



**REQUEST FOR PROPOSALS**

**For**

**Underwriter Services**

**March 2, 2018**



**Soulsville Charter School, LLC  
REQUEST FOR PROPOSALS  
March 2, 2018**

**PURPOSE**

The Soulsville Charter School, LLC (the "School") is seeking the services of a senior managing underwriter or placement agent to assist in the preparation and sale (or placement) of bonds in the approximate amount of \$10 million (the "Bonds"). The purpose of the bonds is to refinance a promissory note (the "Note") in the amount of \$9,970,000 and dated May 20, 2011 between the School and SunTrust Community Development Enterprises, LLC (the "Lender"). The principal and all accrued and unpaid interest on the Note is due and payable June 5, 2018.

Proceeds of the Note were advanced pursuant to the terms of a Loan Agreement (the "Loan Agreement") between the School and the Lender. The Note and the Loan were entered into in connection with a New Markets Tax Credit financing that funded the construction of the original school building and a multipurpose building.

In order to induce the Lender to extend the Note, The Poplar Foundation (the "Foundation") and the Soulsville Foundation, Inc. (the "Sponsor"), both Tennessee not for profit corporations (together, the Foundation and the Sponsor are the "Guarantors"), provided unconditional guarantees to the Lender for performance of the School's Obligations under the Note and the Loan Agreement. In addition, the Lender was granted a security interest in and pledged to the Lender all of the Sponsor's and Foundation's right, title and interest in and to the certain property and other assets (the "Collateral") as security for the payment and performance of the School under the Note.

**It is not contemplated that the Foundation will provide collateral nor any other guaranty in connection with the issuance of the Bonds. However, the Foundation will enter into a grant agreement with the School pursuant to which it will grant to the School sufficient funds to make principal and interest payments on the Bonds when due and payable. The Sponsor will continue to provide a guaranty of the School's obligations.**

It is anticipated that the Bonds will be sold through the Shelby County Health, Education & Housing Facility Board, although the School will entertain proposals that recommend alternative conduit issuers.

The School is interested in receiving proposals from investment banking firms to serve as an underwriter or placement agent to assist in structuring and marketing the Bonds to outside investors or financial institutions interested in purchasing the Bonds directly for their own inventory. The School intends to select one or more parties who, in the sole judgment of the School, demonstrates the ability to provide the best structure and lowest cost of financing for the transaction described herein, inclusive of underwriter's fees and expenses.

## BACKGROUND

Formerly known as Stax Music Academy Charter School, LLC, the School is a not-for-profit organization organized under the laws of the State of Tennessee, with an exemption from federal income taxation under section 501(c)(3) of the Internal Revenue Code, and organized as a public charter school under the Tennessee Public Charter Schools Act of 2002.

The School is sponsored by the Soulsville Foundation, Inc. (the “Sponsor”), a nonprofit organization, under the terms of a Charter School Agreement between the Sponsor and the Shelby County Board of Education.

The School is designed to provide alternatives for students in schools failing to make adequate progress, as defined by the State’s accountability system. Each fall, the School admits one hundred 6th graders, who then matriculate through high school. For the year ending June 30, 2017, the school enrolled 6th through 12th graders. The School offers rigorous academics in a music and arts rich learning environment, which the enthusiastic staff uses to inspire and motivate students to achieve success. The School has high expectations for the students to learn and achieve, with a “no excuses” philosophy.

The School was a “SCORE” (State Collaborative on Reforming Education) prize winner in 2015 as the best high school in Tennessee, having 100% of its graduating high school seniors being accepted to two- and four-year colleges.

The School is fully accredited by the Southern Association of Colleges and Schools and is authorized by Shelby County Schools through the Tennessee Department of Education.

To assist you in preparation of your proposal, attached to this RFP are the School’s audited financial statements for the years ended June 30, 2015, 2016 and 2017.

## PROPOSAL INSTRUCTIONS

1. General Requirements: Your response to this RFP should be submitted electronically on or before 3:00 P.M. CT on March 14, 2018 to the following individuals:

Ross Hurst Chief Financial Officer <b>The Soulsville Foundation</b> 926 E. McLemore Avenue Memphis, TN 38106 Phone: (901) 261-6379 <a href="mailto:ross.hurst@soulsvillefoundation.org">ross.hurst@soulsvillefoundation.org</a>	Dallas Geer Chief Financial Officer <b>The Poplar Foundation</b> 6410 Poplar Ave, Suite 720 Memphis, TN 38119 Phone: (901) 818-5174 <a href="mailto:dallas@poplarfdn.org">dallas@poplarfdn.org</a>
Lauren S. Lowe Managing Director <b>PFM Financial Advisors LLC</b> 530 Oak Court Drive, Suite 160 Memphis, TN 38117 Phone:(901) 682-8356 <a href="mailto:lowel@pfm.com">lowel@pfm.com</a>	Courtney Knight Director <b>PFM Financial Advisors LLC</b> 600 Peachtree Street NE, Suite 3770 Atlanta, GA 30308 Phone: (404) 410-2226 <a href="mailto:knightc@pfm.com">knightc@pfm.com</a>

The School reserves the right to reject any and all proposals, to waive any informalities or irregularities in any proposals received, or take any other such actions that may be deemed to be in the best interest of the School.

