

HOUSING FINANCE AUTHORITY OF PALM BEACH COUNTY, FLORIDA BOND UNDERWRITER SELECTION POLICY

I. INTRODUCTION

The Housing Finance Authority of Palm Beach County, Florida (the “Authority”) was established pursuant to Ordinance 79-3, enacted by the Palm Beach County, Florida (the “County”) Board of County Commissioners (the “BOCC”) on February 6, 1979, as amended by Ordinances 91-7, 98-53, 01-016 and 02-022 of the BOCC (collectively, the “Ordinance”), in accordance with the Housing Finance Authority Law encoded in Part IV, Chapter 159, Florida Statutes (the “Act”). Pursuant to the Act, specifically Sections 159.608(4) and 159.612 thereof, the Authority is authorized to issue bonds for the financing of single family housing and qualifying housing developments, in furtherance of the intent of the Act.

As part of the process for issuing bonds, the Authority utilizes the services of underwriters to assist with the structuring and sale of such bonds. Pursuant to Section 2-189 of the Ordinance, all purchases of goods and services shall be done in accordance with the competitive processes as outlined in County ordinances and policies, including the process utilized for the selection of bond underwriters.

Effective August 18, 2009, the County implemented its “Competitive Selection of Bond Underwriters Policy for Negotiated Sales” (the “County Underwriter Selection Policy”). Historically, the Authority’s Executive Director and/or Financial Advisor, based upon unstable market conditions, the complex nature of mortgage revenue bond financing and the need to best time the marketing of the Authority’s single family mortgage revenue bonds (“Single Family Bonds”) and multifamily housing revenue bonds (“Multifamily Bonds” and, together with Single Family Bonds, “Bonds”), has found that it is necessary and advisable that the sales of such Bonds are completed through a negotiated sale, bringing such Bond sales, except as otherwise described below, within the purview of the County Underwriter Selection Policy.

II. POLICY

A. Applicability

i. Single Family Bonds

The Authority’s Bond Underwriter Selection Policy (the “Policy”) shall apply to all Single Family Bond issues conducted through negotiated sales.

ii. Multifamily Bonds

The Authority serves as a conduit issuer for Multifamily Bonds and the underwriting costs of such issues are borne by the borrower of the bond proceeds. Therefore, the County Underwriter Selection Policy does not apply to the Authority’s Multifamily Bond issues and no other County policy imposes any requirements on the Authority with respect to conduit

issues such as its Multifamily Bonds. However, the Authority shall utilize the process described below to identify a pool of Qualified Underwriters (as defined below). The borrower for a Multifamily Bond issue must utilize the services of a Qualified Underwriter(s). A list of Qualified Underwriters will be posted to the Authority's website.

B. Qualifications for consideration as a Qualified Underwriter

The Authority shall consider requests on an on-going basis to identify a pool of qualified underwriters (the "Qualified Underwriters"). The Authority will not consider any underwriter for a single family bond issue unless the designated contact persons have served as a senior manager/structuring agent for a single family bond issue, nor for a multifamily bond issue unless the designated contact person has served as a senior manager on a multifamily bond issue.

Interested underwriters shall provide the Authority with the following information:

- i. General information about the underwriter, including location of the office(s) from which the work will be performed and the name and housing bond experience of the designated contact person(s) and other members of the financing team
- ii. The underwriter's current (most recent reporting) total capital, equity capital, net capital position and uncommitted (excess net) capital.
- iii. Description of the firm, how it is organized, and the resources available to execute the services of a senior manager as more specifically described below. Indication of how many offices and personnel and the type of business operations the firm has in Florida.
- iv. Discussion of the firm's ability to distribute tax-exempt and taxable housing bonds to institutional and retail investors within and outside Florida; provide a description of the firm's municipal bond operations (sales, trading, research, and underwriting) and strategies which can be used to maximize funding and market access and to achieve the lowest interest rate on the Authority's Bonds.
- v. Discussion of the issues which should be addressed in developing a marketing strategy for Authority Bond sales. This discussion should include, but not necessarily be limited to, how the firm would deploy its retail and institutional sales distribution capabilities, a description of the investor base the firm feels should be targeted and strategies on how to reach those investors.
- vi. A separate list of single family and multifamily housing bond issues that the firm has purchased within the last five (5) years, through competitive

sale by submitting the winning bid and only those as a senior manager through negotiated sale, with totals for number of transactions and aggregate principal amount. If the firm participates in a competitive sale through a syndicate, a description of the syndicate arrangement and level of the firm's participation, and if it participates in a negotiated sale through a selling group, a description of the selling group arrangement and level of the firm's participation.

- vii. Identification of three housing bond issuers that the Authority may contact as references with respect to the work performance of the underwriters designated contact person(s). Each reference shall include the housing bond issuer contact person's name, title, address, phone number, fax number and e-mail address.
- viii. A description of any litigation or regulatory action filed against or settled by the underwriter within the last five (5) years, and the resolution thereof.

