

INDIANA FINANCE AUTHORITY

REQUEST FOR QUALIFICATIONS
FOR
UNDERWRITING SERVICES

March 22, 2013

Indiana Finance Authority
One North Capitol, Suite 900
Indianapolis, Indiana 46204
(317) 233-4332 (Phone)
(317) 232-6786 (Fax)

I. INTRODUCTION

The Indiana Finance Authority (Authority) is issuing this Request for Qualifications (RFQ) to solicit information from qualified firms interested in providing investment banking and underwriting services related to the negotiated sale of notes and bonds to benefit the Authority's state office building facilities program, the Authority's transportation facilities program and the Authority's parks and recreation facilities program, as well as other State related financings.

The Authority expects additional bonds to be issued from time to time to meet the needs of the programs referenced above (collectively the "Programs"). The Director of Public Finance for the State of Indiana reserves the right to review the underwriting plans and needs of the Authority (as well as the other State debt issuing authorities) from time to time and make such changes in and among service providers as the Public Finance Director deems appropriate.

Through this RFQ, the Authority seeks to identify firms to provide senior managing and underwriting services in connection with the Programs. Firms responding to this RFQ should clearly state which role(s) they are qualified to assume, and identify the Program(s) they are interested in serving.

II. BACKGROUND

The Authority was initially established as Indiana's Public Finance Office with Executive Order 01-17 on December 3, 2001 and has been continued by Executive Orders 03-36, 05-04 and most recently 13-12, which was issued on January 14, 2013. The Authority coordinates and oversees debt issuance and its management for the benefit of all State agencies, "quasi" State agencies and State programs which issue debt on behalf of the State of Indiana.

The Authority is a body corporate and politic, not a State agency and though separate from the State, the exercise by the Authority of its powers constitutes an essential public function. The Authority was created in 2005 under IC 4-4-10.9 and 4-4-11, et seq. and is governed by a five-member board including the State Treasurer, State Budget Director and three members appointed by the Governor. One of the statutory purposes of the Authority is to oversee State debt issuance and provide efficient and effective financing solutions to facilitate state, local government, and business investment in Indiana. Information regarding the Authority's programs can be found at www.in.gov/ifa/.

The Authority is responsible for the outstanding debt of six formerly independent entities consisting of the:

- Indiana Transportation Finance Authority
- Indiana Development Finance Authority
- Indiana State Office Building Commission
- Recreation Development Commission
- State Revolving Fund
- Indiana Health and Educational Facility Finance Authority.

Transportation. The Authority is authorized to issue revenue bonds to finance or refinance various transportation-related needs including highways and airport facilities. As of January 1, 2013, the Authority had over \$1.2 billion in long-term debt outstanding related to transportation infrastructure.

State Office Facilities. The Authority is authorized to issue revenue bonds to finance or refinance various governmental facilities including prisons, office buildings, parking facilities, facilities for persons with mental or addictive disorders and regional health facilities. As of January 1, 2013, the Authority had outstanding long term debt of approximately \$490 million related to State office facilities.

State Park Facilities. The Authority is authorized to acquire, construct, improve, operate and maintain public recreational facilities that support and promote the development and use of the State's parks. As of January 1, 2013, the Authority had outstanding long term debt of \$ 27 million related to recreational facilities associated with State parks and inns.

Special Purpose Financings. The Authority is also responsible for special purpose financings that benefit the State. Examples include the recent \$62 million Indiana State Fair financing and the not-so-recent \$977 million Stadium and Convention Center financings.

III. SELECTION CRITERIA

By May 31, 2013, the Authority intends to select firms qualified to participate in Authority financings through December 2014. However, the Authority reserves the right to modify these dates and forgo, without cause, the selection process. General criteria for selection will include, but are not limited to, the following factors:

- A. Experience of the firm and its personnel, specifically as it pertains to the management and services provided to tax-exempt issuers;
- B. Ability of the firm to market and sell tax-exempt bonds and notes, particularly Indiana bonds;
- C. Quality, timeliness and thoroughness of the response submitted;

- D. Willingness to commit investment banking services throughout the course of the engagement and not just for a specific financing; and
- E. Familiarity with, and understanding of, the Authority's various financing Programs.
- F. Investment in Indiana and /or support of Indiana businesses.
- G. Fees, or other costs related to debt issuance. Please give recent (within the last year) examples of transactions that your firm has been a senior manager, listing the actual cost information, with explanations of each expense category. Also discuss any other fee structure that might benefit the Authority.

In addition, to be considered as a senior or co-manager, a firm must satisfy certain standards, as outlined below:

- H. To qualify for senior manager, a firm must demonstrate the technical, capital, marketing, distribution, credit research and communications strengths required for the overall management of issuances of the size and complexity of those previously offered by the Authority, including evidence of support of the Authority's bonds in the secondary market; and
- I. To qualify for co-manager, a firm must demonstrate the technical, capital, marketing, distribution and communications strengths to support issuances of the size and complexity of those previously offered by the Authority, as well as the ability to specifically serve investors in Indiana and the Midwest.

