

TEXAS PUBLIC FINANCE AUTHORITY

REQUEST FOR INFORMATION FOR UNDERWRITING SERVICES

Issue Date: March 5, 2012

Due Date: 5:00 p.m. CST March 20, 2012

INTRODUCTION

The Texas Public Finance Authority (the “Authority” or “TPFA”) will select a pool of underwriters to serve as senior manager, co-senior and/or co-manager on its financings for the fiscal year beginning September 1, 2012 and ending August 31, 2013, with the option to extend the use of the pool for underwriting services as needed for financings undertaken during the fiscal biennium beginning September 1, 2013 and ending August 31, 2015. Individual contracts for services may include the option to extend services beyond August 31, 2015, if a related financing commences before August 31, 2013, but closes after that date.

The Authority requests information regarding qualifications to provide investment banking services, including but not limited to advising and assisting in the structuring of financing transactions to minimize the Authority’s overall cost of funds, developing and coordinating marketing efforts for the bond issuance, managing the sale of bonds, including directing the underwriting syndicate and running the books during the pricing, and assisting in the preparation of the Preliminary and Final Official Statements. Selected members of the pool may serve as senior managing underwriters or co-managers on negotiated and competitive transactions and dealers or remarketing/auction agents for variable rate securities such as commercial paper (“CP”), variable rate demand bonds (“VRDBs) or auction rate securities.

HISTORY OF THE AUTHORITY’S FINANCING PROGRAMS

The Authority (formerly the Texas Public Building Authority) was created in 1983 by the 68th Texas Legislature. The Authority is authorized to issue revenue bonds and general obligation bonds for the State of Texas to provide funding for purposes authorized by the Legislature. The Authority has issued revenue and/or general obligation bonds on behalf of the following state agencies: the Adjutant General, the Department of Agriculture, the School for the Blind and Visually Impaired, the Texas Facilities Commission, the Department of Criminal Justice, certain health and human services agencies, including the Health and Human Services Commission, the Department of State Health Services, and the Department of Aging and Disability Services, the Texas Historical Commission, the Juvenile Probation Commission (now part of the Texas Juvenile Justice Department), the Military Facilities Commission (now, part of the Adjutant General's Department), the National Research Laboratory Commission, the Texas Parks and Wildlife Department, the State Preservation Board, the Texas Department of Public Safety, the Texas State Technical College System, the Texas Department of Transportation, the Texas Workers’ Compensation Fund, the Texas Workforce Commission, the Texas Youth Commission (now part of the Texas Juvenile Justice Department), Midwestern State University, Stephen F. Austin University, Texas Southern University, the Texas Military Preparedness Commission; and the Cancer Prevention and Research Institute of Texas. The Authority currently administers five commercial paper programs; namely: the Master Lease Purchase Program, which is a revenue commercial paper program, primarily for financing equipment acquisitions; two General Obligation commercial paper programs Series 2002A and Series 2008 for certain general state government construction projects; the General Obligation Commercial Paper program Series 2002B for the Colonia Roadway program; and the commercial paper program for the Cancer Prevention and Research Institute of Texas, which has both a tax-exempt and taxable series. In 2003, the Authority created a nonprofit corporation to finance projects for eligible charter schools pursuant to Chapter

53 of the Education Code. Staff of the Authority provides administrative support to the corporation pursuant to contract.

DIRECTION AND MANAGEMENT OF THE AUTHORITY

The Authority is governed by a seven-member Board of Directors (the "Board"), appointed by the Governor with the advice and consent of the Senate for six-year, staggered terms. The current members of the Board are: D. Joseph Meister, Chair, Ruth C. Schiermeyer, Vice Chair, Gerald Alley, Secretary, Billy M. Atkinson, Jr., Mark W. Eidman, Rodney K. Moore and Robert T. Roddy, Jr., Members. The Interim Executive Director, Susan K. Durso, is hired by the Board to implement Board policy and oversee operations of the Authority.

GENERAL REQUIREMENTS

- A. Only firms that are validly formed broker/dealers authorized to do business in Texas may be considered. You will be required to certify that you are a registered broker/dealer with appropriate federal and state authorities.

- B. Any contract with a state agency (i.e., any future Bond Purchase Agreement, Dealer Agreement, or Remarketing Agent Agreement, or any other agreement between the Authority and a member of the pool) is required to include certain provisions mandated by statute. Therefore, the provisions listed on Exhibit A attached hereto will be incorporated by reference into any such contract as though fully stated. (Note that the successful respondents are referred to by the term “underwriter.”)

