Only firms which have been prequalified by the Office of Financial Management to provide underwriting services for FY 2012 and FY 2013 to the Kentucky Housing Corporation may submit a response to this Request for Proposals.

July 12, 2012

Request for Proposals (RFP) to Serve as Senior Managing Underwriter to the Kentucky Housing Corporation for Fiscal Year 2013

The Office of Financial Management ("OFM") of the Finance and Administration Cabinet of the Commonwealth of Kentucky, on behalf of the Kentucky Housing Corporation ("KHC" or the "Corporation") is inviting proposals from prequalified firms to provide professional services of senior managing underwriter to the Corporation. Pursuant to KRS 45A.850, the Corporation seeks to hire one (1) senior managing underwriting firm to complete financings for single-family program notes and bonds issued under the Corporation's Housing Revenue Bond Indenture (the "Indenture" or the "General Bond Resolution" or "GBR") or under potentially newly created indentures. The engagement period will be for the fiscal year beginning July 1, 2012 through June 30, 2013 ("FY 2013"), with an option to renew on the same terms and conditions for one additional fiscal year. This engagement does not include bonds issued (outside the General Bond Resolution or newly created indentures) on a conduit basis for selected multi-family projects.

KHC's mission is to promote, develop and provide a wide range of housing opportunities to assist low and moderate income individuals and families in obtaining decent, affordable housing. A key component in carrying out this vital mission is the continued ability of the Corporation to obtain favorable financing terms to fund its housing programs. For the Corporation to continue to support its programs and maintain its financial strength, KHC requires the professional services of senior managing underwriter on an ongoing basis.

The Indenture is rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. However, the current bond market makes the prospect of being able to issue tax-exempt debt and offer mortgages at competitive rates challenging. As such, the Corporation expects opportunities to issue bonds, under the Indenture, to be limited and does not expect to issue more than $100 million in one or more transactions, exclusive of economic refunding opportunities. The single-family bond issues will provide continued funding for the Corporation's Homeownership Program and will likely involve new money, replacement refunding and possibly economic refunding of select bonds. The Corporation may consider the creation of new indentures to further its mission.

Financial information regarding the Corporation and its programs, including the Annual Financial Report and Secondary Market Disclosure, is available at the Corporation's web site, www.kyhousing.org. Official Statements for recent transactions may be found at www.MuniOS.com or at www.emma.msrb.org.

The financing objectives of the Corporation and OFM in the selection of the senior managing underwriter are:

1. Develop financing plans to optimize bonding, and other funding mechanisms to provide for uninterrupted Homeownership Program funding;

2. Minimize issuance costs and program expenses;

3. Maintain the AAA/Aaa ratings on the Corporation's Housing Revenue Bonds;

4. Minimize interest costs and resulting mortgage rates throughout the life of the financing;

5. Continue availability of consulting and special services during the contract period to meet the Corporation's objectives.

All bond transactions undertaken during the contract period will be under the direction of the Corporation with OFM as financial advisor to the Corporation. All issuances are subject to approval by the Corporation's Board of Directors, the Office of Financial Management, the State Property and Buildings Commission and the Capital Projects and Bond Oversight Committee of the Legislative Research Commission of the Kentucky General Assembly.

Description of Services Sought

The firm engaged to perform senior managing underwriting services will be working with the Corporation, OFM, bond counsel and a cash flow advisor. The engagement will include services for all of the assigned transactions of the Corporation for FY 2013. The engagement will not include services for remarketing of any convertible option bonds or other short-term notes and fixed rate note issues beyond June 30, 2013. The engagement may be extended, on the same terms and conditions, for one additional fiscal year at the discretion of KHC and OFM.

The firms selected to perform these services for KHC will be responsible for services customarily performed by underwriters including, but not limited to: structuring the issue(s); providing debt management and marketing advice; posting the preliminary (POS) and final official statements (OS) on the MSRB's EMMA web site; coordinating the sale and closing of the securities, including any escrow securities, with the trustee and the Corporation; and serving as a point of contact with the rating agencies and any credit enhancers.

KHC acknowledges that the selected firm for this engagement will not be acting as a municipal advisor, financial advisor or fiduciary to KHC or OFM and that the selected firm will be acting solely as a principal in a commercial arm's length transaction. In addition, this engagement will be neither an expressed nor an implied commitment by the selected firm to purchase or place any securities in connection with any such transaction, which commitment shall only be set forth in a separate underwriting, placement agency or other applicable type of agreement.

