

October 8, 2015

Request for Proposals for Financing Options for Debt Issuances

from

Banks, Credit Providers, Underwriters and Placement Agents

regarding

Illinois Finance Authority proposed debt offering(s)

Responses are due October 19, 2015, 5:00 p.m. CT



Overview

The Illinois Finance Authority (the “IFA” or the “Authority”) seeks financing options along with the best and most cost-effective plan of finance to issue approximately \$115 million (likely taxable) debt, secured by the moral obligation (MO) of the State of Illinois.

We seek proposals from the banking and underwriting community to complete this plan, as authorized under the Emergency Purchase Resolution dated October 8, 2015. This RFP seeks indications for capital markets solutions, direct and private placement opportunities, and syndicated loan structures, as well as any other ideas to effectuate successful borrowings.

The purpose of the issue is to provide funds to pay certain outstanding invoices of the State of Illinois. The Emergency Purchase Resolution allows for the procurement of professionals subject to a competitive process which includes market pricing to evaluate alternative financing options.

The terms of the financings are still being finalized, but in general, the IFA is seeking proposals for an approximately \$115 million issuance, with a maturity ranging from 5 to 10 years (amortization can be up to 25 years) secured by the moral obligation of the State of Illinois, as well as ideas for potential receivables financings. The financings can be structured as a Direct Purchase, a Private Placement or as a capital markets issuance(s). The funds will be used to pay certain essential invoices, during the State’s budget impasse. Revenues to repay the loan or bond, including interest costs, administrative fees (if any) and cost of issuance, will be from anticipated future appropriations for this purpose, not from the general or special funds of the Authority.

The IFA and the State have a history of honoring all debt obligations, including its moral obligation supported debt issuances. As issuer, the IFA conveys lien status and non-impairment restrictions, which enhance bond (or note or lien) holder security. Currently, the IFA has approximately \$35 million of outstanding principal of MO-backed debt, all in the form of fixed rate debt obligations.

The evaluation committee will review responses for structure, pricing, innovation and thoroughness of the response to questions posed in this solicitation, as well as relevant experience of the proposer. For bank products, the credit quality of the counterparty will also be considered. The team will also evaluate the ability of the firm to execute the transaction, including an understanding of the likelihood of credit committee approval, depth of investor outreach, and/or capital position.

We invite you to learn more about the IFA and its existing profile by visiting www.il-fa.com to review our leadership team, current budget, projects being financed, and historical lines of business. In particular, the minutes and all presentations to Board meetings are available online. All questions must be submitted in writing by email by noon CT on Tuesday, October 13, 2015 and directed to Mari Money. The IFA would appreciate an indication of interest by Tuesday October 13 at noon CT (this indication of interest does not obligate an RFP response nor will

failure to indicate interest preclude an RFP response). Responses to questions will be posted on the IFA's website by 5pm CT on Wednesday, October 14, 2015.

Responses to this solicitation are due by 5pm CT on October 19, 2015 and should be delivered in electronic format to Mari Money at the IFA. Please limit responses to 15 pages. Interviews, if needed, will be conducted the week of October 19th.

Acacia Financial and Sycamore Advisors, LLC serve as financial advisors to the IFA.

Authority and Security Structure

The Authority may finance Public Purpose Projects on behalf of the State. In creating the Authority, the General Assembly provided certain statutory tools to issue bonds as well as to make loans and guarantees in order to promote the health, safety, morals and general welfare of the people of the State. 20 ILCS 3501/801-5. If certain essential governmental services and goods are not funded due to the current budget impasse, the health, safety, morals and general welfare of the people of the State could be threatened.

Among these tools, the Authority has the power to finance "public purpose project(s)," which the General Assembly has specifically defined as:

" . . . any project or facility, . . . , which is authorized or required by law to be acquired, constructed, improved, rehabilitated, reconstructed, replaced or maintained by any unit of government or any other lawful public purpose which is authorized or required by law to be undertaken by any unit of government." 20 ILCS 3501/801-10(c)

The Authority Act (20 ILCS 3501/801-1 *et seq.*) may also provide for a Public Purpose Project financing using statutory interest through the Prompt Payment Act (30 ILCS 540/1 *et seq.*).

Under the Authority Act, a "unit of government" includes the State "or any agency or instrumentality thereof." 20 ILCS 3501/801(i).

The proposer should evaluate the purchase of taxable rate bonds issued by the IFA (the "Bonds") with level debt service payments, unless other arguments are compelling.

Revenues to repay the loan or bond, including interest costs, administrative fees (if any) and cost of issuance, will be from anticipated future appropriations for this purpose, not from the general or special funds of the Authority.

