her custodian.

**Derivative Security** - Financial instrument created from, or whose value depends upon, one or more underlying assets or indexes of asset values.

**Discount** - The amount by which the par value of a security exceeds the price paid for the security.

**Diversification** - A process of investing assets among a range of security types by sector, maturity, and quality **rating**.

**Duration** - A measure of the timing of the cash flows, such as the interest payments and the principal repayment, to be received from a given fixed-income security. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. The duration of a security is a useful indicator of its price volatility for given changes in interest rates.

**Fair Value** - The amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**Federal Funds (Fed Funds)** - Funds placed in Federal Reserve banks by depository institutions in excess of current reserve requirements. These depository institutions may lend fed funds to each other overnight or on a longer basis. They may also transfer funds among each other on a same-day basis through the Federal Reserve banking system. Fed funds are considered to be immediately available funds.

**Federal Funds Rate** - Interest rate charged by one institution lending federal funds to the other.

**Government Securities** - An obligation of the U.S. government, backed by the full faith and credit of the government. These securities are regarded as the highest quality of investment securities available in the U.S. securities market. See "Treasury Bills, Notes, and Bonds."

**Interest Rate** - See "Coupon Rate."

**Interest Rate Risk** - The risk associated with declines or rises in interest rates which cause an investment in a fixed-income security to increase or decrease in value.

**Internal Controls** - An internal control structure designed to ensure that the assets of the entity are protected from loss, theft, or misuse. The internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that 1) the cost of a control should not exceed the benefits likely to be derived and 2) the valuation of costs and benefits requires estimates and judgments by management. Internal controls should address the following points:

1. **Control of collusion** - Collusion is a situation where two or more employees are working in conjunction to defraud their employer.
2. **Separation of transaction authority from accounting and record keeping** - By separating the person who authorizes or performs the transaction from the people who record or otherwise account for the transaction, a separation of duties is achieved.
3. **Custodial safekeeping** - Securities purchased from any bank or dealer including appropriate collateral (as defined by state law) shall be placed with an independent third party for custodial safekeeping.

4. **Avoidance of physical delivery securities** - Book-entry securities are much easier to transfer and account for since actual delivery of a document never takes place. Delivered securities must be properly safeguarded against loss or destruction. The potential for fraud and loss increases with physically delivered securities.
5. **Clear delegation of authority to subordinate staff members** - Subordinate staff members must have a clear understanding of their authority and responsibilities to avoid improper actions. Clear delegation of authority also preserves the internal control structure that is contingent on the various staff positions and their respective responsibilities.
6. **Written confirmation of transactions for investments and wire transfers** - Due to the potential for error and improprieties arising from telephone and electronic transactions, all transactions should be supported by written communications and approved by the appropriate person. Written communications may be via fax if on letterhead and if the safekeeping institution has a list of authorized signatures.
7. **Development of a wire transfer agreement with the lead bank and third-party custodian** - The designated official should ensure that an agreement will be entered into and will address the following points: controls, security provisions, and responsibilities of each party making and receiving wire transfers.

**Inverted Yield Curve** - A chart formation that illustrates long-term securities having lower yields than short-term securities. This configuration usually occurs during periods of high inflation coupled with low levels of confidence in the economy and a restrictive monetary policy.

**Investment Company Act of 1940**- Federal legislation which sets the standards by which investment companies, such as mutual funds, are regulated in the areas of advertising, promotion, performance reporting requirements, and securities valuations.

**Investment Policy** - A concise and clear statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

**Investment-grade Obligations** - An investment instrument suitable for purchase by institutional investors under the prudent person rule. Investment-grade is restricted to those obligations rated BBB or higher by a rating agency.

**Liquidity** - An asset that can be converted easily and quickly into cash.

**Local Government Investment Pool (LGIP)** - An investment by local governments in which their money is pooled as a method for managing local funds.

**Mark-to-market** - The process whereby the book value or collateral value of a security is adjusted to reflect its current market value.

**Market Risk** - The risk that the value of a security will rise or decline as a result of changes in market conditions.