The Authority shall consider requests, as received, and shall determine in its sole discretion whether to add an underwriter to the list of Qualified Underwriters. The Authority may also remove an underwriter from its list at any time in its sole discretion.

C. RFP for Single Family Bond Issues only

Under the County Underwriter Selection Policy, each time a negotiated bond sale is approved, a secondary RFP process is to be conducted to select an underwriting team, comprised of a senior manager and co-managers, from the pool of qualified underwriters established pursuant to an initial RFP.

While the County issues a variety of bonds, including, but not limited to, general obligation bonds, revenue bonds, refunding bonds, MSTU and Special District Bonds, Build America Bonds and Recovery Zone Bonds, requiring different skill sets from underwriters specific to each type of issue, the Authority's Single Family Bond issues require only one skill set. Therefore, in order to increase efficiency and cost-effectiveness of the selection process, the Authority will necessarily conduct a single abbreviated RFP that is consistent with the County Underwriter Selection Policy, but tailored to the needs of the Authority.

Therefore, when the Authority determines to issue a series of Single Family Bonds, it shall conduct an RFP to which all Qualified Underwriters shall be permitted to respond. The goal of the RFP shall be to identify and select, for the position of senior manager and structuring agent (as more particularly described below) for the particular Single Family Bond issue in question, the Qualified Underwriter with the most beneficial structure for that issue (taking into account the amount of Authority contribution, if any, the point structure, the mortgage loan options, down payment assistance and other factors that the Authority's Executive Director/Financial Advisor deems relevant, collectively, the

“Relevant Structuring Factors”). The Authority may also, at its discretion, based on factors including, but not limited to, the size of the Single Family Bond issue, select from the respondents to the RFP the number of co-managers (as more particularly described below), if any, it deems beneficial and appropriate for the Single Family Bond issue in question.

1. Content of RFP

The RFP shall seek the following information:

- a. An update of the information provided under the prior “Request for Qualifications” section.
- b. Description of how best to conduct a negotiated sale given current market conditions.
- c. Proposal for gross underwriting spread, including, as applicable, the following:
 - i. estimate of amounts for expenses (itemized)
 - ii. management fee
 - iii. takedown by maturity
 - iv. average takedown
 - v. risk based on current conditions for the bond issue
- d. Relevant Structuring Factors

The Authority recognizes that the price proposal shall be an estimate based on the best information available at the time regarding the market and the specific transaction, and that such prices are subject to change corresponding to changes in the market between the time such proposal is submitted and the transaction in question closes.

2. Bond Purchase Agreement

The underwriters selected from the Qualified Underwriters pool pursuant to the RFP shall enter into a Bond Purchase Agreement with the Authority to memorialize the terms and conditions under which such successful respondents shall serve as senior manager and co-manager(s), as applicable, for the Single Family Bond issue in question.

3. Senior Manager

The services to be provided by the senior manager selected pursuant to the RFP shall include, but not be limited to, the following:

- a. Developing the structure and overall marketing strategy on the bond sale transaction to which it has been assigned and work with Authority staff, bond counsel, financial advisor/executive director, rating agencies, trustees and other professionals involved in the transaction.
- b. Assisting the Authority, its financial advisor/executive director and bond and disclosure counsels in drafting the preliminary official statement, the official statement and any other documents required to authorize, market and sell the bonds.
- c. Providing analyses of market conditions, including investor demand and prevailing interest rates, and advising the Authority and its financial advisor/executive director with regard to timing and development of a marketing plan for the bonds.
- d. Assisting the Authority in developing and presenting information to the rating agencies, bond insurers, if any, and the investment community.
- e. Advising the Authority as to timing of the sale and pricing of the bonds.
- f. Providing specific information as may be requested by the Authority regarding orders and allotments of bonds and taking direction from the Authority with respect to allotment requests for the sale of the bonds.
- g. Purchasing the bonds upon terms and conditions mutually acceptable to the Authority and the underwriters pursuant to a bond purchase agreement.
- h. Preparing a pricing book subsequent to the negotiated sale of bonds; and perform other services as requested.

4. Co-Managers

The services to be provided by the Co-Manager(s) selected pursuant to the RFP shall include, but not be limited to, the following:

- a. Assisting the senior manager in providing the primary and secondary market support for the Authority's bond transaction.
- b. Assisting the senior manager in providing the analysis of market conditions and advising the Authority and its financial advisor/executive with regard to market timing and development of a marketing plan for the bonds.

- c. Selling bonds.

III. EXCLUSIONS

This policy shall not apply to bonds issued pursuant to a private placement. Purchasers of bonds issued in a private placement will be approved on a case by case basis by the Authority.

IV. REVISIONS

This policy shall be revised as needed to reflect revisions, amendments and/or updates to the County's Underwriter Selection Policy. In addition, the Authority reserves the right to amend, revise, repeal or otherwise alter the aforesaid policy with or without notice.

V. EFFECTIVE DATE

This policy shall be effective as of January 1, 2012 following approval of the BOCC.