In addition, the Bonds are supported by the "moral obligation" of the State of Illinois as described in 20 ILCS 3501/801-40(w). This Section provides that, in the event: (i) the IFA determines that monies of the IFA will not be sufficient for the payment of the principal and interest on the Bonds during the next State fiscal year; or (ii) there is a withdrawal of monies from the Debt Service Reserve Fund to pay the Bonds, the Chairperson of the IFA shall certify to the Governor the amount required to pay such principal of and interest on the Bonds, or to restore the Debt Service Reserve Fund to the required level, as the case may be, and the

Governor shall submit the amount so certified to the Illinois General Assembly as soon as practicable, but no later than the end of the current State fiscal year.

Under the Constitution of the State of Illinois (the “State Constitution”) and the laws of the State, the annual budget prepared by the Governor includes both the Governor’s recommendations for the State appropriations and such other information as required by the State Constitution and applicable statutes. Under the State Constitution, any payment of State funds to the IFA is subject to an appropriation approved by the General Assembly. In addition, the Governor’s recommendations for State appropriations are a matter of executive discretion. Thus although Section 801-40(w) of the Authority Act requires that the amount certified by the Chairperson of the Authority to enable it to pay principal and interest on moral obligation bonds shall be submitted by the Governor to the General Assembly as a State appropriation for that purpose; it does not create a debt of, or obligation enforceable against the State. There is no assurance either that such money will be appropriated or that any appropriation will be made at such time so as to ensure timely payment of principal of or interest on the Bonds.

Under the Authority Act, any pledge of revenues or other moneys made by the Authority shall be binding from the time the pledge is made. Revenues and other moneys so pledged shall be held outside of the State treasury and in the custody of either the Treasurer of the Authority or a trustee or a depository appointed by the Authority. Revenues or other moneys so pledged and thereafter received by the Authority or trustee or depository shall immediately be subject to the lien of the pledge without any physical delivery thereof or further act, and the lien of any pledge shall be binding against all parties having claims of any kind in tort, contract, or otherwise against the Authority, irrespective of whether the parties have notice thereof. Neither the resolution nor any other instrument by which a pledge is created need be filed or recorded except in the records of the Authority. The State pledges and agrees with the holders of bonds or other obligations of the Authority that the State will not limit or restrict the rights vested in the Authority by the Authority Act to purchase, acquire, hold, sell, or dispose of investments or to establish and collect such fees or other charges as may be convenient or necessary to produce sufficient revenues to meet the expenses of operation to the Authority, and to fulfill the terms of any agreement made with the holders of the bonds or other obligations of the Authority or in any way impair the rights or remedies of the holders of those bonds or other obligations of the Authority until such bonds or other obligations are fully paid and discharged or provision for their payment has been made. (20 ILCS 3501/801-50)

1. Scope of Work

The IFA is considering several taxable transaction options, but welcomes different or innovative approaches from respondents to meet its objectives. Respondents may include one or more options as desired and should include any other potential alternatives. The scope of work will culminate in a successful transaction for IFA.

Options that the IFA has preliminarily evaluated include the following:

- Option One: CAPITAL MARKETS
 - a) Short-term Solution

- b) Fixed Rate Solution

Option Two: LOAN, DIRECT PURCHASE or PRIVATE PLACEMENT SOLUTIONS

Option Three: OTHER FINANCING IDEAS

- a) Receivables Financing. The Authority Act may also provide for a Public Purpose Project financing using statutory interest through the Prompt Payment Act (30 ILCS 540/1 et seq.). This option includes but is not limited to the assignment or purchase of receivables owed by the State in connection with the completion of or provision of services and goods to the State pursuant to contract.
- b) Other creative financing options are welcome.

2. General Provisions

The IFA will have sole discretion in selecting banks, underwriters and/or placement agent(s) under this RFP, and it reserves the right not to award this assignment to any Offerors. The IFA is not liable for any costs incurred by the Offeror in the preparation of its response to this RFP, and it further reserves the right to waive any irregularity and to further negotiate with any Offeror if such is deemed in the best interest of the IFA. Currently, the IFA intends to select banks, underwriters or placement agent(s) based solely on responses to the RFP, but reserves the right to interview or to follow-up through phone discussion or email, if needed, to further explore and/or clarify any aspects of a response.

IFA requests an indication of interest in responding to the RFP by email to Mari Money, to indicate their interest in responding to the RFP by noon CT on Tuesday, October 13th, 2015. Please include your name, mailing address, email address, telephone and fax numbers so as to be included in any future mailings or notices. This indication of interest does not obligate an RFP response nor will failure to indicate interest preclude an RFP response.