Fees and Expenses

Final management fees and total expense limits will be established prior to the respective financings pursuant to KRS 45A.857(4)(a). A maximum not-to-exceed management fee and expense proposal (excluding underwriter's counsel) must be identified and included in your response to this RFP. The fee proposals submitted shall be the upper limit of any negotiations concerning fees. Takedown will be determined during the pre-pricing phase of each transaction.

The senior managing underwriter firm will engage their own underwriter's counsel and will be reimbursed by the Corporation within the expense component for each transaction in accordance with the provisions of 200 KAR 21:050. Fees paid for underwriter's counsel in connection with the replacement of liquidity providers will be based on fees paid to bond counsel.

Fees for the senior managing underwriter services are considered as part of the overall financing plan and are not weighted separately for calculating each firm's score. Any fees incurred will be payable only upon successful closing of an issue(s).

Required Components of Proposal

Each response to the RFP must include and address the following items. Failure to comply with the requirements of the RFP will result in the firm's response not being evaluated by the Selection Committee. (See Selection and Notification.)

I. Disclosure

A. Certify that there has been no material change to any of the statements and certifications made by the firm in its response to the Request for Qualifications, Section II, Disclosure, issued by OFM on January 25, 2011. In the event there has been a material change, please specify the nature of the change and the impact of the change on the firm and its ability to provide the desired services.

B. Detail any criminal investigation, indictment, prosecution or other proceeding that has ever been brought against your firm (provide attachment if necessary). Also, describe any civil litigation pending or concluded within the last three years against your firm that would impair the firm's ability to provide the requested services (provide attachments if necessary). Also, describe the nature of any conflicts of interest that you believe may exist or arise.

C. Disclose any potential conflicts of interest with representing the Commonwealth in this matter, including any potential conflicts of interest of employees assigned to this project and potential conflicts with any of the Corporation's members. The Commonwealth reserves the unqualified right to disqualify an entity or cancel any contract for any potential conflict of interest issues raised initially and/or during the life of any contract awarded.

II. Qualifications

A. Relevant Experience of the Firm (20%)

1. Discuss your firm's commitment to municipal finance generally and to housing finance, specifically.

2. Provide a discussion of relevant and recent managing underwriting experience of the firm in the single-family area of mortgage revenue bond financing. Demonstrate a nationally recognized reputation for excellence and leadership in municipal finance and an organization characterized by stability and longevity within the mortgage revenue bond area. Provide specific examples in each category below for single-family transactions for which the firm has served as managing underwriter:

- Post-1988 "qualified mortgage bonds," both new money and replacement refundings, issued under a general resolution;

- Refinancing of unhedged variable rate obligations and/or synthetic fixed rate obligations.

- Economic refunding through the issuance of a blend of taxable and/or tax-exempt bonds.

- Experience in other areas of mortgage funding outside of the issuance of debt.

3. Provide a statement as to the availability and willingness of the firm to perform consultation and planning services during the contract period which may not be directly related to the debt issuance process.

4. Indicate your firm's willingness to coordinate bond structuring and cash flow analysis functions with the Corporation's quantitative consultant, and potentially an interest rate swap advisory firm. The quantitative consultant provides new issue structuring analysis, consolidated cash flows for the rating agencies, annual cash flow certificates, yield and arbitrage calculations and other similar services.

B. Relevant Experience and Qualifications of the Representatives of the Firm (20%)

1. Provide a discussion of the experience, qualifications and availability of the firm's representatives who would work on the Corporation's issues. Provide the names and resumes of all individuals who would be assigned to work with the Corporation and identify the lead banker. The Corporation expects the lead banker to be actively involved in all aspects of the selected financing. Discuss the availability of and the Corporation's access to the lead banker. Please note that any changes made to the representatives which service the Corporation must be approved by the Corporation and OFM.

2. Provide specific references for the firm and lead banker's experience with similar issuers. Include names, addresses and telephone numbers.

C. Financial and Program Issues (30%)

1. Financing Plan

State housing finance agencies continue to withstand difficult financial and program challenges. Interest rate compression and market dislocation strain state housing finance agencies competitive advantage. Under current market conditions, it is difficult for the Corporation to successfully issue tax-exempt bonds to fund mortgage loans in a profitable manner that ensures the future sustainability of the Homeownership program.

As such, the Corporation is interested in exploring new opportunities to continue to fund single-family mortgage loans for first time homebuyers and expand its market population through other funding mechanisms such as the secondary market To Be Announced ("TBA") program.

