

Dallas Fort Worth International Airport

REQUEST FOR QUALIFICATIONS for UNDERWRITING SERVICES

Responses Due: October 13, 2017



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Opportunity

In anticipation of its next Capital Program, the Dallas Fort Worth International Airport (“DFW” or the “Airport”) is requesting proposals from investment banking firms outlining their qualifications to provide underwriting services for the issuance of multiple series of bonds over a multi-year period on behalf of the Cities of Dallas and Fort Worth (the “Owner Cities”). Assuming the current tax code provisions relating to municipal bonds remain unchanged, the Airport anticipates issuing approximately \$1.5 billion to \$2 billion of non-AMT bonds primarily for airfield and landside infrastructure improvements. Additionally the Airport is contemplating, along with American Airlines, a multi-billion dollar terminal program to be financed over the next several years. The Airport has finalized its decision that future bonds, issued for terminal improvements, will be issued as corporate-like taxable bonds. In addition to new money bonds, the Airport has approximately \$2.4 billion of non-AMT and \$2.8 billion of AMT debt currently outstanding, which will be callable between FY 2020 and FY 2023. It is anticipated that, subject to economic conditions, these bonds will be refunded. AMT bonds will be refunded using corporate-like taxable bonds.

In order to facilitate the financing of these projects, DFW intends to create two underwriting teams (Teams A and B) totaling approximately eighteen firms. The total number of firms selected will be at the discretion of the Airport Board. The two teams will be organized as follows:

Team A will consist of underwriters dedicated to underwriting primarily Tax-Exempt Non-AMT Bonds within the U.S. municipal capital markets. Firms only interested in participating on this team do not need to provide responses to Section E. Firms selected for Team A which complete Section E may additionally be engaged to participate in Taxable transactions at the discretion of Airport Management.

Team B will consist of underwriters with international marketing capabilities and/or are capable of selling taxable, corporate-like bonds to investment accounts domiciled both within the U.S. and in foreign markets. Firms selected for this team will assist DFW in developing a comprehensive financing plan, developing investor relationships, and creating a new global market for U.S. airport securities.

Respondents are encouraged to evaluate how they can best serve the underwriting needs of the Airport. Firms are not excluded from seeking selection to Team B if they feel they can add

value in the taxable market. Please note, the completion of Section E only indicates the desire to be considered for Team B and does not preclude a firm from being selected to Team A.

The teams, as outlined in the RFQ, will serve until the Airport determines it is in the best interest of the Airport to conduct a new solicitation. Additionally, the Airport retains the sole right to realign the members of the teams, replace team members or add team members to best serve the Airport's financing needs should there be changes in the capital plans, changes to the tax code, changes to the firms, or if market conditions warrant.

Firms should submit a response no later than **5:00 p.m., October 13, 2017.**

Questions concerning the RFQ should be submitted to Michael Phemister, Vice President of Treasury Management, via email at mphemister@dfwairport.com by 5:00 p.m. September 29, 2017. Responses to the questions will be sent out to the group by October 6, 2017 via email. Please ensure that your contact information is included in your email request to ensure that the appropriate person will receive the responses.

It is anticipated that the Airport Board will approve the selection of the underwriting teams at the December 7, 2017 Board Meeting. As part of that action, the Board will also establish M/WBE participation goals. It will be the recommendation of Airport Management that a 30% M/WBE goal be established for tax-exempt bond issuances and an M/WBE goal of 5% for taxable bond issuances. These goals will not apply to individual underwriters or to individual transactions. It will be the responsibility of Airport Management to utilize underwriters to achieve these goals over the life of the teams.

During the period that the RFQ is outstanding, the Airport will not accept visits from underwriting firms. Additionally, there should be no discussions with any Airport Board Members regarding this RFQ prior to their consideration. The Airport reserves the right to extend the due date, amend this RFQ, cancel this RFQ or waive minor technicalities. The cost of preparing a response is solely that of the respondent and neither the Airport nor its consultants will be liable.