**Market Value** - Current market price of a security.

**Maturity** - The date on which payment of a financial obligation is due. The final stated maturity is the date on which the issuer must retire a bond and pay the face value to the bondholder. See "Weighted Average Maturity."

**Money Market Mutual Fund** - Mutual funds that invest solely in money market instruments (short-term debt instruments, such as Treasury bills, commercial paper, bankers' acceptances, repos and federal funds).

**Mutual Fund** - An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Mutual funds are regulated by the Investment Company Act of 1940 and must abide by the following Securities and Exchange Commission (SEC) disclosure guidelines:

1. Report standardized performance calculations.
2. Disseminate timely and accurate information regarding the fund's holdings, performance, management and general investment policy.
3. Have the fund's investment policies and activities supervised by a board of trustees, which are independent of the adviser, administrator or other vendor of the fund.
4. Maintain the daily liquidity of the fund's shares.
5. Value their portfolios on a daily basis.
6. Have all individuals who sells SEC-registered products licensed with a self-regulating organization (SRO) such as the National Association of Securities Dealers (NASD).
7. Have an investment policy governed by a prospectus which is updated and filed by the SEC annually.

**Mutual Fund Statistical Services** - Companies that track and rate mutual funds, e.g., IBC/Donoghue, Lipper Analytical Services, and Morningstar.

**National Association of Securities Dealers (NASD)** - A self-regulatory organization (SRO) of brokers and dealers in the over-the-counter securities business. Its regulatory mandate includes authority over firms that distribute mutual fund shares as well as other securities.

**Net Asset Value** - The market value of one share of an investment company, such as a mutual fund. This figure is calculated by totaling a fund's assets which includes securities, cash, and any accrued earnings, subtracting this from the fund's liabilities and dividing this total by the number of shares outstanding. This is calculated once a day based on the closing price for each security in the fund's portfolio. (See below.)  $[(\text{Total assets}) - (\text{Liabilities})]/(\text{Number of shares outstanding})$ .

**No Load Fund** - A mutual fund which does not levy a sales charge on the purchase of its shares.

**Nominal Yield** - The stated rate of interest that a bond pays its current owner, based on par value of the security. It is also known as the "coupon," "coupon rate," or "interest rate."

**Offer** - An indicated price at which market participants are willing to sell a security or commodity. Also referred to as the "Ask price."

**Par** - Face value or principal value of a bond, typically \$1,000 per bond.

**Positive Yield Curve** - A chart formation that illustrates short-term securities having lower yields than long-term securities.

**Premium** - The amount by which the price paid for a security exceeds the security's par value.

**Prime Rate** - A preferred interest rate charged by commercial banks to their most creditworthy customers. Many interest rates are keyed to this rate.

**Principal** - The face value or par value of a debt instrument. Also may refer to the amount of capital invested in a given security.

**Prospectus** - A legal document that must be provided to any prospective purchaser of a new securities offering registered with the SEC. This can include information on the issuer, the issuer's business, the proposed use of proceeds, the experience of the issuer's management, and certain certified financial statements.

**Prudent Person Rule** - An investment standard outlining the fiduciary responsibilities of public funds investors relating to investment practices.

**Regular Way Delivery** - Securities settlement that calls for delivery and payment on the third business day following the trade date (T+3); payment on a T+1 basis is currently under consideration. Mutual funds are settled on a same day basis; government securities are settled on the next business day.

**Reinvestment Risk** - The risk that a fixed-income investor will be unable to reinvest income proceeds from a security holding at the same rate of return currently generated by that holding.

**Repurchase Agreement (repo or RP)** - An agreement of one party to sell securities at a specified price to a second party and a simultaneous agreement of the first party to repurchase the securities at a specified price or at a specified later date.

**Reverse Repurchase Agreement (Reverse Repo)** - An agreement of one party to purchase securities at a specified price from a second party and a simultaneous agreement by the first party to resell the securities at a specified price to the second party on demand or at a specified date.

**Rule 2a-7 of the Investment Company Act** - Applies to all money market mutual funds and mandates such funds to maintain certain standards, including a 13- month maturity limit and a 90-day average maturity on investments, to help maintain a constant net asset value of one dollar (\$1.00).