Qualification of a firm in either category is not a guarantee that a firm will participate in any specific transaction. The Authority reserves the right to select, or not select, in its sole discretion, firms from which it solicits qualifications, based on its assessment of each firm's strengths and the overall objective of best meeting the needs of the Program.

IV. CALENDAR

The following calendar will generally be adhered to for the selection process. The Authority, however, reserves the right to alter this calendar, as it deems necessary.

1. March 22, 2013: RFQ distributed
2. April 19, 2013: Date by which any questions regarding the RFQ must be submitted, in writing, to the Authority's General Counsel.
3. April 24, 2013: Responses to RFQ due by 5:00 p.m. (EST). The Authority reserves the right to conduct interviews of any respondent it deems necessary. Interviews, if necessary, will be conducted not later than May 25, 2013 for potential underwriters.
4. May 31, 2013: Senior managing underwriter(s) will be selected not later than this date.

V. INFORMATION REQUESTED

Unless otherwise indicated, all respondents must provide the following information:

A. General Information

Name and title of individual responsible for the response, including business mailing and e-mail addresses and fax and telephone numbers.

B. Brief Description of Firm (not to exceed one page)

1. Provide a brief description of your firm and its capabilities and explain how its selection would benefit the Authority.
2. Describe your firm's public finance department, its standing in the firm and the firm's commitment to the public finance area, including research, quantitative analytics, investment banking, trading (primary and secondary) and sales staff. Include in your response the expertise and tenure of lead staff to be assigned to the Indiana account. Please comment on the hiring and departure of senior staff in the public finance area over the course of the last 18 months.
3. Municipal distribution capabilities, including summary of offices and registered representatives nationally and in Indiana. Please describe separately the firm's institutional and retail distribution capabilities.

C. Information on Principals

Identify and provide relevant biographical information with respect to the individual(s) responsible for the following tasks (please include mailing address, e-mail, phone and fax numbers):

1. Primary investment banking contact;
2. Financial and quantitative analysis;
3. Marketing and sales;
4. Municipal credit research;
5. Pricing and syndication; and
6. Others who are reasonably expected to have a direct role in providing services.

D. Responding Firm's Capital Structure

Summarize your firm's total capital, equity capital and uncommitted excess net capital at the close of the firm's most recent quarter. Please indicate how much of that uncommitted excess net capital was allocated to the municipal finance area for the last three years.

- a. In a scenario where you are a senior underwriter for an Authority Bond transaction, the Authority goes to market based on your firm's recommendation and there are unsold bonds, how much capacity would you have for our credit assuming you would take the Bonds into inventory to ensure the successful sale?
- b. Provide 2 specific examples in which your firm has used its capital to support the effective and orderly sale and market distribution of an issuer's (preferably Indiana) tax-exempt bonds.

E. Previous Experience

1. Please provide up to 3 examples of financings for office-building lease appropriation backed financing, highway-revenue bond financing or state-level Indiana financings for which your firm served as senior manager or co-manager.
 - a. Include issuer's name, issue date, issue size, issuer contact and lead staff member for your firm.
 - b. Describe any significant innovations your firm utilized in connection with these financings.
 - c. If your firm was not lead manager, describe your firm's success in placing net priority orders and/or receiving designations or other evidence of distribution capabilities.
 - d. State your firm's results in placing retail orders for Indiana transactions.

2. If you have not previously been a manager on the Programs, please describe what you have done to familiarize yourself with the Programs and what further effort you intend to undertake if selected.

F. Marketing and Pricing

1. Please provide a detailed proposed strategy and structure to market and price the Authority's bonds for which you are responding. Please provide a pricing and cost of issuance for a 20 year maturity, level-debt service fixed rate structure, with 6 months of capitalized interest (also, indicate pricing based on a spread to MMD as of January 15, 2013). Alternatively, provide a pricing and structure for a variable rate debt issue, including remarketing and all other fees. Detail your recommendation as to why a variable or fixed rate structure is optimal in the current interest-rate environment. Please include a spread to MMD AAA curve as of a specific date, takedowns, and a draft wire to be sent out discussing priorities. Please focus on using 5% coupons for this analysis. Also, discuss the need for different spreads (and their amounts) for the different type of Authority bonds being offered, if applicable.
2. What different coupon structures would you use and why. Please also discuss other types of structures that the Authority could take advantage of like shorter calls.
3. How do you view SMA's in relation to retail. Should they be competing with institutions or only retail?
4. What type of marketing can the Authority perform to help be transparent and garner more interest from the investment community with the ultimate goal to create more demand and lower spreads.
5. Please list the top 10 largest holders of IFA debt that you are aware of. What investor or investor classes is the IFA not attracting and could improve upon in order to drive more investor interest.
6. What would you consider to be an appropriate strategy to maximize retail distribution? Comment on your ability, experience and/or established relationships with local Indiana brokerage firms that could enhance retail distribution.
7. What particular approach would you recommend the Authority use with the rating agencies in connection with its upcoming financings, given the State's current fiscal condition?

