

**TEXAS PUBLIC FINANCE AUTHORITY
REQUEST FOR PROPOSALS FOR FINANCIAL ADVISOR**

RFP ISSUE DATE: January 11, 2010

Proposals Due: 5:00 p.m. CST, January 25, 2010

PURPOSE

The Texas Public Finance Authority (the "Authority") seeks proposals in response to this Request for Proposals ("RFP") from firms with the qualifications and experience required to provide financial advisory services to the Authority. This RFP is issued for the purpose of selecting financial advisory services to assist the Authority during the remainder of the 2010-2011 biennium, beginning on or about February 1, 2010, and ending August 31, 2011, as further described herein. Based on consideration of the responses to this RFP, the Authority's Board of Directors may either: (1) select one or more firms with which to contract for all bond matters; or (2) pre-qualify firms eligible to be selected for a contract for specific bond issues, on a transaction by transaction basis. Please indicate in part 1 of your response whether your firm would like to serve as only a financial advisor, only a co-financial advisor, or either.

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 the purposes as specifically authorized by the Legislature. The Authority has issued revenue and/or general obligation bonds for the following state agencies: the Adjutant General's Department, Department of Agriculture, the School for the Blind and Visually Impaired, the Texas School for the Deaf, the Texas Facilities Commission (formerly the Building and Procurement 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 Historical Commission, the Juvenile Probation Commission, the Military Facilities Commission, the Texas Military Preparedness Commission, the Texas National Research Laboratory Commission (the agency responsible for the State's share of the construction of the Superconducting Supercollider), the Texas Parks and Wildlife Department, the Department of Public Safety, the State Preservation Board, the Texas State Technical College System, the Texas Department of Transportation, the Texas Workers' Compensation Fund, the Texas Workforce Commission, the Texas Youth Commission, Midwestern State University, Stephen F. Austin University, and Texas Southern University. The Authority currently administers five commercial paper programs; namely: the Master Lease Purchase Program, which is primarily for financing equipment acquisitions through a revenue commercial paper program; two General Obligation commercial paper programs (Series 2002A and 2008) for certain general state government construction projects; the General Obligation Commercial Paper Program (Series 2002B) for the Colonia Roadway program; and a general obligation commercial paper program for the Cancer Prevention and Research Institute of Texas (CPRIT) (CPRIT Series A & B). In addition, the 81st Texas Legislature has authorized the Authority to issue debt on behalf of the Texas Windstorm Insurance Association.

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: Dr. Gary E. Wood, Chairman, Ruth C. Schiermeyer, Vice Chair, D. Joseph Meister, Secretary, Gerald Alley, Rodney K. Moore and Robert T. Roddy, Jr., and Massey Villarreal, Members. The Executive Director, Dwight D. Burns, is hired by the Board to implement Board policy and oversee operations of the Authority.

SCOPE OF SERVICES

The financial advisor is to be responsible for all duties and services necessary or advisable to facilitate the issuance of bonds and other obligations, including but not limited to:

1. devising and recommending to the Board a plan of financing for bonds to be issued, which plan shall include a maturity schedule and other terms and conditions, as will result in the most advantageous terms to the Authority, consistent with a minimum effective interest rate;
2. determining the timing of the offering and the sizing of the issue;
3. participating in document preparation and assisting bond counsel in the coordination of the offering;
4. preparing such information, as necessary, for the rating agencies and upon Authority approval, assisting in the presentation to such agencies; ;
5. assisting the Authority in maintaining on-going relationships with the credit rating agencies;
6. participating in preliminary official statement (POS) and official statement (OS) preparation and delivery of a “camera-ready” copy to the printer;
7. advising the Authority concerning the need for credit enhancement and assisting in the negotiations in connection therewith;
8. assisting in the approval process of the Bond Review Board and any other agency as required for the issuance of the bonds;
9. assisting in closing details and post-closing duties, including the development of a closing memorandum and a final report to the Bond Review Board to include a verification of all costs of issuance;
10. answering questions or requests for additional information from prospective investors;
11. evaluating any bids submitted for the purchase of bonds;
12. advising the Authority with respect to the investment of bond proceeds and the accounting of arbitrage earnings;

13. assisting the Authority in providing information to various legislators and other state agencies;
14. advising the staff of the Authority and the Board of ongoing developments in the bond industry as they affect the Authority;
15. soliciting bids for, contracting with, and paying, on behalf of the Authority, fees associated with the printing of bond offering documents, ratings, trustee and paying agent fees and related services when necessary;
16. monitoring and controlling the costs of fees and expenses incurred in connection with the issuance of the bonds;
17. maintain records of debt service on all outstanding TPFA fixed rate bonds;
18. monitoring and advising the Authority on refunding opportunities, derivatives and other financial products that would help the Authority lower its cost of borrowing;
19. assisting in administration of the Authority's Master Lease Purchase Program and Commercial Paper Programs;
20. assist in the evaluation of proposals for underwriting services; and
21. all other matters necessary or incidental to the issuance and administration of debt obligations.