**Safekeeping** - Holding of assets (e.g., securities) by a financial institution.

**Serial Bond** - A bond issue, usually of a municipality, with various maturity dates scheduled at regular intervals until the entire issue is retired.

**Sinking Fund** - Money accumulated on a regular basis in a separate custodial account that is used to redeem debt securities or preferred stock issues.

**Swap** - Trading one asset for another.

**Term Bond** - Bonds comprising a large part or all of a particular issue which come due in a single maturity. The issuer usually agrees to make periodic payments into a sinking fund for mandatory redemption of term bonds before maturity.

**Total Return** - The sum of all investment income plus changes in the capital value of the portfolio. For mutual funds, return on an investment is composed of share price appreciation plus any realized dividends or capital gains. This is calculated by taking the following components during a certain time period. (Price Appreciation) + (Dividends paid) + (Capital gains) = Total Return

**Treasury Bills** - Short-term U.S. government non-interest bearing debt securities with maturities of no longer than one year and issued in minimum denominations of \$10,000. Auctions of three- and six-month bills are weekly, while auctions of one-year bills are monthly. The yields on these bills are monitored closely in the money markets for signs of interest rate trends.

**Treasury Notes** - Intermediate U.S. government debt securities with maturities of one to 10 years and issued in denominations ranging from \$1,000 to \$1 million or more.

**Treasury Bonds** - Long-term U.S. government debt securities with maturities of ten years or longer and issued in minimum denominations of \$1,000. Currently, the longest outstanding maturity for such securities is 30 years.

**Uniform Net Capital Rule** - SEC Rule 15C3-1 outlining capital requirements for broker/dealers.

**Volatility** - A degree of fluctuation in the price and valuation of securities.

**"Volatility Risk" Rating** - A rating system to clearly indicate the level of volatility and other non-credit risks associated with securities and certain bond funds. The ratings for bond funds range from those that have extremely low sensitivity to changing market conditions and offer the greatest stability of the returns ("aaa" by S&P; "V-1" by Fitch) to those that are highly sensitive with currently identifiable market volatility risk ("ccc-" by S&P, "V-10" by Fitch).

**Weighted Average Maturity (WAM)** - The average maturity of all the securities that comprise a portfolio. According to SEC rule 2a-7, the WAM for SEC registered money market mutual funds may not exceed 90 days and no one security may have a maturity that exceeds 397 days.

**When Issued (WI)** - A conditional transaction in which an authorized new security has not been issued. All "when issued" transactions are settled when the actual security is issued.

**Yield** - The current rate of return on an investment security generally expressed as a percentage of the security's current price.

**Yield-to-call (YTC)** - The rate of return an investor earns from a bond assuming the bond is redeemed (called) prior to its nominal maturity date. **Yield Curve** - A graphic representation that depicts the relationship at a given point in time between yields and maturity for bonds that are identical in every way except maturity. A normal yield curve may be alternatively referred to as a positive yield curve.

**Yield-to-maturity** - The rate of return yielded by a debt security held to maturity when both interest payments and the investor's potential capital gain or loss are included in the calculation of return.

**Zero-coupon Securities** - Security that is issued at a discount and makes no periodic interest payments. The rate of return consists of a gradual accretion of the principal of the security and is payable at par upon maturity.

**ATTACHMENT D**  
**MHTC Board Of Trustees Investment Policy: Medical And Life Insurance Plan**  
*For Information Only*  
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Objective

The objective of this policy is to provide guidance in the investment of excess funds of the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan (plan). The board of trustees (board) anticipates an investment practice that will be safe, reasonably conservative, and in full compliance with state law. It is understood that potential yield of certain instruments will always be measured against risk. All investments will be judged on the following criteria:

1. Safety and security of principal.
2. Anticipated yield to be greater than what is estimated for overnight investments.
3. Instruments of investment shall comply with state law and shall be approved by board counsel.
4. Liquidity.