G. Program Issues

1. Please provide recent examples of your firm's experience with transportation related financings and how similar financings could help the State of Indiana.
2. Please provide recent examples of your firm's experience with the sale of state owned assets and how similar sales may be considered by the State of Indiana.
3. Please provide your interpretation of the effect, or potential effect, on the State's outstanding Build America Bonds in light of the recent federal sequestration. What recommendations are you (or would you) pass along to states in light of the federal sequestration.

I. General Information

1. Please provide a detailed summary of your firm's policies on:
 - a. Prohibition of discriminatory employment practices;
 - b. Affirmative action/equal opportunity;
 - c. Use of Minority Business Enterprises;
 - d. Use of Women-owned Business Enterprises; and
 - e. Enforcement of drug-free workplace initiatives.
2. Provide details of any relevant criminal investigation, material pending litigation, regulatory or civil enforcement actions pending against your firm or members of the municipal bond or public finance departments.

VI ADDITIONAL INFORMATION

- A. A firm may not join with any other related or non-related firm in responding to this RFQ. The Authority will not enter into a contract or other agreement for underwriting services without further discussion. This RFQ is not an invitation to bid, nor is it a Request for Proposal under the procurement provisions of the Indiana Code.
- B. The Authority creates no obligation, expressed or implied, of any kind or description in issuing the RFQ or receiving a response. Neither the RFQ nor the response shall be construed as a legal offer.
- C. The Authority will assume no responsibility or liability for any expense incurred by a respondent or prospective respondent in connection with the preparation or delivery of a response, requested interview or any action related to the process of completing and submitting a response to this RFQ.
- D. Respondent shall certify, within the letter of transmittal, that all information provided herein is accurate and complete, to the best of its knowledge. Any false or

misleading information may result in disqualification of the proposing firm, at the Authority's discretion.

- E. Respondent shall disclose any information about its firm which may materially impair its ability to provide the level of service required of an underwriter in any category (senior or co-manager) in which the firm may serve.
- F. The Authority reserves the right to reject any and all submissions without cause, waive irregularities in all procedures related to this RFQ, make inquiries of responding firms and their references and clients regarding qualifications or information submitted as part of a response, as deemed necessary, and request and receive additional information, as the Authority deems necessary. The Authority further reserves the right not to choose any underwriter and to sell an issue competitively.
- G. Please provide a description of the proposed method of compensation for all services, including expense reimbursement.
- H. The Authority shall be deemed the owner of all information and papers submitted by a respondent. Respondents are advised that materials contained in their responses are subject to the Indiana Public Records Act, IC 5-14-3 *et seq.* and may be viewed and/or copied by any member of the public, including news agencies and competitors. Respondents claiming a statutory exception to the foregoing statutes must indicate on their proposal that confidential materials are included and specify which statutory exception applies. Any agreement resulting from this request shall represent the entire agreement between the parties. Prior negotiations, representations or agreements, either written or oral, between the parties shall be of no force or effect.

The Authority reserves the right to make determinations of confidentiality. If the Authority does not agree with the information designated confidential under one of the disclosure exceptions to the foregoing statutes, it may either reject the proposal or discuss its interpretation of the allowable exceptions with the respondent. If agreement can be reached, the proposal will be considered. If agreement cannot be reached, the Authority will remove the proposal from consideration for award and return the proposal to the respondent. The Authority will not determine compensation proposals to be confidential information.

VII. RESPONSE FORMAT

- A. Each firm's response shall be accompanied by a signed letter of transmittal not to exceed two pages in length.

- B. Responses to the RFQ may not exceed fifteen (15) one-sided, typewritten pages, exclusive of transmittal letter and attachments, to be delivered via U.S. Mail or other delivery service, as follows:

Five (5) copies to:

James P. McGoff
General Counsel
Indiana Finance Authority
One North Capitol, Suite 900
Indianapolis, Indiana 46204
Tel: (317) 233-4332

Via e-mail to jmcgoff@ifa.in.gov
(include "IFA Underwriter RESPONSE" in subject line)

VI. RESTRICTIONS ON COMMUNICATIONS

The contact named in the Respondent's submittal shall be the sole point of contact throughout the evaluation process. All communications, oral and written (whether transmitted by regular mail, express mail, electronic mail, or facsimile) concerning this process shall be addressed to the Director of Environmental Programs, listed above.

OTHER THAN AS PROVIDED ABOVE, INQUIRIES ARE NOT TO BE DIRECTED TO ANY STAFF MEMBER OR OTHER MEMBER OF THE AUTHORITY, OR TO ANY OTHER EMPLOYEE OF THE STATE OF INDIANA. SUCH ACTION MAY DISQUALIFY THE RESPONDENT FROM FURTHER CONSIDERATION. RESPONDENTS MAY NOT RELY UPON VERBAL RESPONSES TO ANY INQUIRY. THE LAST DAY IN WHICH ANY INQUIRY MAY BE MADE ABOUT THIS RFQ IS APRIL 5, 2013.