In addition, the Financial Advisor shall advise the Authority on any matters that might have an effect on the Authority or any of its outstanding issues.

The Authority will be responsible for allocating duties and tasks between the Financial Advisor and Co-Financial Advisor, if any, commensurate with level of compensation.

The Financial Advisor and Co-Financial Advisor, if any, will not be permitted to underwrite any portion of an issue or program for the Authority during the term of an engagement as Financial Advisor or Co-Financial Advisor.

FORM OF RESPONSE

Proposals that are determined to be materially incomplete or that fail to respond materially to any portion of the RFP may be disqualified from consideration. The Authority reserves the right to determine in its sole discretion whether a response is materially incomplete. **Please restate the question at the beginning of each response and provide a separate section for that response, or indicate why no response is given.**

1. Overview of the Firm

Provide a description of the firm, including general experience and history in public finance, date the firm was founded, number of offices, location and number of professionals and employees in each office, total number of employees and professionals in the firm, description of specialty practice areas and firm philosophy. Indicate those office(s) that will be responsible for day-to-day contact with the Authority. Describe structure of firm ownership (e.g., publicly held corporation, partnership, etc.) and any parents, affiliates, or subsidiaries of the firm. *Indicate whether your response to this RFP is to serve as a financial advisor, a co-financial advisor, or either.*

2. Qualifications

- A. List the experience since January 2008, of the firm and/or the professionals¹ proposed to be assigned to the Authority, serving as senior manager on a negotiated transaction, financial adviser or financial consultant. This information may be presented in an Appendix, in chart form, organized to clearly indicate the type of issuer, name of issuer, title of bonds, date and type of sale, par amount and role of the firm. Please total the number of issues and par amount by type of issuer: i.e., state agencies and institutions of higher education, local governments, special purpose districts, school districts, charter schools, and others. Also, please highlight in some manner sufficient to clearly identify it, any issue for commercial paper or other variable rate obligations.
 - B. Select two transactions from the above list that best demonstrate your firm's capacity and abilities to provide financial advisory services to the Authority. Explain the issues or unique problems involved and the approach that your firm recommended.
 - C. Describe your firm's experience in assisting clients with American Recovery & Reinvestment Act ("ARRA") bonds. Include a list of all relevant experience, as well as a narrative description of the services rendered and/or concepts involved on any transactions in which your firm's experience is particularly relevant to the Authority.
3. Describe your firm's expertise and experience in assisting public finance clients in complying with continuing disclosure requirements.
 4. Explain what automated information resources will be applied (or available) for the Authority's work, including any on-line market information and electronic bidding/contracting resources.

5. Resumes

Provide brief resumes for those individuals who would be assigned to serve the Authority. Indicate the individual's years of experience in public finance, any relevant licenses they hold, and how any particular area of expertise would benefit the Authority. Specify who would be

¹If listing experience of a professional while at a different firm, please specify the name of the firm.

assigned as the primary day-to-day contact for the Authority and the individual's office location, and indicate the role the individual played in the transactions listed in number 2A above. Also specify who would be the primary, day-to-day contact's backup and that individual's office location.

6. Business Practices

- A.** Please describe your firm's experience and involvement since January 2008 working with firms that have been certified as a "historically under-utilized business"² (HUB-certified) (if your firm is not HUB-certified), or, if your firm is HUB-certified, your experience working in a co-financial advisor relationship. Please describe your firm's approach to working with co-financial advisors, including level of effort, and division of duties.
- B.** Please describe efforts made by your firm to encourage and develop the participation of minorities and women in your firm's provision of financial advisory services or underwriting, if any. Please note if your firm is eligible to be HUB-certified, but is not, or if your firm would be eligible were its principal place of business in Texas. Complete the grid describing workforce composition for 2008 and 2009 in the attached as Exhibit A, and if HUB-certified, attach a copy of your certification.