Form of Response

The required information should be submitted electronically in a PDF format to each recipient in addition to hard copies as indicated in the list of individuals below. **Responses should not exceed 15 pages, excluding the cover letter and appendices. However, an additional 10 pages are permissible if your firm is responding to Section E.** In order to allow for thorough

responses to our questions, it is encouraged that all marketing material included with the submission should be included in the appendix. **Responses should be delivered to:**

<p>Mr. Christopher Poinsatte EVP - Chief Financial Officer DFW International Airport P.O. Drawer 619428 DFW Airport, TX 75261-9428 capoinsatte@dfwairport.com</p> <p>(Electronic Copy)</p>	<p>Mr. Michael Phemister VP - Treasury Management DFW International Airport P.O. Drawer 619428 DFW Airport, TX 75261-9428 mphemister@dfwairport.com</p> <p>(Electronic Copy) (2 Hard Copies)</p>	<p>Mr. John Ackerman EVP - Global Strategy and Development DFW International Airport P.O. Drawer 619428 DFW Airport, TX 75261-9428 jackerman@dfwairport.com</p> <p>(Electronic Copy)</p>
<p>Ms. Laura Alexander Managing Director Hilltop Securities Inc. 777 Main St., Suite 1200 Fort Worth, TX 76102 laura.alexander@hilltopsecurities.com</p> <p>(Electronic Copy)</p>	<p>Mr. Dave Gordon Managing Director Estrada Hinojosa & Co. Inc. 1717 Main Street, 47th Floor Dallas, TX 75201 dgordon@ehmuni.com</p> <p>(Electronic Copy)</p>	

Summary of Important Dates

September 2017						
Su	M	T	W	Th	F	Sa
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

October 2017						
Su	M	T	W	Th	F	Sa
1	2	3	4	5	6	7
8	9	10	11	12	13	14

December 2016						
					1	2
3	4	5	6	7	8	9

Deadlines/Events	Responsible Party	Dates
RFQ Distributed by DFW	DFW	9/13/2017
Questions Regarding RFQ Due	Respondents	9/29/2017
Responses to Questions Due	DFW	10/6/2017
RFQ Submissions Due	Respondents	10/13/2017
December Board Committee Meetings	DFW	12/5/2017
December Board Meeting	DFW	12/7/2017

Firm Information

A. Cover Letter

The proposal shall be accompanied by a one-page cover letter addressed to the Airport, signed by an officer who is responsible for committing the firm’s resources along with the officer’s contact information. The cover letter shall include the name of one person who can respond to requests for additional information and who can coordinate the attendance of individuals at an oral presentation, if necessary.

The letter shall state whether or not the firm is a party to any pending litigation against the Airport or the Cities of Dallas and/or Fort Worth and whether this would affect its performance during the sale of securities by the Airport on behalf of the Owner Cities. The letter must also disclose whether the firm has engaged the services of any individual or company to represent its interest in seeking business for the Airport or the Owner Cities and shall identify that individual or company. Additionally, the letter should address any recent or pending merger or acquisition activity of your firm.

B. General Information

Please provide the following information in the format provided below.

Headquarters Location	Address
Lead Banker – Primary Contact	Name, Title, Address, Phone, Fax, Email
Lead Banker – Alternate	Name, Title, Address, Phone, Fax, Email
Underwriting Desk Contact – Short-Term	Name, Title, Address, Phone, Fax, Email

Underwriting Desk Contact – Long-Term	Name, Title, Address, Phone, Fax, Email
Commercial Banking Contact – Bank Loan, Revolving Notes, Letters of Credit (If Applicable)	Name, Title, Address, Phone, Fax, Email
Local Public Finance Investment Banking Presence	Do you have a DFW Metroplex office in which investment banking professionals work? (Yes/No) If so, what is the headcount of investment banking professionals that work in that office? If not, what is the next closest office to the DFW Metroplex in which your firm conducts investment banking activities and what is the headcount of investment banking professionals in that office?
Woman Owned?	(Yes/No)
Minority Owned?	(Yes/No)
Veteran Owned?	(Yes/No)

C. Description of Ownership, Capital Structure and Commitments

1. Provide a brief description of the firm, including the size, geographic focus, structure of ownership (e.g., publicly held corporation, partnership, etc.) and any parents, affiliates, or subsidiaries of the firm. Discuss any recent changes in ownership, management, or staffing since January 1, 2016, or such changes that are expected to be executed by December 7, 2017, if any. Please state your firm’s headquarters location and trading desk location and category that best describes the firm: (i) Global, (ii) National or (iii) Regional. All marketing information should be included in an appendix.
2. If the firm has less than \$500 million in capital, please complete the following table showing total capital, net capital, excess net capital, and the average daily inventory in municipal bonds for calendar years 2014, 2015, and 2016.