Disproportionate or extreme positions that might cause significant decreases in the overall portfolio value given adverse developments shall be avoided. Investments shall be made on a laddered concept. It is the intent of the board that an equal distribution of investable funds be made over each increment. The board shall direct the investment officer as to the increments and the maximum maturity of the laddered investments. At no time shall the increments be in excess of 12 months or the longest maturity exceeds 36 months. It is further understood that some deviation from the increments is acceptable when necessary to coordinate with specific instruments that are available.

Investment officers will be allowed to deviate from reinvesting funds if in their judgment market conditions do warrant such an investment at that time. Under all circumstances, it will be the intent that investment officers will to the greatest extent possible return to a laddered distribution of funds at the first opportunity. The amount of investable funds and cost to the plan are always changing and result in different values being available which can be considered excess. It is the intent of the board that a formula for investment be established as follows: At the time of reinvestment, the investment officer shall verify with the board what the latest financial report shows as “excess fund.”

At any given time there are incurred but not reported (IBNR) funds obligated; consequently the amount of IBNR set by the Board will be subtracted from the then estimate “excess funds” leaving an amount considered “Investable Excess Funds” (IEF).

Allowed Investments Instruments

Investments by the board are to be those authorized by statute as lawful investment of state funds by the state treasurer. Under Section 30.260.2 RSMo 2000, the state treasurer may invest in time deposits drawing interest or in obligations as referenced in Article IV, Section 15 of the Missouri Constitution, which identifies obligations of the United States Government or agencies or instrumentalities.

Preliminary review and approval has been given for the following instruments:

- Treasury Bills
- Treasury Notes
- Treasury Bonds

Unleveraged Debentures and Medium Term Notes of the following Federal Agencies:

- Fannie Mae (FNMA)
- Freddie Mac (FHLMC)
- Sallie Mae (SLMA)
- Federal Farm Credit Bank (FFCB)
- Federal Home Loan Bank (FHLB)
- Tennessee Valley authority (TVA)

If it is the desire of the investment officer to use an instrument not listed above, they must seek prior approval of the board counsel by way of the board of trustees.

#### Investment Management

Investment officers of the financial institution under contract need not be specifically named but they must be regularly employed officers of the financial institution who have met with and reviewed this board's policy regarding investments. In addition, the financial institution will provide a professional profile of each officer.

#### Security Safekeeping

It will be the policy of the board to maintain a securities custody account for all cash and securities with the financial institution with which the board is in a contractual relationship. That financial institution shall hold and safeguard cash and securities and shall collect the income and principal thereof when due. Said financial institution shall reinvest principal amounts based on the formula and objective identified. Balances of principal and interest shall be invested in overnight accounts. The financial institution is authorized to deposit or arrange for the deposit of such securities in a clearing corporation, or in a federal reserve bank under book-entry system. When such securities are so deposited with a clearing corporation, certificates representing securities of the same class of the same issuer may be merged and held in bulk in the name of the nominee of such clearing corporation by any person regardless of the ownership of such securities. The records of the financial institution shall at all times show the name of the Board of Trustees of the Missouri Department of Transportation and Missouri State Highway Patrol Medical and Life Insurance Plan as the name of the party for who the securities are deposited. The financial institution of record shall make only such purchases, sales, and other transactions for the board as directed by board policy.

#### Accounting, Pricing, and Reports

It shall be the policy of the board to require the financial institution of record to provide a receipt in detail for each security purchased, showing certificate or bond numbers, par value, cusip number and name in which registered. A monthly statement shall also be provided to the board complete with a detailed description of all securities safe kept, including all purchases, sales, and maturities, interest earned, acquisition value, yield and market value.

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**STANDARD SOLICITATION PROVISIONS**