7. Conflicts of Interest

- A.** Disclose all contractual or informal business arrangements/agreements, including fee arrangements and consulting agreements, between your firm and the Authority, any member of its staff and/or its Board, or any entity that provides services to the Authority. If you believe that the retention of your firm as a financial advisory to the Authority will not result in any conflict of interest with the Board, you must include an affirmative statement that the retention of your firm as Financial Advisor will not result in any conflict of interest with the Board. This would include, but is not limited to, any conflicts arising from relationships (both professional and personal). Please describe your firm's criteria for each category of conflict.
- B.** Please conduct a conflicts analysis on your firm and disclose each actual, or Potential, conflict to the Board. If your firm currently represents, or you anticipate that your firm may represent clients that may have a relationship with a member of the Board, please state in your response the existence of this potential conflict of interest, the nature of it, the implications, and describe all possible adverse and advantageous consequences of such dual representation and your firm's proposed resolution. Describe any other relationship between your firm or an individual owner, partner, member, principal or employee of your firm that may give rise to a conflict of interest in doing business with the State of Texas.
- C.** Please disclose any material litigation, administrative proceeding, violation of or investigation for violation of any regulatory agency rules (SEC, MSRB, NASD,

² As that term is defined in Tex. Gov't Code §2161.001(2) (Vernon's 2000 and Supp. 2008-09).

NYSE) in which your firm has been involved, whether currently ongoing or concluded within the last ten years.

8. References

Please provide names, addresses, and phone numbers of at least two references for whom your firm has provided financial advisory services in the past 24 months.

9. Fee structure

Please provide your fee structure, including if applicable, hourly rates, a per transaction maximum on hourly fees, flat fees, and a per transaction cap on expenses (not to be exceeded without prior approval from the Authority). Fees based on a percentage of the par amount of the bonds or on a per bond basis are discouraged.

10. Signature of Authorized Representative

At least one hard copy of the submitted proposal must be executed 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 proposal by a notation in the lower left corner of the cover with the words "**Signed Original.**" An unsigned proposal will not be considered.

MODIFICATION/QUESTIONS

The Authority also reserves the right to make amendments to the RFP by giving written notice to all firms who request a copy of the RFP, or by posting notice on thereof on Authority's web page at www.tpfa.state.tx.us/rfp.aspx and the Texas Marketplace at www.marketplace.state.tx.us. It is the sole responsibility of the prospective financial advisory firm to check the website or the Texas Marketplace to determine if any modifications have been made.

It is the responsibility of prospective respondents to seek clarification of any portion of the RFP by submitting written questions to the Authority. Questions regarding this RFP should be submitted, in writing, by electronic mail to RFP@tpfa.state.tx.us with a copy to Paula Hatfield, paula.hatfield@tpfa.state.tx.us, or by fax, (512) 463-5501. Questions must be received by 5:00 p.m. CST, January 18, 2010, and the Authority's answers to them will be posted on the Authority's [web page](#) no later than on January 20, 2010. Questions submitted later than January 18, 2010 may not be answered.

A Respondent may modify or withdraw a proposal at any time prior to the proposal due date. No material changes to a proposal will be allowed after the expiration of the proposal due date. The proposal must be valid for at least 90 days from the proposal due date.

The Authority reserves the right to request clarification and modification of any proposal prior to the contract award being made.

TIME SCHEDULE

RFP Published	January 11, 2010
Deadline for Questions	5 p.m., January 18, 2010
Responses to Questions Posted on Website	5 p.m., January 20, 2010
Proposals Due	5 p.m., January 25, 2010

Proposals are due no later than 5:00 p.m. CST, January 25, 2010, in the office of the Authority at 300 West 15th St., Room 411, Austin, TX 78701. Faxed proposals will not be accepted.

Deliver **7 hard-printed unbound copies, one original with an original signature, and one electronic copy on compact disk in Microsoft Office Word and or Excel format (9 total)** to the offices of the Authority, addressed:

Attention: Dwight D. Burns
Executive Director
Texas Public Finance Authority
300 West 15th Street, Suite 411, Austin, Texas 78701

Clearly mark the envelopes containing the proposals with the following phrase in the lower left hand corner: "IN RESPONSE TO RFP: FINANCIAL ADVISOR." Please do not submit materials in 3-ring binders.

IN ADDITION TO THE DELIVERED COPIES, please email the entire response in PDF format including the attached Excel spreadsheet to: RFP@tpfa.state.tx.us with a copy to Paula Hatfield at paula.hatfield@tpfa.state.tx.us, by 5:00 p.m. CST, January 25, 2010. Put your firm name and "FA RFP" in the subject line.