- C. Policies and Procedures for the Underwriting Pool
TPFA reserves the right to add or remove firms from the pool at any time and to shorten or lengthen the period of time for which the pool is in place. TPFA may add or remove firms from the pool at any time based on factors including, but not limited to: performance, change in staff or firm organization, and/or change in certification as a historically under-utilized business (HUB-Certified), as that term is defined in Texas Government Code §2161.001(2), or ownership status. Performance reviews of each syndicate member will be conducted after each transaction and at least annually, or at any time at the discretion of the Board. No joint responses will be accepted.

A copy of TPFA’s “Underwriting Policies and Procedures” can be found on TPFA’s website, <http://www.tpfa.state.tx.us>, or may be obtained by contacting TPFA at (512) 463-5544.

A tentative timetable for the selection of underwriters is as follows:

March 5, 2012	Release of RFP
March 9, 2012	Questions Must be Received by 5 o’clock p.m.
March 12, 2012	Answers to Questions Posted by 5 o’clock p.m.
March 20, 2012	Receipt of Responses by 5 o’clock p.m.
April 5, 2012	Board meeting/Anticipated Underwriter Pool Selection

FORM OF RESPONSE

1. All respondents must provide the following information:

Firm Information

A. Contact Information

Please provide the following information, using the following tabular format.

Headquarters Location	Address
Lead Banker - Primary Contact	Name, Title, Address, Phone, Fax, Email
Lead Banker - Alternate	Name, Title, Address, Phone, Fax, Email
Underwriting Desk Contact - Long Term	Name, Title, Address, Phone, Fax, Email
Underwriting Desk Contact - Short Term	Name, Title, Address, Phone, Fax, Email
Please indicate in what role you wish to serve the Authority: (Check all that apply)	
Underwriting Pool - Senior Manager	
Underwriting Pool - Co-Manager	
Underwriting Pool - Selling Group Member	
CP Dealer	

B. Description of the Firm

1. Provide a brief description of the firm, including the size, geographic focus, structure of firm ownership (e.g., publicly held corporation, partnership, etc.) and any parents, affiliates, or subsidiaries of the firm. Discuss any recent changes in ownership, management, or staffing, or such changes that are expected to be completed by December 31, 2012, or later if substantive and relevant to the firm’s qualifications to serve as TPFA underwriter. **Please limit your response to one-half page and include the attached Excel spreadsheet referred to as Exhibit C-Sections I and II.**
2. Provide a brief resume for each member of the team that serves TPFA, including , **name, title, role**

on the TPFA team, office location, area(s) of expertise, number of years experience in public finance or state or local government, prior experience on TPFA transactions, and licenses such as CPA, JD, or securities licenses. When listing securities licenses, please refer to the NASD license by Series number (e.g., Series 7, Series 53). Please limit the team to only those individuals that work directly on TPFA transactions.

3. Provide a description of the firm's capital structure. Describe any restrictions imposed on your access to capital to underwrite municipal securities. In addition, complete section III of Exhibit C for your firm's equity capital position (total capital, net capital and excess net capital) in accordance with GAAP, (or corresponding equity information if a bank) as of December 31, 2011 and for the two preceding years. For broker / dealers, provide capital information as reported to Financial Industry Regulatory Authority (FINRA) on the Financial and Operational Combined Uniform Single (FOCUS) Report. Do not refer to the annual audit as a response to this question. Please provide equity capital position(s) for each and all the entities associated with your firm that plan to make services available to TPFA, such as underwriting securities, or other services. Please indicate those services that will be offered by each entity.
4. Please disclose any material litigation, administrative proceeding, violation of, or investigation for violation of any regulatory agency rules (SEC, MSRB, NASD, NYSE) in which your firm was involved, whether currently ongoing or concluded since January 1, 2010. If concluded, please describe the outcome as it relates to your firm.
5. Please disclose all contractual or informal financial arrangements/agreements, including joint accounts, fee-splitting, profit-sharing and consulting agreements of your firm. The disclosure must be complete and accurate.
6. Please disclose any business relationships your firm or its employees have with the Authority's Financial Advisors, their corporate affiliates, or employees. TPFA's Financial Advisors are currently Coastal Securities, First Southwest Company, and Kipling Jones & Co.
7. For each person identified in your response as a member of the TPFA financing team, and their supervisors, please disclose whether any such person is a member of a Texas public agency governing body, appointed by the Governor.
8. It is the policy of the Board to make a good faith effort to include participation by HUB-certified and women or minority owned firms. Please describe your firm's business practices, including previous experience and involvement working with HUB-certified firms, if the firm is not HUB-certified. Please describe efforts made by the firm to encourage and develop the participation of minorities and women in the firm's day-to-day business practices and bond matters in particular. Please note if your firm is eligible to be HUB-certified, but is not certified, or if your firm would be eligible were its principal place of business in Texas. Complete the grid describing workforce composition attached as Exhibit B, and if HUB-certified, attach a copy of your certification.
9. Describe what software your firm uses:
 - a. to structure municipal bond issues
 - b. for syndicate management for negotiated transactions (i.e., electronic order entry, producing