2. Proposal Preparation:

Each proposal should address all pertinent areas and be specific and any conditions should be clearly stated. Proposer's failure to disclose substantive terms, conditions and covenants may be considered cause for the proposal to be rejected by the School.

Proposals should be prepared simply and economically, providing a straightforward, concise description of the capabilities to satisfy the requirements of the RFP. Emphasis should be on completeness and clarity of content. No printed brochures or material, other than written responses to the specific requirements should be provided.

3. Questions, Additional Information:

The School has selected PFM Financial Advisors LLC ("PFM") as its financial advisor. It is the responsibility of the proposer to inquire about and clarify any aspect of the RFP that is not understood. Questions and requests for clarification should be directed to PFM. Questions should be submitted via email and received before 3:00 p.m. CT on March 9, 2018.

Proposers, their agents and/or associates shall refrain from contacting or soliciting any representative of the School, the Sponsor, the Foundation, or any other member of the School's financing team, with the exception of PFM, regarding this RFP during the selection process. Failure to comply with this provision may result in the disqualification of the Proposer. All requests for clarifications or additional information should be directed to PFM.

4. Tentative Schedule:

The School will attempt to adhere to the following schedule:

March 2, 2018	RFP Issued
March 9, 2018	Submission of Questions due
March 14, 2018	Electronic Responses due by 3 PM CT

The School reserves the right to alter scheduled dates if necessary.

**SPECIFIC REQUIREMENTS**

Proposals should contain direct responses to the following questions or request for information and should be organized such that the specific question being responded to is readily identifiable. Responses should be as thorough and detailed as possible so that those reviewing the proposals may properly evaluate your capabilities to provide the required services. Proposers are required to respond to the following questions and request for information.

**ALL FIRMS SUBMITTING A PROPOSAL SHOULD RESPOND TO ITEMS A THROUGH E BELOW:**

A. Letter of Transmittal (limit 2 pages):

Each proposal should be accompanied by a letter of transmittal which summarizes key points of the proposal, including if the firm is proposing to offer the bonds to the public,

through a private placement or to purchase the bonds directly, and which is signed by an officer of the firm who is authorized to commit the firm's resources.

**B. Basic information Requirements (limit 2 pages):**

- 1) Provide a brief description of your firm.
- 2) Provide a complete description of the proposed project team. Please specify which person or persons will have overall responsibility for the financing and who will be the day-to-day contact person available for meetings. Please provide resumes or relevant experience for each of the team members with an indication of each person's availability to work on this project.

**C. Charter School Financing Experience (limit 2 pages):**

- 1) Describe the firm's charter school financing experience. Please provide a listing of your firm's charter school financing experience since January 1, 2015.
- 2) Describe your firm's experience with marketing charter school bonds.
- 3) Provide the name, title, address and phone numbers of three (3) charter school clients for whom the firm has completed bond offerings and which the School could contact as references. Please summarize your firm's financing experience with these references.

**D. Legal Counsel:**

- 1) The School and the Foundation will be responsible for engaging bond counsel. Provide up to two (2) bond counsel firms, including individual lawyers, your firm is comfortable working with. The School and Foundation will consider the suggestions but reserves the right to select the firm and lawyer that best fits the needs of the financing.

**E. Plan of Finance (limit 2 pages)**

The School currently has approximately \$4 million of cash on hand. In 2017, the School acquired an elementary school building formerly occupied by Shelby County Schools. The School plans to enter into a lease of this building with another charter school, Memphis Delta Preparatory Charter School, until such time that the School actually converts the building into its own "feeder" elementary school. In the meantime, the School anticipates incurring costs of approximately \$4 million in making improvements to this facility.

In your opinion, should the School retain the cash on hand and borrow additional funds for making improvements to this building, increasing the bond issue size correspondingly? Or, should the School use its cash on hand to fund the improvements to the building and limit the bond financing to the proposed \$10 million refinancing of the Note?