- a. The Missouri Department of Transportation (MoDOT) reserves the right to reject any or all bids/quotes/proposals, and to accept or reject any items thereon, and to waive technicalities. In case of error in the extension of prices in the bid/quote/proposal, unit prices will govern.
- b. All bids/quotes/proposals must be signed with the firm name and by a responsible officer or employee. Obligations assumed by such signature must be fulfilled.
- c. By virtue of statutory authority, a preference will be given to materials, products, supplies, provisions and all other articles produced, manufactured, made or grown, within the State of Missouri.
- d. Time of delivery is a part of the consideration and, if not otherwise stated in the solicitation documents, must be stated in definite terms by the Bidder/Offeror and must be adhered to. If time varies on different items, the Bidder/Offeror shall so state.
- e. If providing bids/quotes/proposals for commodities, the Bidder/Offeror will state brand or make on each item. If bidding or proposing other than the make, model or brand specified, the manufacturer's name, model number or catalog number must be given.
- f. **For bids/proposals of \$25,000 or more**, no bids/proposals by telephone, telegram or telefax will be accepted. If provided, these bids/proposals should be returned in the MoDOT solicitation return envelope.
- g. If a solicitation return envelope is provided by MoDOT, the bid/quote/proposal should be returned in the envelope provided with the Bid/RFQ/RFP Request Number plainly indicated thereon.
- h. The date specified for the returning of bids/quotes/proposals is a firm deadline and all bids/quotes/proposals must be received at the designated office by that time. The Department does not recognize the U.S. Mail, Railway Express Agency, Air Express, or any other organization, as its agent for purposes of accepting proposals. All proposals arriving at the designated office after the deadline specified will be rejected.

**GENERAL TERMS AND CONDITIONS**

**General Performance**

- a. This work is to be performed under the general supervision and direction of the Missouri Department of Transportation (MoDOT) and, if awarded any portion of the work, the Contractor agrees to furnish at his own expense all labor and equipment required to complete the work, it being expressly understood that this solicitation is for completed work based upon the price(s) specified and is not a solicitation for rental of equipment or employment of labor by MoDOT, and MoDOT is to have no direction or control over the employees used by the Contractor in performance of the work.

**Deliveries**

- a. Unless otherwise specified on the solicitation documents or purchase order, suppliers shall give at least 24 hours advance notice of each delivery. Delivery will only be received between the hours of 8:00 a.m. to 3:00 p.m., Monday through Friday. Material arriving after 3:00 p.m. will not be unloaded until the following workday. No material will be received on Saturday, Sunday or state holidays.
- b. If the prices bid herein include the delivery cost of the material, the Contractor agrees to pay all transportation charges on the material as FOB - Destination. Freight costs must be included in the unit price bid and not listed as a separate line item.

- c. Any demurrage is to be paid by the Contractor direct to the railroad or carrier.

**Nondiscrimination**

- a. The Bidder/Offeror understands that this project involves state funds and the Bidder/Offeror awarded the contract will be required to comply with the Executive Order 94-03 of the Governor of the State of Missouri dated January 14, 1994. This order stipulates that there shall be no discriminatory employment practices by the Contractor or his subcontractors, if any, based on race, sex, religion, national origin, age, color, disability, or veteran status. The undersigned Contractor or his subcontractors, if any, shall give written notice of their commitments under this clause to any labor union with which they have bargaining or other agreements.
- b. The Contractor shall comply with the Regulations relative to nondiscrimination in federally-assisted programs of the Department of Transportation, Title 49, Code of Federal Regulations, Part 21, as they may be amended from time to time, (hereinafter referred to as the Regulations), which are herein incorporated by reference and made a part of this contract.
- c. All solicitations either by competitive bidding or negotiation made by the Contractor for work to be performed under a subcontract, including procurements of materials or leases of the Contractor's obligations under this contract and the Regulations, will be relative to nondiscrimination on the grounds of race, color, or national origin.
  - 1) **Sanctions for Noncompliance:** In the event of the Contractor's noncompliance with the nondiscrimination provisions of this contract, MoDOT shall impose such contract sanctions as it or the Federal Highway Administration may determine to be appropriate, including, but not limited to:
    - i. withholding of payments to the Contractor under the contract until the Contractor complies, and/or,
    - ii. cancellation, termination or suspension of the contract, in whole or in part.