- reports during order periods, viewing orders as they come in, etc.)
- c. to provide TPFA staff and financial advisors on-line, real-time during negotiated pricings (include any fees charged to TPFA to access this information.)
10. Fixed-Rate Tax-Exempt Costs. Please provide underwriting spreads and pricing scales for the following proposed bonds based on market conditions as of 1:00 p.m. CST January 2, 2012, assuming a 10 year par call. For purposes of this exercise, assume a \$250 million, 20-year, fixed-rate State of Texas General Obligation tax-exempt transaction with the closing date of January 29, 2012, and a principal payment date of October 1. The response should include the following:
 - a. Sources and uses of funds summary
 - b. gross spread
 - c. coupons and reoffering yields for each maturity
 - d. true interest cost percentage
 - e. takedowns for each maturity
 - f. underwriter's counsel fee
 - g. management/structuring fee (if any)
 - h. underwriting fee
 - i. underwriting expenses
 11. Fixed-Rate Taxable Costs. Using the information provided in Question 10, please provide a response for a taxable transaction.
 12. Variable-Rate Costs. Please provide a proposed gross spread for daily and weekly VRDBs, proposed remarketing fee and any other costs that are expected to be incurred if your firm is selected as a remarketing agent. For costs other than the remarketing fee, please include "not-to-exceed" amounts.
 13. Describe the firm's ability to market short-term or variable rate products, including commercial paper, VRDBs, including a description of the team that would be involved in tax exempt and taxable commercial paper, VRDB programs for the Authority, if different from the team supporting long-term fixed rate transactions.
 14. Identify and explain any minimum credit requirements (i.e., underlying ratings) your firm would require if it were to be selected as a CP dealer or remarketing agent.
 15. Describe your firm's experience in the issuance of fixed rate bonds during the period from January 1, 2011 to December 31, 2011, as book-running senior manager of negotiated, natural fixed rate, transactions. Provide the following information in spreadsheet format with the following column headings from left to right: name of the issuer, par amount, and closing date. Please do not include transactions for which your firm served as financial advisor, co-manager or selling group member.
 16. List transactions in excess of \$100,000,000 where your firm has served as a remarketing agent for Variable Rate Demand Obligations since December 31, 2010. Provide the following information in spreadsheet format with the following column headings from left to right: name of the issuer/beneficiary, State, authorized program amount, current amount outstanding, and type of program (daily or weekly). If your firm has been terminated in the past year as remarketing agent please explain the circumstances. Indicate, on a monthly basis, the par amount of Variable Rate

Demand Bond inventory your firm has carried since January 1, 2011. For the issues included above, please summarize these transactions in Section IV of Exhibit C.

SUBMISSION REQUIREMENTS

- Responses are due in hard copy no later than 5:00 p.m. CST, March 20, 2012, at the offices of TPFA. Please mail or deliver one unbound original with original signature and 7 bound, printed hard copies, and one electronic copy on compact disk in Microsoft Office Word format for text with an Excel spreadsheet (9 copies total) to:

Susan K. Durso, Interim Executive Director
Texas Public Finance Authority
Physical Address: 300 West 15th Street, Suite 411, Austin, Texas 78701 or
Mailing Address: P.O. Box 12906, Austin, Texas 78711-2047

- In addition to the hard copies, please email the entire response in PDF format to: RFP@tpfa.state.tx.us, by 5:00 p.m. CST, March 20, 2012. NOTE: the address is RFP@tpfa.state.tx.us NOT "RFI."