Please provide a discussion of specific ideas and services your firm has to address these issues. Please cite cases where your recommendations were implemented by other housing finance agencies and the corresponding results. Finally, identify and describe the best industry practices that have assisted state housing finance agencies in overcoming this difficult economic environment.

The Corporation is considering the expansion of its multifamily finance program through the issuance of debt through the Housing Revenue Bond ("HRB") indenture or a new indenture. Please provide a discussion of your firm's involvement in the area of multi-family finance and alternatives that the Corporation may wish to consider.

2. Fee Structure

The first fee quote requested is equivalent to the management fee plus certain identified expenses assuming two (2) $50 million single-family transactions. The transactions will be comprised of one or more series issued as fixed-rate bonds (tax-exempt and taxable). Your fee should contemplate assisting the Corporation with a potential refunding of interest rate swaps associated with a portion of the Corporation's outstanding variable rate debt. Interest rate swaps may be terminated upon a negotiated or a competitive bid basis and may include an interest rate swap advisor firm at the sole discretion of the Corporation. Also, please separately identify any proposed remarketing fees for variable rate demand obligations (daily, weekly or other) and volume capabilities should the Corporation seek to alter its existing portfolio of remarketing agents. These fee quotes are in addition to the requested management fee and expense component.

The second fee quote requested is equivalent to the management fee plus certain identified expenses assuming five (5) $10 million multi-family transactions (under a newly created indenture).

The amounts proposed shall be used for evaluation purposes by the Selection Committee and shall serve as the maximum limit on any associated financing completed during the contract period. Actual management fees, expenses and takedown will be negotiated prior to the execution of each financing during the contract period within the limitations established in your response. Fees and expenses will be paid only upon completion and closing of bond issues.

<u>Provide a fee proposal on a per $1,000 bond basis for each category inclusive of management fee (paid to the senior manager only) and all expenses which shall include, but not be limited to, day loan, Dalcomp, Dalnet, clearance, CUSIP, DTC, PSA, copying, faxing, mailing, telephone, travel and other out-of-pocket expenses, as applicable. Provide an itemization of the components of the total per $1,000 bond fee proposal.</u>

Do <u>not</u> include expense components for underwriter's counsel or cash flow analysis. Underwriter's counsel fees will be determined after bond counsel has been selected pursuant to 200 KAR 21:050. The Corporation contracts for quantitative services independent from the procurement of services of senior managing underwriter.

D. Marketing and Distribution (30%)

Please discuss the current and expected future purchasers of tax-exempt, taxable and AMT housing bonds. Provide an analysis of the existing holders of the Corporation's obligations. Discuss your firm's expertise and ability to effectively distribute the Corporation's bonds that are expected to achieve the lowest interest cost, without the assumption of additional risk by the Corporation. Discuss your firm's recommended takedown schedule and designation policies for the Corporation's bond issuances under both the GBR and a newly created indenture. You should assume that the Kentucky Local Co-Managers will participate in any single-family transaction under the GBR.

Please discuss the fair and equitable treatment of syndicate members and investors, both retail and institutional.

Reservation of Rights

The Corporation and OFM reserve the right to:

1. Review and approve any change in staff members significantly involved in any financing during the contract period, and discharge the firm promptly if such personnel changes do not meet the needs of the Corporation.

2. Reject any and all proposals with cause, including the failure to disclose material information.

3. Reject all proposals and seek new proposals when such procedure is reasonably in the best interest of the Corporation.

4. Make investigations regarding qualifications of any or all respondents as the Selection Committee deems necessary.

5. Request and receive such additional information as the Selection Committee may reasonably require. Failure to comply with such a request will result in disqualification.

6. Waive minor irregularities in the RFP process.

7. Make all submitted proposals and any attached materials available for Open Records requests pursuant to KRS 61.870.

Liability

The Corporation and OFM shall not be liable for:

1. Any costs incurred in the preparation and submission of any proposal.

2. Any costs incurred in connection with any interview or negotiation relating to this RFP (i.e. travel, accommodations, etc.).

3. Any disclosure, whether by negligence or otherwise, of any material or information in any form submitted in response to this RFP.

Questions

All questions concerning this RFP must be submitted by email or in writing to the address below no later than 12:00 noon EDT on Monday, July 23, 2012. Any questions submitted, and answers, may be distributed to all prequalified firms at the discretion of the Chairperson of the Selection Committee. Please note that questions submitted after the deadline will not receive a response.