You are requested not to contact IFA personnel, its advisors or counsel directly during this RFP process (other than the submission of RFP and written questions detailed above). **All questions about this RFP shall be submitted to Mari Money, by email at mmoney@il-fa.com. Such questions must be received no later than noon on Tuesday, October 13th.** Answers to all questions will be posted on the IFA website by 5pm CT on Wednesday, October 14th. Answers will be provided, if possible, without disclosure of the identity of the person or party asking the question. There will be no pre-proposal conference. The IFA reserves the right to amend this RFP and any amendments will be posted to the IFA website. The IFA also reserves the right to cancel this RFP and notice of cancellation will be posted to the IFA website.

Banks, Underwriters and Placement Agent(s) will be selected and hired by the IFA, and the IFA will be the main point of contact for all professionals.

Schedule

10/8/15	RFP for banks and underwriters emailed to firms.
10/13/15	Written (emailed) notice of intent to respond requested by noon CT. Any questions related to this RFP must be submitted by noon CT on this date.
10/14/15	Responses to questions posted on IFA website
10/19/15	Responses due by 5PM Central.
Week of 10/19/15	Oral presentations/ in-person interviews will be conducted (if needed).

3. Proposal Format

For those submitting responses for both capital markets solutions and Direct Purchase proposals, your response should be limited to 15 pages (excluding cover letter and appendices). For those submitting a response to just one option, your response should be limited to 7 pages (excluding cover letter and appendices). Please indicate whether, if not selected as an underwriter, your firm might be willing to serve as placement agent should that scenario necessitate the use of one.

All Offerors should submit responses to the following:

1. Please provide a one page cover letter to serve as an executive summary of your proposal.
2. Please list the name, address and telephone number for the primary contact person assigned to work with the IFA. Please identify the key members of your firm that would be assigned to work with the IFA and the anticipated role of each member. Brief biographies of each individual should be included in an appendix.
3. Describe your firm's experience as a senior manager with state level issuers rated in the A and BBB categories, as well as experience with moral obligation issuance, since January 1, 2011. In an appendix, please include a list of transactions over \$25 million, including date of issue, borrower, size and role.
4. Please identify any potential conflicts of interest and how you would resolve them.
5. Please discuss any violations of, or investigation relating to any alleged violation of, Securities and Exchange Commission Rules and/or Municipal Securities Rulemaking Board Rules, or other regulatory actions since January 1, 2010. If none, please provide a statement to that effect.
6. Please provide the names and telephone numbers of three clients (and respective contact persons for those clients) for whom you have provided services similar to those described in this RFP, with a brief description of the work performed. These persons will be considered as references and may be contacted by the IFA in its evaluation of the proposal.
7. Please provide written affirmation that the person(s) submitting the proposal is/are authorized to do so on behalf of the Offeror and certification that, to the best of his or her knowledge,

the information submitted in the technical proposal is accurate, complete, and correct as of the date of the proposal.

8. Please indicate in your responses whether your firm would be receptive to syndicating a smaller portion of the transaction on the same terms that you as the lead bank are proposing.
9. Please indicate how long the pricing terms quoted in your response will be available (i.e. 90 days).

For Offerors submitting responses for capital markets solutions, please answer the following:

1. Please provide a coupon/yield scale and expected spread to MMD as of close of business on October 15, 2015 for the proposed taxable bond transaction. Assume a \$115 million borrowing and an essentially level debt service amortization of no less than 10 years.
2. Please describe your recommended marketing strategy. Discuss your recommendations regarding syndicate structure, including number of co-managers, marketing to retail investors, fee splits and/or designation rules.
3. Discuss thoughts on the essentiality and sizing of a debt service reserve fund to support the financing.
4. Please address the question of whether the IFA should obtain a rating for this financing, and if so, how a rating would save or cost the IFA money in terms of pricing and outright cost. Please discuss your approach to a rating agency strategy. Briefly describe your firm's experience with rating agencies working with credits in Illinois and specifically MO debt.
5. Please provide proposed transaction fees, including takedowns by maturity, estimated expenses and management fee, if any.
6. Please advise whether separate underwriter's counsel will be required (and if so the anticipated fee).
7. If a short term solution is provided, provide commentary on necessary support agreements, credit enhancement, letter of credit or standby bond purchase agreement.
8. If a long term capital markets issuance is suggested, please provide commentary on the anticipated optional prepayment terms (including terms of any premium).
9. The State has receivables that are available to be securitized. Please suggest any ideas for debt and servicing structures that may be secured by the receivable payments; include in your discussion how servicing would be accomplished for a proposed receivables' financing.