**Contract/Purchase Order**

- a. By submitting a bid/quote/proposal, the Bidder/Offeror agrees to furnish any and all equipment, supplies and/or services specified in the solicitation documents, at the prices quoted, pursuant to all requirements and specifications contained therein.
- b. A binding contract shall consist of: (1) the solicitation documents, amendments thereto, and/or Best and Final Offer (BAFO) request(s) with any changes/additions, (2) the Contractor's proposal and/or submitted pricing, and (3) the MHTC's acceptance of the proposal and/or bid by purchase order.
- c. A notice of award does not constitute an authorization for shipment of equipment or supplies or a directive to proceed with services. Before providing equipment, supplies and/or services, the Contractor must receive a properly authorized purchase order and/or notice to proceed.
- d. The contract expresses the complete agreement of the parties and performance shall be governed solely by the specifications and requirements contained therein. Any change, whether by modification and/or supplementation, must be accomplished by a formal contract amendment signed and approved by and between the duly authorized representative of the Contractor and the duly authorized representative of the MHTC, by a modified purchase order prior to the effective date of such modification. The Contractor expressly and explicitly understands and agrees that no other method and/or no other document, including correspondence, acts,

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and oral communications by or from any person, shall be used or construed as an amendment or modification.

**Subcontracting**

- a. It is specifically understood that no portion of the material or any interest in the contract, shall be subcontracted, transferred, assigned or otherwise disposed of, except with the written consent of MoDOT. Request for permission to subcontract or otherwise dispose of any part of the work shall be in writing to MoDOT and accompanied by documentation showing that the organization which will perform the work is particularly experienced and equipped for such work.
- b. Consent to subcontract or otherwise dispose of any portion of the work shall not be construed to relieve the Contractor of any responsibility for the production and delivery of the contracted work and the completion of the work within the specified time.
- c. All payments for work performed by a subcontractor shall be made to the Contractor to whom the contract was awarded and the purchase order issued.

**Invoicing and Payment**

- a. MoDOT is exempt from paying Missouri Sales Tax, Missouri Use Tax and Federal Excise Tax. However, the Contractor may themselves be responsible for the payment of taxes on materials they purchase to fulfill the contract. A Federal Excise Tax Exemption Certificate will be furnished to the successful Bidder/Offeror upon request.
- b. Each invoice should be itemized in accordance with items listed on the purchase order and/or contract. The statewide financial management system has been designed to capture certain receipt and payment information. Therefore, each invoice submitted must reference the purchase order number and must be itemized in accordance with items listed on the purchase order. Failure to comply with this requirement may delay processing of invoices for payment.
- c. Unless otherwise provided for in the solicitation documents, payment for all equipment, supplies, and/or services required herein shall be made in arrears. The Missouri Highways and Transportation Commission (MHTC) shall not make any advance deposits.
- d. The MHTC assumes no obligation for equipment, supplies, and/or services shipped or provided in excess of the quantity ordered. Any authorized quantity is subject to the MHTC's rejection and shall be returned at the Contractor's expense.

**Applicable Laws and Regulations**

- a. The contract shall be construed according to the laws of the State of Missouri. The Contractor shall comply with all local, state, and federal laws and regulations related to the performance of the contract.
- b. The Contractor must be registered and maintain good standing with the Secretary of State of the State of Missouri and other regulatory agencies, as may be required by law or regulations. Prior to the issuance of a purchase order and/or notice to proceed, the Contractor may be required to submit to MoDOT a copy of their current Authority Certificate from the Secretary of State of the State of Missouri.
  - 1) Prior to the issuance of a purchase order and/or notice to proceed, all **out-of-state** Contractors **providing services** within the state of Missouri must submit to MoDOT a copy of their current Transient Employer Certificate from the Department of Revenue, in addition to a copy of their current Authority Certificate from the Secretary of State of the State of Missouri.
- c. The exclusive venue for any legal proceeding relating to or arising, out of the contract shall be in the Circuit Court of Cole County, Missouri.

