

TEXAS PUBLIC FINANCE AUTHORITY



Underwriter Selection Process

June 6, 2016

Introduction

The Texas Public Finance Authority will select a pool of underwriters to serve as senior manager, co-senior and/or co-manager on its upcoming negotiated financings. TPFA will conduct a post-sale evaluation of each underwriter's performance. The results of the evaluation will be incorporated into the selection of syndicates for future transactions. Performance will be evaluated based on helping the Authority achieve the following goals: 1) obtaining the lowest cost financing for the state, as measured by True Interest Cost; 2) accomplishing the Authority's goal of making a good faith effort to align with statewide participation goals to achieve meaningful participation by Historically Underutilized Businesses ("HUB"), as certified by the Comptroller of Public Accounts, as well as disadvantage business enterprises ("DBE"); 3) fair and broad distribution of the Authority's bonds to investors; and 4) willingness and ability to commit capital to underwrite unsold balances.

- I. **Selection of Underwriting Pool.** TPFA will issue a Request for Proposal ("RFP") for underwriting services. The proposals will be evaluated by staff and the financial advisors, who will make recommendation to the Board. Based on responses to the RFP, the Board will designate a pool of underwriting firms from which it will select underwriting teams for all negotiated financings for each Legislative biennium beginning September 1 of each odd-numbered year. The pool will include a broad representation of national, regional, and HUB certified and/or DBEs. **TPFA reserves the right to add or remove firms from the pool at any time and to shorten or lengthen the period of time for which the pool is in place.** Performance reviews of each syndicate member will be conducted after each transaction. Such reviews may incorporate information from the Post-Sale Report or other criteria as determined by the Board. TPFA may add or remove firms from the pool at any time based on factors including, but not limited to: performance, change in staff or firm organization, and/or change in HUB certification or ownership status.

All firms selected to be included in the pool will be required to certify that they have read and agree to comply with the Authority's "Underwriting Policies and Procedures." (See Attached).

- II. **Evaluation Criteria.** Proposals will be evaluated on the firm's capabilities (capital committed to underwrite municipal securities, experience, expertise and

underwriting/distribution resources), prior performance in competitive and negotiated financings, efforts to achieve HUB and/or DBE participation goals, and local presence.

III. Selection of Underwriting Team for Each Transaction

A. The size and composition of each underwriting team will be based on: 1) initiation and implementation of innovative financing ideas or structures; 2) the underwriting capabilities, as determined by excess net capital and distribution networks, relative to the size of the transaction; 3) the expertise of bankers required for the transaction; and 4) performance of each syndicate member in past transactions. For example, if a firm brings a unique financing idea to the Authority or has a unique area of expertise required by a particular transaction, the Authority may name that firm as senior manager. If more than one member of the pool is qualified to serve as senior manager, the Authority may use a streamlined RFP or selection process, or a rotation schedule, to determine the senior manager.

B. The Executive Director, agency staff and financial advisor will review proposed financing transactions and recommend an underwriting syndicate to the Board along with the basis for such recommendation. The Board will make a final selection of the syndicate in an open meeting.

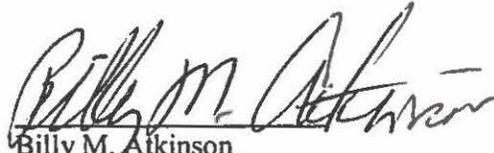
IV. Unsolicited Proposals. TPFA encourages the submission of financing options from any firm, and will accept unique ideas from firms that are not in the pool. A copy of each proposal should be provided to the Executive Director, the financial advisor(s) and, where appropriate, bond counsel. All proposals should include a full analysis of risks and benefits associated with each transaction, and a description of previous issuers' use of the financing technique, if any. Staff will evaluate the proposals and present to the Board any relevant proposals when considering a financing or appointing a syndicate.

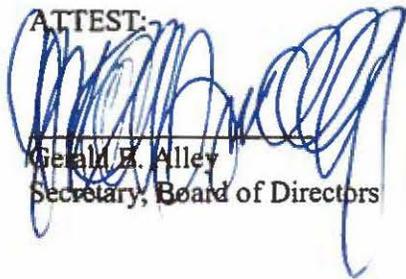
All firms submitting proposals will be responsible for any consulting fees, including financial advisor and legal counsel, incurred for review of unsolicited proposals prior to authorization of such work by an authorized representative of the Authority. Agreements to pay such fees must be disclosed, in advance, in writing, to the Authority.

The Authority reserves the right to issue RFPs for any product or transaction. If the firm is not a member of the pool, the Authority may offer a structuring fee, special bracket position and/or inclusion in the underwriting syndicate as compensation.

V. Post-Sale Report. After the completion of each transaction, the senior manager will be required to present a post-sale report. The staff and financial advisors will also evaluate the success of the underwriting compared to the market at the time of sale and confirm each team member's contribution with regard to sale performance.

Adopted on the affirmative vote of a majority of the Board present, on this 6th day of June, 2016, which vote is confirmed by the signatures of the officers of the Board affixed below.


Billy M. Atkinson
Chair, Board of Directors

ATTEST:

Gerald B. Alley
Secretary, Board of Directors