

NOTE: Only firms which have been pre-qualified by the Office of Financial Management (“OFM”) to provide local co-managing underwriting services for state bond issuing agencies for Fiscal Year 2014 and 2015 may respond to this request for proposal.

May 1, 2013

Re: Request for Proposals (“RFP”) to Serve as Local Co-Managing Underwriter for State Bond Issuing Agencies for Fiscal Year 2014

The Office of Financial Management (“OFM”) of the Finance and Administration Cabinet of the Commonwealth of Kentucky, on behalf of all bond issuing agencies of the Commonwealth, is inviting proposals from prequalified firms to provide local co-managing underwriting services for negotiated debt issuances during the fiscal year beginning July 1, 2013 and ending June 30, 2014.

All responding pre-qualified firms which have not experienced a material change in their responses to the Request for Qualifications dated January 28, 2013 will become a local co-managing underwriter for the designated period. Firms will be ranked based upon their response to this RFP. *The number of local co-managing firms used in a particular negotiated bond transaction will be determined by OFM based upon expected size of the transaction and retail demand. The number of participants and participation levels will be based upon the rank order established by this RFP.* OFM reserves the right to extend the engagement and corresponding rankings for one additional fiscal year through June 30, 2015.

The state bond issuing agencies for which local co-managing underwriting services are most likely to be required include the following:

- < Kentucky Asset/Liability Commission (“ALCo”)
- < Kentucky Housing Corporation (“KHC”)
- < Kentucky Infrastructure Authority (“KIA”)
- < State Property and Buildings Commission (“SPBC”)
- < Turnpike Authority of Kentucky (“TAK”)
- < Kentucky Public Transportation Infrastructure Authority (“KPTIA”)

Description of Services Sought

The firms engaged to provide local co-managing underwriting services for the agencies will work under the direction of OFM and the senior managing underwriting firm. Duties include, but are not limited to, providing structuring and marketing advice to OFM and the managing underwriter(s); accepting liability for a portion of the bonds being offered; providing ongoing market information to OFM throughout the bond pricing process; and providing OFM with post-sale information for each transaction as appropriate.

Additionally, the top three ranked local co-managing firms may be considered to provide senior managing underwriting services for transactions less than \$60 million that are expected to be dominated by Kentucky retail demand and that would have limited, if any, institutional interest. Any consideration of the top three ranked firms will be based upon the

size of the transaction and the ability of the local co-managing underwriter to commit sufficient capital to underwrite the proposed transaction. It is OFM's intent to rotate in rank order among the top three firms, assuming there is sufficient capital that can be committed to the proposed transaction by the firm(s). It is anticipated that the remaining Kentucky co-managers will be part of any underwriting syndicate, again based upon expected deal size and retail demand. ***There is absolutely no guarantee that any such transaction will be either contemplated or executed during the contract period.***

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/Certification Forms, issued by OFM on January 28, 2013. 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, administrative action or other proceeding that has been brought against your firm by a governing regulatory body (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 series. (Provide attachments if necessary.)
- C. The firm must disclose any potential conflicts of interest that they believe may exist or may reasonably arise. The Commonwealth reserves the unqualified right to disqualify an entity or cancel any contract for any potential conflict of interest issues raised either initially and/or during the life of any contract awarded.

II. Qualifications - Description of Skills Required to Perform the Services

1. Relevant Qualifications of the Firm and the Representatives of the Firm

- A. Provide the names and a brief resume for underwriting and public finance professionals that would be assigned to work with the state bond issuing agencies and OFM. Identify your firm's principal

contact for co-managing underwriting services as well as the name of the primary and back-up individual(s).

- B. Please provide evidence of your firm's current net capital position and the regulatory limits applicable to the underwriting and trading of municipal bonds. Also, state any firm imposed underwriting and trading limits that are more restrictive than the regulatory limits identified above, especially the amount of liability the firm is willing to accept in a state Agency Restricted Fund, General Fund, or Road Fund supported underwriting.
- C. Can the Kentucky office commit capital to an underwriting, independent of another office? If so, please describe the experience and references of the individuals in the Kentucky office responsible for trading and underwriting bonds, if not described in Item A above.
- D. Does your firm or any of its affiliates manage funds or accounts which may potentially preclude your participation in an underwriting syndicate? If so, please describe the circumstances and potential impact on retail and institutional orders as well as any remedies, if any.

2. Marketing

- A. Describe the emphasis your firm places on selling Kentucky bonds to retail buyers in the Commonwealth and any unique capabilities your firm possesses that can contribute to the successful marketing of the Commonwealth's securities, including your ability to underwrite securities as a senior underwriting manager if so engaged under the provisions of this RFP.
- B. How many registered sales representatives does your firm currently employ in Kentucky? How many sales representatives does your firm dedicate to covering Kentucky based accounts?
- C. How many new issue state bonds has your firm sold to Kentucky retail accounts since January 1, 2012? Please assess your firm's overall performance in state transactions for both retail and institutional sales since January 2012.
- D. How many Kentucky municipal bonds did your firm trade in the secondary market for the Calendar Year 2012? Please detail what portion were retail trades.
- E. Discuss your expectations for your firm's retail production if included in: a.) one \$200 million General Fund supported 20-year tax-exempt SPBC transaction, b.) one \$200 million 20-year tax-exempt TAK transaction, and c.) two \$50 million non-AMT KHC bond issues under current market conditions

- F. Please discuss the long standing definition of Kentucky Retail that the State has used. Should there be changes to the definition? If so, what would you propose? What measures can reasonably be taken to enforce the existing or proposed rule changes such to limit the circumstance where bonds are reoffered at above list prices to the street, including both retail and institutional buyers who were shut out during the order period?