**Preferences**

- a. In the evaluation of bids/quotes/proposals, preferences shall be applied in accordance with Chapter 34 RSMo. Contractors should apply the same preferences in selecting subcontractors.
- b. By virtue of statutory authority, RSMo. 34.076 and 34.350 to 34.359, a preference will be given to materials, products, supplies, provisions and all other articles produced, manufactured, made or grown within the State of Missouri. Such preference shall be given when quality is equal or better and delivered price is the same or less.
  - 1) If attached, the document entitled "**PREFERENCE IN PURCHASING PRODUCTS**" should be completed and returned with the solicitation documents.
  - 2) If attached, the document entitled "**MISSOURI DOMESTIC PRODUCTS PROCUREMENT ACT**" should be completed and returned with the solicitation documents. **Applies if bid is Twenty-Five Thousand Dollars (\$25,000.00) or more**
- c. In the event of a tie of low bids, the MHTC reserves the right to establish the method to be used in determining the award

**Remedies and Rights**

- a. No provision in the contract shall be construed, expressly or implied, as a waiver by the MHTC of any existing or future right and/or remedy available by law in the event of any claim by the MHTC of the Contractor's default or breach of contract.
- b. The Contractor agrees and understands that the contract shall constitute an assignment by the Contractor to the MHTC of all rights, title and interest in and to all causes of action that the Contractor may have under the antitrust laws of the United States or State of Missouri for which causes of action have accrued or will accrue as the result of or in relation to the particular equipment, supplies, and/or services purchased or produced by the Contractor in the fulfillment of the contract with the MHTC.
- c. In the event a Contractor becomes involved in, or is threatened with, litigation with a subcontractor or supplier as a result of such direction, the Contractor may request MoDOT to enter into such litigation to protect the interests of the MHTC, and, in addition, the Contractor may request the United States to enter into such litigation to protect the interests of the United States.

**Cancellation of Contract**

- a. The MHTC may cancel the contract at any time for a material breach of contractual obligations or for convenience by providing the Contractor with written notice of cancellation. Should the 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 Contractor.
- b. If the MHTC cancels the contract for breach, the MHTC reserves the right to obtain the equipment, supplies, and/or services to be provided pursuant to the contract from other sources and upon such terms and in such manner as the MHTC deems appropriate and charge the Contractor for any additional costs incurred thereby.

**Bankruptcy or Insolvency**

- a. Upon filing for any bankruptcy or insolvency proceeding by or against the Contractor, whether voluntary or involuntary, or upon the appointment of a receiver, trustee, or assigned the benefit or creditors, the Contractor must notify MoDOT immediately. Upon learning of any such actions, the MHTC reserves the right, at its sole discretion, to either cancel the contract or affirm the contract and hold the Contractor responsible for damages.

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**Inventions, Patents, and Copyrights**

- a. The Contractor shall defend, protect, and hold harmless the MHTC, its officers, agents, and employees against all suits of law or in equity resulting from patent and copyright infringement concerning the Contractor's performance or products produced under the terms of the contract.

**Inspection and Acceptance**

- a. No equipment, supplies, and/or services received by MoDOT pursuant to a contract shall be deemed accepted until MoDOT has had reasonable opportunity to inspect said equipment, supplies, and/or services.
- b. All equipment, supplies, and/or services which do not comply with the specifications and/or requirements or which are otherwise unacceptable or defective may be rejected. In addition, all equipment, supplies, and/or services which are discovered to be defective or which do not conform to any warranty of the Contractor upon inspection (or at any later time if the defects contained were not reasonably ascertainable upon the initial inspection) may be rejected.
- c. The MHTC reserves the right to return any such rejected shipment at the Contractor's expense for full credit or replacement and to specify a reasonable date by which replacements must be received.
- d. The MHTC's right to reject any unacceptable equipment, supplies, and/or services shall not exclude any other legal, equitable or contractual remedies the MHTC may have.

**Warranty**

- a. The Contractor expressly warrants that all equipment, supplies, and/or services provided shall: (1) conform to each and every specification, drawing, sample or other description which was furnished to or adopted by MoDOT, (2) be fit and sufficient for the purpose expressed in the solicitation documents, (3) be merchantable, (4) be of good materials and workmanship, and (5) be free from defect.
- b. Such warranty shall survive delivery and shall not be deemed waived either by reason of the MHTC's acceptance of or payment for said equipment, supplies, and/or services.