**ALL FIRMS SUBMITTING A PROPOSAL TO SERVE AS THE SENIOR MANAGER FOR A PUBLICLY-OFFERED SALE SHOULD RESPOND TO ITEMS F THROUGH I BELOW:**

**F. Soulsville Charter School Credit Analysis (limit 2 pages):**

- 1) Describe how your firm would evaluate the potential credit quality of the Bonds. What factors does your firm consider most critical to an analysis of the credit quality for the Bonds?

- 2) Which rating agency, if any, should the School consider for the Bonds? Describe the impact of such rating on the marketing strategy for the Bonds and investor participation.
  - 3) Assuming the credit quality your firm assigns to the Bonds, what level of pricing can the School expect in today's market as it relates to the Bonds? Assume market rates as of March 8, 2018.
  - 4) Given the nature of this credit, explain why you believe that your firm can obtain the best pricing value for the School.
- G. Underwriting, Sales and Marketing Qualifications (1 page):
- 1) State the size and components of the firm's capital position and the firm's policy of taking bonds into inventory at the time of the initial underwriting. Discuss how your firm is best positioned to provide the necessary marketing activities to promote the sale of the Bonds.
  - 2) Describe your firm's retail and institutional sales capabilities. What distribution (i.e., institutional vs. retail) would you anticipate for the Bonds?
- H. Conflicts (1 page):
- 1) Describe any conflicts of interest relevant to the School, the Sponsor and the Foundation.
  - 2) If any such conflict exist or arises during the term of this engagement, discuss how your firm would disclose and manage this conflict.
- I. Fee Proposal:
- Complete the Fee Template included as Appendix A to this RFP. Provide a firm indication of the spread (in dollars/\$1,000) which would be required if your firm is selected as senior managing underwriter for the Bonds. These numbers will be considered as fixed "fees". State the basic financing assumptions on which these are predicated and factors that would affect this quote. Please do not provide fee ranges, as the high-end of any range will be recorded as your response.

**ALL FIRMS SUBMITTING A PROPOSAL TO ACT AS PRIVATE PLACEMENT AGENT FOR THE BONDS SHOULD RESPOND TO ITEMS A THROUGH E ABOVE AS WELL AS COMPLETE THE QUESTIONS RELATED TO A PRIVATE PLACEMENT OPTION BELOW:**

- J. Discuss the potential advantages and disadvantages of a private placement for the Bonds as compared to a publicly-offered bond issue.
- K. Detail any structural elements or conditions that would be required for private placement of the Bonds. Please define any terms necessary to understand these conditions
- L. What is your firm's marketing strategy for the Bonds in a private placement? How does this strategy differ from the marketing strategy for a publicly-offered bond issue?
- M. Describe any disclosure, diligence, or similar information you would require to be assembled in connection with the private placement of the Bonds.
- N. Present your firm's fee proposal for a private placement of the bonds. Please note: if a placement agent is selected to provide these services, negotiation of the fee may

become necessary in order to account for the final terms and size of the financing. In no case will the negotiations result in a fee that is higher than the fee contained in your proposal.

- O. Provide a not-to-exceed figure for any legal fees associated with a private placement. Please provide the name of the legal firm you would use and the person from that firm who would serve as the primary contact.
- P. Conflicts of Interest: Describe any conflicts of interests that could impact the contemplated transaction.

**Appendix A**  
**Soulsville Charter School**  
**Fee Template– Series 2018 Bonds**

**I. [Firm Name]**

Underwriters' Compensation (per \$/1,000)

Management Fee \_\_\_\_\_

Expenses (itemize below) \_\_\_\_\_

Takedown Per Maturity					
Maturity	Principal <sup>1</sup>	Takedown	Maturity	Principal <sup>1</sup>	Takedown
2019	\$130,000		2034	\$285,000	
2020	145,000		2035	300,000	
2021	150,000		2036	315,000	
2022	160,000		2037	330,000	
2023	165,000		2038	350,000	
2024	175,000		2039	365,000	
2025	185,000		2040	385,000	
2026	195,000		2041	405,000	
2027	205,000		2042	425,000	
2028	215,000		2043	445,000	
2029	225,000		2044	465,000	
2030	235,000		2045	490,000	
2031	250,000		2046	515,000	
2032	260,000		2047	540,000	
2033	275,000		2048	570,000	

**II. Expenses:** Please itemize the following:

Underwriter's Counsel<sup>2</sup>

*(including suggested law firm)*

Clearance

Communications

CUSIP

DTC

Dalnet

Fed Funds

MSRB

Travel and Closing

Syndication

Other (Please specify)

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<sup>1</sup> Preliminary, subject to change

<sup>2</sup> The School, with the selected senior managing underwriter, will select underwriter's counsel.