Submission of Proposals

Six (6) copies of each proposal, an electronic copy, and all related materials must be received no later than 2:00 p.m. EDT on Thursday, August 9, 2012 at the following address:

Office of Financial Management
Kentucky Housing Corporation
Selection Committee Chair
Senior Managing Underwriter FY 2013 RFP
702 Capitol Avenue, Suite 76
Frankfort, Kentucky 40601-3453
Phone: (502) 564-2924 Fax: (502) 564-7416
Marcia.Adams@ky.gov

Note: Proposals received after the stated deadline will NOT be accepted. It is NOT the responsibility of courier services to meet the deadline; it is the responsibility of the proposer. Facsimile copies and electronic transmissions will NOT be accepted for submission of proposals; however, one electronic copy must be received by the stated deadline in addition to the hard copy submittal for the submittal package to be considered complete.

Selection and Notification

The Selection Committee, established pursuant to KRS 45A.843, is composed of two employees from the Corporation (voting), three employees from OFM (voting), and one merit employee from the Auditor of Public Accounts (nonvoting). A majority of the voting members must be merit employees of the Commonwealth. Proposals will be evaluated by all voting members pursuant to the evaluation criteria outlined on Attachment A. The Selection Committee will determine whether to hold interviews with proposing firms. The Selection Committee will make a recommendation for selection pursuant to KRS 45A.840 to 45A.879, and KRS 45A.490 to 45A.494. The scoring of proposals is subject to reciprocal preference for a Kentucky resident bidder and preference for a Qualified Bidder. (See Attachment C for enacted KRS 45A.490 to 45A.494 "Kentucky Preference Laws".)

The Kentucky Revised Statutes and the Kentucky Administrative Regulations referenced in the RFP may be found at http://www.lrc.ky.gov/law.htm

Contact with Selection Committee Members

Please note that any contact made by the firm with any member of the Selection Committee, from the date of issuance of the RFP until an award of contract, is required to be disclosed by such Committee member to the entire Committee and will become a part of the permanent file for this selection process which is subject to "open records requests" pursuant to Kentucky Open Records laws.

The Office of Financial Management respectfully solicits the submission of a proposal by your firm.

Attachment A: Evaluation Criteria
Attachment B: Evaluation Form
Attachment C: Kentucky Preference Laws (KRS 45A.490-494)

ATTACHMENT A

EVALUATION CRITERIA
Kentucky Housing Corporation Request for Proposals
Senior Managing Underwriter
FY 2013

	Evaluation Criteria	Weight
1.	Relevant Experience of the Firm	20%
2.	Relevant Experience and Qualifications of the Firm's Representatives	20%
3.	Financial and Program Issues Financing Plan and Fee Structure	30%
4.	Marketing and Distribution	30%
	Total	100%

ATTACHMENT B

EVALUATION FORM
Kentucky Housing Corporation Request for Proposals
Senior Managing Underwriter FY 2013

FIRM: _____

REVIEWER: _____

DISCLOSURE: _____Yes _____No

1. RELEVANT FIRM EXPERIENCE - (Qualifications, recent similar transactions, firm organization and willingness to coordinate with the quantitative consultant)
   Score (20 points possible): _____

Notes: _____
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2. RELEVANT EXPERIENCE AND QUALIFICATIONS OF FIRM REPRESENTATIVES - (Number of staff available, background, individual experience on similar transactions, identification of lead banker, relevance of lead banker's experience, availability of staff, specific firm and lead banker references)
   Score (20 points possible): _____

Notes: _____
_____
_____

3. FINANCIAL AND PROGRAM ISSUES – (Discussion of financing plan, alternatives and fee proposal) Score (30 points possible): _____

Notes: _____
_____
_____

4. MARKETING AND DISTRIBUTION CAPABILITIES OF THE FIRM -
   (Depth and quality of discussion regarding the demand for and market performance of the Corporation's bonds, evaluation of the distribution capabilities of the firm)
   Score (30 points possible): _____

Notes: _____
_____
_____

Total Score: _____

ATTACHMENT C

Kentucky Preference Laws (KRS 45A.490-494)

The scoring of bids/proposals is subject to Reciprocal preference for Kentucky resident bidders and Preferences for a Qualified Bidder. *Vendors not claiming resident bidder or qualified bidder status need not submit the corresponding affidavit.

Reciprocal preference for Kentucky resident bidders

KRS 45A.490 Definitions for KRS 45A.490 to 45A.494.

