

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 2016 and 2017 may respond to this request for proposal.

July 2, 2015

Request for Proposals (“RFP”) to Serve as Local Co-Managing Underwriter for State Bond Issuing Agencies During Fiscal Year 2016

The Office of Financial Management (“OFM”) of the Finance and Administration Cabinet of the Commonwealth of Kentucky (the “Cabinet”), on behalf of all bond issuing agencies of the Commonwealth, is requesting proposals from prequalified firms to provide local co-managing underwriting services for negotiated debt issuances from the date of the acceptance through June 30, 2016.

All timely respondents which have not experienced a material change in their responses to the Request for Qualifications dated February 3, 2015, will become a local co-managing underwriter for the designated period. It is the intent of OFM to establish the priority of firms to be selected for each bond issuance pursuant to the final ranking of the Selection Committee. Firms will be scored and ranked based upon their response to this RFP. OFM reserves the right to extend the engagement and corresponding rankings for one additional fiscal year through June 30, 2017.

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”)

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, senior managing underwriting services may be requested of the Kentucky co-managing underwriter that receives the highest score for its proposal pursuant to KRS 45A.850(4). **There is 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 as stated herein.](#))

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 February 3, 2015. 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. List all regulatory fines while engaged in transactions occurring within the last three years, including the amount of the fine and the reason for the fine.
- D. 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 Commission members, that you believe may exist or arise. 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.
- E. Disclose if your firm's proposal has information considered proprietary that you wish to be confidential. In the event that your firm chooses to declare the inclusion of proprietary information, please noticeably label such information as described in the "Proprietary Information" article of the RFP.

II. Qualifications

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 their home office location. Additionally provide the names 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. Discuss your firm's ability and willingness to commit capital to underwrite bonds in Kentucky. 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. Provide the location of each of your firm's trading desks and the name of the lead trader for each location. 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 and local municipal bonds has your firm sold to Kentucky retail accounts since January 1, 2014? Please assess

your firm's overall performance in Commonwealth transactions for both retail and institutional sales since January 2014.

- D. How many Kentucky state and local municipal bonds did your firm trade in the secondary market for the Calendar Year 2014? Please detail what portion were retail trades.
- E. Discuss your expectations for your firm's retail production if included in: a.) one \$100 million General Fund supported 20-year tax-exempt SPBC transaction, b.) one \$17.5 million 20-year tax-exempt TAK transaction, and c.) one \$28.1 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 2014. **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 | _____ | _____ | _____ |

*Please certify that the figures presented for Kentucky school bonds cited above represents at least twenty percent of competitive sales for the state's school districts for which the firm was eligible to bid during Calendar Year 2014 by including the Attachment E that was submitted with the firm's RFQ response. This information is required 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.

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, July 17, 2015**. 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.

Submission of Proposals

Six (6) hard copies and one electronic copy (via email, CD or flash drive) in PDF form of each proposal, along with all related materials, must be received no later than **4:00 p.m., ET on Friday, July 31, 2015** at the following address:

Office of Financial Management
 Selection Committee Chairperson
 Local Co-Managing Underwriter FY16 RFP
 702 Capitol Avenue, Suite 76
 Frankfort, Kentucky 40601-3453
 Phone: (502) 564-2924
 Fax: (502) 564-7416
 E-mail: tammy.mccall@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.

The media by which the electronic copy is transmitted will not be returned to the submitting firm. Please be advised that the Commonwealth's email attachment size is limited to 5 MB. Plan the electronic transmittal accordingly.

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.

The Kentucky Revised Statutes and Kentucky Administrative Regulations referenced in the RFP may be found at <http://www.lrc.ky.gov/>. This RFP is also available on OFM's website, <http://finance.ky.gov/services/ofm/Pages/default.aspx>.

Proprietary Information

The RFP specifies the required components and general content of proposals submitted in response to the RFP. **The Finance and Administration Cabinet will not disclose any portions of the proposals prior to Contract Award to anyone outside the Finance and Administration Cabinet, representatives of the agency for whose benefit the contract is proposed, representatives of the Federal Government, if required, and the members of the evaluation committee.** After a Contract is awarded in whole or in part, the Commonwealth shall have the right to duplicate, use, or disclose all proposal

data submitted by firms in response to this RFP as a matter of public record. Although the Commonwealth recognizes the firm's possible interest in preserving selected data which may be part of a proposal, the Commonwealth must treat such information as provided by the Kentucky Open Records Act, KRS 61.870 et sequitur, which allows for exemptions as provided in KRS 61.870(1)(c).

Pursuant to KRS 61.870(1)(c), informational areas which normally might be considered proprietary shall be limited to **individual personnel data, customer references, selected financial data, formulae, and financial audits** which, if disclosed, would permit an unfair advantage to competitors. If a proposal contains information in these areas that a firm declares proprietary in nature and not available for public disclosure, the **firm shall declare in the Disclosure (See "Required Components of the Proposal," Section I, Subsection D) the inclusion of proprietary information and shall noticeably label as proprietary each sheet containing such information.** The Cabinet will make all reasonable efforts to maintain the confidentiality of any information provided by the firm, which is clearly identified by the firm as proprietary, provided such designation is reasonable, and subject to the order of the Attorney General or any court directing the Cabinet to release such information.

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, 2016**

| | <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, 2016

FIRM: _____

REVIEWER ID: _____

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, willingness to commit to Kentucky paper, 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: _____