For Offerors submitting responses for Direct Purchase or a DP in combination with capital markets, please answer the following:

For proposals of Direct Purchase, please provide the following information, as applicable:

DIRECT PURCHASE			
	Fixed Rate	Variable Rate	
TERM		INDEX	SPREAD
5-YEAR			
7-YEAR			

Please indicate whether you would be willing to provide a 10 year Direct Purchase and, if so, the respective rates for that financing. The Fixed Rate spread should include the basis points spread to the applicable U.S. Treasury maturity.

In addition, please provide an indicative Term Sheet which includes at least the following information:

- Commitment fee
- Closing costs
- Syndication or lead bank fee
- Expected legal fees
- Amendment fees
- Renewal fees and provisions
- Term out provisions
- Covenants regarding regulatory and tax risk
- Covenants regarding participation, assignment and sale
- Covenants regarding any maximum interest rate requirements and any ‘make whole’ provisions
- Termination provisions
- Ratings or downgrade ‘triggers’
- Security and financial covenants
- Any business-related covenants
- Optional prepayment provisions

Certain Preferred Agreement Provisions for a Bank Loan

- Debt or loan is not subject to acceleration.
- No early termination fee.
- No most favored lender covenant.
- No most favored pricing provision.
- Increased cost provision applies only in instances where the increased cost is a result of new regulations and shall not apply to instances of reinterpretation of existing laws or regulations (including Dodd-Frank and Basel III).
- Increased cost provision would apply to participants, but limit the amount payable to such participant to the amount which would have been payable to the bank had there been no participation.
- No maximum interest rate "clawback" provision.
- IFA to retain the ability to secure and/or pay future debt and debt-related obligations with specified tax revenues.
- Illinois law is the governing statute.

**Sample Bank Loan
Proposal Form**

Proposals submitted must complete this form or include responses to all items on this form in order to be considered.

SECTION 1 – GENERAL INFORMATION

Full Legal Name of

Provider: _____

Contact Person:

_____ **Phone:** _____

Fax: _____ **Email:** _____

Bank's Ratings:

Capacity Limitations: Please indicate if your firm has overall limits for providing credit and/or liquidity to the IFA or Illinois credits. Indicate timeframe for Credit Approval, if not already received.

1. List any and all additional fees for which you would expect reimbursement (e.g., Amendment, Origination, etc.) and any expenses other than Legal Counsel.

2. Provide a description of Term-Out Provisions including interest rates and all conditions, if applicable

Bank Counsel: _____ Firm: _____

Primary Contact: _____

Legal Fees and Expenses estimate and cap:

COVENANTS

Please itemize and briefly describe all preferred Security Covenants. List all preferred Termination Events and Events of Default. Identify any key terms, conditions, covenants or other restrictions that you would propose to add to **Certain Preferred Agreement Provisions** above.

1. For proposals of Letters of Credit, please provide the following:

	Short-Term Rating	Long-Term Rating	Outlook
Moody's Investors Service			
Standard & Poors			
Fitch Ratings			

LETTER OF CREDIT	
Maximum Amount:	
Term:	
Facility Fee:	
Termination Fee, if any:	

In addition, please provide an indicative Term Sheet which includes at least the following information:

- Commitment fee
- Closing costs
- Draw fees
- Syndication or lead bank fee
- Expected legal fees
- Amendment fees
- Renewal fees and provisions
- Term out provisions
- Termination provisions
- Ratings or downgrade 'triggers'
- Security and financial covenants

2. Please provide any alternative structures to a Letter of Credit or Direct Purchase that you would recommend to the IFA to effectuate the issuance(s) of the Bonds.
3. Please indicate the length of time your firm would need to obtain final credit approval.

4. Evaluation and Selection

Firms will be evaluated on the basis of the following criteria:

1. Responsiveness to the RFP, including ideas for structuring options or other recommendations with respect to the credit.
2. Demonstrated understanding of the IFA's goals and debt structure.
3. Proposed deal pricing and fee proposals.
4. Experience with similar transactions and institutions.

The responding vendor *must* comply with all certifications, requirements and filings mandated by the Illinois Procurement Code, including Forms A or B as applicable. In addition, Direct

Purchase proposals will be evaluated on the basis of bank credit quality and terms and conditions of the facility.

5. Conclusion

Please send one electronic copy of your response to this Request for Proposals to Mari Money at the IFA.

The IFA reserves the right to request additional information from potential vendors, meet with qualified Offerors to discuss this RFP and the Offeror's proposal and ability to perform the proposed Scope of Work, and to request oral presentations from one or more Offeror.

Thank you for your interest in the IFA.