As used in KRS 45A.490 to 45A.494:
(1) "Contract" means any agreement of a public agency, including grants and orders, for the purchase or disposal of supplies, services, construction, or any other item; and
(2) "Public agency" has the same meaning as in KRS 61.805.

KRS 45A.492 Legislative declarations.

The General Assembly declares:

(1) A public purpose of the Commonwealth is served by providing preference to Kentucky residents in contracts by public agencies; and
(2) Providing preference to Kentucky residents equalizes the competition with other states that provide preference to their residents.

KRS 45A.494 Reciprocal preference to be given by public agencies to resident bidders -- List of states -- Administrative regulations.

(1) Prior to a contract being awarded to the lowest responsible and responsive bidder on a contract by a public agency, a resident bidder of the Commonwealth shall be given a preference against a nonresident bidder registered in any state that gives or requires a preference to bidders from that state. The preference shall be equal to the preference given or required by the state of the nonresident bidder.
(2) A resident bidder is an individual, partnership, association, corporation, or other business entity that, on the date the contract is first advertised or announced as available for bidding:
(a) Is authorized to transact business in the Commonwealth; and
(b) Has for one (1) year prior to and through the date of the advertisement, filed Kentucky corporate income taxes, made payments to the Kentucky unemployment insurance fund established in KRS 341.490, and maintained a Kentucky workers' compensation policy in effect.
(3) A nonresident bidder is an individual, partnership, association, corporation, or other business entity that does not meet the requirements of subsection (2) of this section.
(4) If a procurement determination results in a tie between a resident bidder and a nonresident bidder, preference shall be given to the resident bidder.
(5) This section shall apply to all contracts funded or controlled in whole or in part by a public agency.
(6) The Finance and Administration Cabinet shall maintain a list of states that give to or require a preference for their own resident bidders, including details of the preference given to such bidders, to be used by public agencies in determining resident bidder preferences. The cabinet shall also promulgate

administrative regulations in accordance with KRS Chapter 13A establishing the procedure by which the preferences required by this section shall be given.
(7) The preference for resident bidders shall not be given if the preference conflicts with federal law.
(8) Any public agency soliciting or advertising for bids for contracts shall make KRS 45A.490 to 45A.494 part of the solicitation or advertisement for bids.

The reciprocal preference as described in KRS 45A.490-494 above shall be applied in accordance with 200 KAR 5:400.

Determining the residency of a bidder for purposes of applying a reciprocal preference

Any individual, partnership, association, corporation, or other business entity claiming resident bidder status shall submit along with its response the attached Required Affidavit for Bidders, Offerors, and Contractors Claiming Resident Bidder Status. The BIDDING AGENCY reserves the right to request documentation supporting a bidder's claim of resident bidder status. Failure to provide such documentation upon request shall result in disqualification of the bidder or contract termination.

A nonresident bidder shall submit, along with its response, its certificate of authority to transact business in the Commonwealth as filed with the Commonwealth of Kentucky, Secretary of State. The location of the principal office identified therein shall be deemed the state of residency for that bidder. If the bidder is not required by law to obtain said certificate, the state of residency for that bidder shall be deemed to be that which is identified in its mailing address as provided in its bid.

REQUIRED AFFIDAVIT FOR BIDDERS, OFFERORS AND CONTRACTORS CLAIMING RESIDENT BIDDER STATUS

FOR BIDS AND CONTRACTS IN GENERAL:
The bidder or offeror hereby swears and affirms under penalty of perjury that, in accordance with KRS 45A.494(2), the entity bidding is an individual, partnership, association, corporation, or other business entity that, on the date the contract is first advertised or announced as available for bidding:

1. Is authorized to transact business in the Commonwealth;
2. Has for one year prior to and through the date of advertisement
    a. Filed Kentucky income taxes;
    b. Made payments to the Kentucky unemployment insurance fund established in KRS 341.49; and
    c. Maintained a Kentucky workers' compensation policy in effect.

The BIDDING AGENCY reserves the right to request documentation supporting a bidder's claim of resident bidder status. Failure to provide such documentation upon request shall result in disqualification of the bidder or contract termination.

_____ _____
Signature Printed Name

_____ _____
Title Date

Company Name _____

Address _____

_____

_____

Subscribed and sworn to before me by _____ _____
(Affiant) (Title)

of _____ this _____day of _____, 20___.
(Company Name)

_____
Notary Public

[seal of notary] My commission expires: _____