3. Competitive Underwriting

Please list below the number and dollar volume of Kentucky bonds that your firm bid and underwrote on a competitive basis in Calendar Year 2012. If acting as a co-manager in the winning account, please identify your proportionate share of the liability and dollar amount in the purchase column.

Description	Number of Issues Bid/Won	Total Dollar Deals Bid	Total Dollar Amount Purchased
School Bonds*	_____	_____	_____
GO Bonds	_____	_____	_____
Utility Issues	_____	_____	_____
Public Property Bonds	_____	_____	_____
Hospital Bonds	_____	_____	_____
University Bonds	_____	_____	_____
Non BQ Bonds	_____	_____	_____
Other	_____	_____	_____
TOTAL	_____	_____	_____

*Certify that the number of new Kentucky school bonds cited above represents at least twenty percent (32 competitive deals) of the total issued in Calendar Year 2012 pursuant to 200 KAR 21:010.

Reservation of Rights

OFM reserves 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 OFM and the Commonwealth.
2. Reject any and all proposals with cause.
3. Waive minor irregularities in all procedures relative to this RFP.
4. Reject all proposals and seek new proposals when such procedure is reasonably in the best interest of the bond issuing agencies and the Commonwealth.
5. Make investigations regarding qualifications of any or all respondents as the Selection Committee deems necessary.

6. Request and receive such additional information as the Selection Committee may reasonably require. Failure to comply with such a request will result in disqualification.
7. Make all submitted proposals and any attached materials available for Open Records requests pursuant to KRS 61.870.

Liability

The Commonwealth and OFM shall not be liable for:

1. Any costs incurred in the preparation or 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.

Submission of Proposals

Six (6) copies of each proposal, and all related materials, must be received no later than **4:00 p.m., ET on Friday, May 31, 2013** at the following address:

Selection Committee Chairperson
Local Co-Managing Underwriter RFP
Office of Financial Management
702 Capitol Avenue, Suite 76
Frankfort, Kentucky 40601
Phone: (502) 564-2924
Fax: (502) 564-7416
E-mail: 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.

Questions

All questions concerning this RFP must be submitted by facsimile, e-mail or writing to the above address by **12:00 Noon, ET, on Friday, May 17, 2013**. Any questions submitted, and applicable 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.

Selection and Notification

The Selection Committee is composed of five staff members of OFM (voting) and one merit employee of the State Auditor of Public Accounts (nonvoting). All voting members of the Selection Committee will review all proposals submitted. Proposals will be evaluated 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.870, KRS 45A.877 to 45A.879, and KRS 45A.490 to 45A.494.

Local Co-Managing Underwriter RFP

It is the intent of OFM to establish the priority of firms to be selected for each bond issuance pursuant to the final rankings of the Selection Committee. All timely responses will be eligible to serve as local co-managing underwriters for bond issues of state bond issuing agencies for the period July 1, 2013 through June 30, 2014. OFM reserves the right to extend the engagement and the applicable ranking through June 30, 2015.

Pursuant to KRS 45A.850(4), “The executive director (OFM) shall recommend to the Secretary of the Finance and Administration Cabinet the number of national and Kentucky co-managing underwriters, if any, to be utilized on each bond issuance. The executive director shall consider the following issues when making the recommendations: (a) principal amount of bonds being issued; (b) structure of the bond issue; and (c) composition of expected buyers of the bonds.”

Please refer to <http://www.lrc.ky.gov/statrev/frontpg.htm> to view the Kentucky Revised Statutes cited in this RFP. This RFP is also available on OFM’s website, <http://finance.ky.gov/services/ofm/Pages/default.aspx>.

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 a 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 A**EVALUATION CRITERIA
LOCAL CO-MANAGING UNDERWRITER REQUEST FOR PROPOSALS
FISCAL YEAR ENDING JUNE 30, 2014**

	<u>Evaluation Criteria</u>	<u>Weight</u>
1.	Relevant Qualifications of the Firm and the Firm's Representatives	35%
2.	Marketing Capabilities to Kentucky Retail Investors	35%
3.	Competitive Underwriting	<u>30%</u>
	Total	100%

ATTACHMENT B

EVALUATION FORM

LOCAL CO-MANAGING UNDERWRITER REQUEST FOR PROPOSALS

FOR FISCAL YEAR ENDING JUNE 30, 2014

FIRM: _____

REVIEWER: _____

DISCLOSURE STATEMENT: _____ YES _____ NO

- 1. RELEVANT QUALIFICATIONS OF FIRM'S REPRESENTATIVES** - (Number of staff available, background, individual experience on similar transactions, identification of principal contact, net capital and underwriting limits, specific firm references, etc.) with a total of 35 points available.

Score (1...35) _____

Notes: _____

- 2. MARKETING** - (Depth and quality of information, relative emphasis on Kentucky municipal bonds) with a total of 35 points available.

Score (1...35) _____

Notes: _____

- 3. COMPETITIVE UNDERWRITING** - (Number, bid, size and amount purchased) with a total of 30 points available.

Score (1...30) _____

Notes: _____

Total Score: _____

Rank: _____