Please do not submit hard copies via fax or in 3 ring binders.

Only the hard copy responses delivered to the physical address above will be considered for determining compliance with the delivery deadline. Responses received in TPFA's office after 5:00 p.m. CST, March 20, 2012, will not be considered in any manner. TPFA is not responsible to failure of any selected delivery method to timely reach TPFA offices by the due date and time.

- The submitted response must be signed by a duly authorized representative of the firm. An unsigned response will not be accepted. At least one hard copy of the submitted response must have the required transmittal letter with the original signature of a duly authorized representative of the firm. This copy should be clearly marked or differentiated from the other required copies of the response by a notation in the lower left corner of the cover with the words "**Signed Original.**"
- The Authority has the sole discretion and reserves the right to waive minor technicalities, or to reject any and all responses and to cancel the RFI if it is deemed in the best interest of the Authority or the State to do so.
- **Respondents must not contact or communicate with any members of the Authority, key staff and our consultants regarding this RFI until the selection process is completed.**

QUESTIONS

Questions should be submitted, in writing, no later than 5:00 p.m. CST on March 9, 2012. Questions sent via e-mail should be sent to: RFP@tpfa.state.tx.us with a copy to Paula Hatfield, paula.hatfield@tpfa.state.tx.us, or by fax, (512) 463-5501.

The Authority will post the responses to all questions received by 5:00 p.m. CST, March 9, 2012, on its website at <http://www.tpfa.state.tx.us>/RFPs no later than 5:00 p.m. on March 12, 2012. Questions received

after March 9th may not be answered.

BASIS OF SELECTION

A team comprised of key staff of the Authority will evaluate qualifications and make recommendations to the Board for selection. The Board will make its selection in an open meeting.

The Board will base its selection(s) on:

1. Relevant experience, qualifications, and success in providing the services outlined in this RFI;
2. Financial stability and strength;
3. The quality of the information provided regarding the requirements of this RFI;
4. Any other factors relevant to the firm's capacity and ability to meet the Authority's and the State's needs.

The Board reserves the right to consider and approve retaining successor firms due to mergers or acquisitions of firms selected for the Board's underwriting team. The Board reserves the right to assemble teams and assign roles as it deems appropriate. Staff reserves the right to request a change in the professionals assigned to our account at any time.

COSTS INCURRED IN RESPONDING

All costs directly or indirectly related to preparation of a response to this RFI or any oral presentation required to supplement and/or clarify the RFI, which may be required by the Authority, shall be the sole responsibility of, and shall be borne by, your firm.

RELEASE OF INFORMATION AND OPEN RECORDS

All responses shall be deemed, once submitted, to be the property of the Authority. Information submitted in response to this RFI shall not be released to the public by the Authority during the evaluation process or prior to Board's contract award. After the evaluation process is completed by the Board's award of a contract, responses and the information included therein may be subject to public disclosure under the Public Information Act, Texas Government Code, Ch. 552 (PIA). All respondents have the right to assert the confidentiality of financial and trade information. Any information considered by your firm to be confidential under the PIA must be clearly marked in all capitals and in bold only on each page where it appears:

“CONFIDENTIAL PURSUANT TO [RESPONDENT MUST INCLUDE CITATION TO THE RELEVANT EXCEPTION TO DISCLOSURE UNDER THE PIA].”

The Authority is not responsible for the release of confidential information after the award of a contract pursuant to this RFI if the document is not clearly marked as required. If a request for disclosure of a response is made for information marked confidential in accordance with this section, the Authority will notify the Respondent and give it an opportunity to present its argument and evidence for protection from

disclosure to the Office of the Attorney General, in accordance with the provisions of the PIA.

CONFIDENTIALITY OF AUTHORITY INFORMATION AND DATA

All financial, statistical, personal, technical and other data and information relating to Authority operations that are designated confidential by the Authority and made available to the underwriter in order to carry out a contract executed as a result of this RFI, or which becomes available to the underwriter in carrying out such a contract, shall be protected by the underwriter from unauthorized use and disclosure through the observance of effective procedural requirements. Underwriter shall not be required to keep confidential any data or information, which is or becomes publicly available, is already rightfully in the underwriter's possession, is independently developed by the underwriter outside the scope of a contract, or is rightfully obtained from third parties.

Additionally, under no circumstances is the underwriter to discuss and/or release information to the media without prior express written approval of the Interim Executive Director of the Authority or her designee.