**SPECIAL TERMS AND CONDITIONS**

**Insurance**

- a. The Contractor shall purchase and maintain Errors & Omissions and Fiduciary Liability Insurance coverage of at least ten (10) million dollars. Such insurance will protect him from claims, whether such operations be by himself or by any Subcontractor or anyone directly or indirectly employed by any of them.
- b. This insurance shall be written for not less than any limits of liability specified as part of this contract, or required by law, whichever is the greater, and shall include contractual liability insurance as applicable to the Contractor's obligations under this contract.

**Information and Reports**

- a. The Contractor shall provide all information and reports required by the Regulations, or Directives issued pursuant thereto, and shall permit access to its books, records, accounts, other sources of information, and its facilities as may be determined by the Missouri Department of Transportation or the Federal Highway Administration to be pertinent to ascertain compliance with such Regulations or Directives. Where any information required of a Contractor is in the exclusive possession of another who fails or refuses to furnish this information the Contractor shall so certify to the Missouri Department of Transportation, or the Federal Highway Administration as

**Status of Independent Contractor**

- a. The Contractor 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 the MHTC. Therefore, the Contractor shall assume all legal and financial responsibility for taxes, FICA, employee fringe benefits, workers' compensation, employee insurance, minimum wage requirements, overtime, etc., and agrees to indemnify, save and hold the MHTC, its officers, agents and employees harmless from and against any and all losses (including attorney fees) and damage of any kind related to such matters.

**Indemnification**

- a. The Contractor shall be responsible for injury or damages as a result of any services and/or goods rendered under the terms and conditions of this Agreement.
- b. In addition to the liability imposed upon the Contractor on the account of personal injury, bodily injury, including death, or property damage, suffered as a result of the Contractor's performance under this Agreement, the Contractor assumes the obligation to save harmless the Commission, including its agents, employees and assigns, and to indemnify the Commission, including its agents, employees and assigns, from every expense, liability or payment arising out of such wrongful or negligent act or omission, including legal fees.
- c. The Contractor also agrees to hold harmless the Commission, including its agents, employees and assigns, from any wrongful or negligent act or omission committed by any subcontractor or other person employed by or under the supervision of the Contractor for any purpose under this Agreement, and to indemnify the Commission, including its agents, employees and assigns, from every expense, liability or payment arising out of such wrongful or negligent act or omission.

appropriate, and shall set forth what efforts it has made to obtain the information.

**Failure to Execute Contract**

- a. Failure to execute the contract within **15 days** after the contract has been mailed to the Offeror shall be just cause for the cancellation of the award. Award may then be made to the next lowest responsible Offeror, or the work may be readvertised and performed under contract or otherwise, as the Commission may decide. No contract shall be

**Additional Requirements**

- a. The following days shall be construed as **official holidays** under the terms of the contract::

January 1	New Year's Day
3 <sup>rd</sup> Monday in January	Martin Luther King, Jr.'s Birthday
February 12	Lincoln's Birthday
3 <sup>rd</sup> Monday in February	Washington's Birthday
May 8	Truman's Birthday
Last Monday in May	Memorial Day
July 4	Independence Day
1st Monday in September	Labor Day
2nd Monday in October	Columbus Day
November 11	Veteran's Day
4th Thursday in November	Thanksgiving Day
December 25	Christmas Day

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- b. When any of the above **holidays falls** on a **Sunday**, the holiday will be observed on the following **Monday**; when any of the above **holidays falls** on a **Saturday**, the **holiday** will be observed on the immediately preceding **Friday**.

**Cancellation of Contract – Failure to Perform**

- a. If the Contractor fails to carry out the performance of the work to insure the completion of the services as outlined in the contract or becomes insolvent or is adjudicated a bankrupt or commits any act of bankruptcy or insolvency or allows any final judgment to stand against him for a period of ten (10) days, the Missouri Department of Transportation may give notice in writing by

registered mail to the Contractor/supplier of such delay, neglect or default.

If, within ten (10) days after such notice the Contractor does not proceed to remedy to the satisfaction of the Department's representatives the faults specified in said notice, the Department shall have full power and authority, without impairing the obligation of the Contractor under the contract, to take over the completion of the work and arrange for the services to be completed and the Contractor will be responsible for any additional costs incurred by the Department in obtaining the completion of the services.