It is solely the responsibility of each prospective financial advisory firm to assure its proposal (hard copy and electronic) is delivered at the specified place and prior to the deadline for submission. Proposals which, for any reason, are not so delivered will not be considered and proposers will be notified.

All proposals become the property of the Authority. Proposals must set forth accurate and complete information as required by this RFP. Oral instructions or offers will not be considered. **Contact with Board Members, key staff, or Bond Counsel regarding this RFP, except as described further herein, is expressly prohibited and will result in disqualification of your proposal.**

BASIS OF AWARD/SELECTION CRITERIA

A team comprised of key staff will review the proposals, evaluate them and make recommendations to the Board. Proposals will be scored out of 100 possible points based on the following scoring criteria: 1. Overview of the Firm—5 points; 2. Demonstrated Competence (Experience of Firm, Available Expertise) – 10 points; 3. Experience, Knowledge, and Qualifications of Individuals Assigned to Advise

Authority– 60 points; 4. Reasonableness of Fee – 15 points; 5. Conflicts and Potential Conflicts of Interest – 10 points.

The Board will make its selection based on demonstrated competence, experience, knowledge and qualifications, as well as the reasonableness of the proposed fee and any conflicts of interest or potential conflicts of interest identified. All things being equal, the Board will give first consideration to firms whose principal place of business is located in Texas.

By this RFP, however, the Board has not committed itself to employ a financial advisor nor does the suggested scope of service or term of agreement indicated herein require that the financial advisor be employed for any or all of those purposes. The Board reserves the right to make those decisions after receipt of proposals and the Board's decision on these matters is final.

The Board reserves the right to award the contract to the next-best qualified advisor if the selected advisor does not execute a contract acceptable to the Board within 30 days after final approval of the contract. The Authority reserves the right to negotiate individual elements of any proposal and to reject any and all proposals.

COSTS INCURRED IN RESPONDING

All costs directly or indirectly related to preparation of a response to this RFP or any oral presentation required to supplement and/or clarify the RFP, 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 proposals shall be deemed, once submitted, to be the property of the Authority. Information submitted in response to this RFP shall not be released to the public by the Authority during the proposal evaluation process or prior to Board's contract award. After the evaluation process is completed by the Board's award of a contract, proposals 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 [CITE 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 RFP if the document is not clearly marked as required. If a request for disclosure of a proposal 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 contractor in order to carry out this contract, or which becomes available to the contractor in carrying out this contract, shall be protected by the contractor from unauthorized use and disclosure through the observance of effective procedural requirements. Contractor shall not be required to keep confidential any data or information, which is or becomes publicly available, is already rightfully in the contractor's possession, is independently developed by the contractor outside the scope of this contract, or is rightfully obtained from third parties.

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

GENERAL TERMS AND CONDITIONS OF RESULTING CONTRACT

1. TERM OF AGREEMENT

The contract term is to be for an initial term of February 2010 to August 31, 2011, renewable, at the Board's option, for two additional terms of up to two years each. The Board will provide notice of its decision to renew 60 days before the end of the then current contract term. The Board reserves the right to negotiate all elements of the contract, including fees for renewal terms, if the renewal option is exercised. The Board also reserves the right to terminate the contract for any reason and at any time upon the payment of then earned fees and expenses.

2. HUB REQUIREMENTS

In accordance with Texas Government Code, chapter 2161 and the rules of the Texas Comptroller of Public Accounts in 34 Texas Administrative Code chapter 20, subchapter B, the Authority makes a good faith effort to achieve 33% participation in the Authority's contracts and bond sales of firms that are certified by the Texas Comptroller of Public Accounts as being historically underutilized businesses (HUBs). For information concerning eligibility and procedures for HUB certification, please refer to the Texas Comptroller's website: www.cpa.state.tx.us.

The Authority may make a good faith effort through direct contracts with HUBs or through subcontracts. With respect to a contract or contracts that may result from this RFP, the Authority has determined that subcontracting opportunities are not available.

The Authority reserves the right to select one or more co-financial advisors from firms that respond to this RFP, but also may decide not to use a co-financial advisor. The Authority's decision to select a co-financial advisor, if any, will be determined by the evaluation of the responses to this RFP.

3. MANDATORY TERMS AND CONDITIONS

Any contract resulting from this RFP must contain the mandatory terms and conditions set forth on Exhibit B.