	Total Capital	Net Capital	Excess Net Capital	Avg Daily Inventory in Municipal Securities	Avg Daily Inventory in Taxable Securities
2014					
2015					
2016					

3. Provide a description of your firm’s recent history (January 2016 to present) regarding to the following questions.
 - a.) Capital commitment to municipal underwritings:
 - a. Average monthly inventory (non-auction and variable rate bonds)
 - b. Restrictions of underwriting capacity, if any
 - c. Detail the process your underwriting desk would go through to take any unsold bonds into inventory
 - d. A complete summary of all recent transactions, detailing the amount of bonds, if any, which were taken into the firm’s inventory to complete the transaction(s)
 - e. A summary of any underwriting transactions within the last five years which were not completed for any reason
 - b.) Please describe your efforts in providing underwriting and secondary trading support for airport revenue bonds.
 - c.) Does your firm have any restrictions on underwriting a split rating?
 - d.) Please describe your firm’s credit approval process.
 - i.) Who, What, When?
 - ii.) Are there any internal policies as to the commitment of capital to complete a transaction?
4. Please disclose any material litigation, administrative proceeding, violation of, or investigation for violation of any regulatory rules (e.g. SEC, MSRB, FINRA, CFPB) in which your firm was involved, whether currently ongoing or concluded since January 1, 2014.
5. All firms on the Airport’s underwriting team at the time of the SEC’s MCDC initiative advised the Airport that no reportable events of non-compliance in relation to Rule 15c2-

12 were found. Have you uncovered or reported any 15c2-12 compliance issues or any other issues related to the Airport or the Owner Cities that would prevent you from underwriting bonds issued by those entities or would require disclosure in any Offering Documents?

6. Please disclose all contractual or informal financial arrangements/agreements, including joint accounts, fee-splitting profit sharing and consulting agreements of your firm. This disclosure must be complete, accurate, and in sufficient detail to permit the Airport to make informed decisions as to with whom and upon what basis the business of the Airport is being conducted.

D. General Questions and Work Approach

1. Describe your firm's airport experience over the last five years.
2. Describe the rating agency approach you would recommend the Airport take to maintain current ratings assuming DFW were to issue an incremental \$5 billion in debt over the next six or seven years.
3. Describe the approach you would recommend the Airport take to maximize institutional and retail investor awareness for Tax-Exempt Non-AMT bond sales.
4. Describe the marketing process your firm would recommend to market Airport revenue bonds in the tax-exempt non-AMT markets. Please include an analysis of the various call features that could be structured. It would be the intent of the Airport to have the shortest call possible with no call feature later than 10 years following the issuance.
5. List the dates in the last 18 months that one or more of your bankers visited Chris Poinette, EVP-Chief Financial Officer, and/or Michael Phemister, VP-Treasury Management at DFW to discuss DFW's debt program.

E. Taxable Investment Banking Capabilities

(Firms Interested in Team B Participation Only)

1. As previously discussed, the Airport is considering financing a large terminal program using taxable debt with a final maturity of 2050, leveling the overall airport debt charged to the airlines. Discuss if there are any factors your firm believes DFW should reevaluate

as to whether the taxable bond market is the appropriate market for implementing the Airport's terminal financing strategy. Please address the following:

- a. Comparison of pricing levels for Tax-Exempt AMT bonds, Taxable U.S. Municipal bonds and Taxable Corporate Bonds on a comparable basis
 - b. Discuss the relative number of investors that are actively buying Tax-Exempt AMT bonds, Taxable U.S. Municipal bonds, and Taxable Corporate bonds.
 - c. Discuss capacity limitations in the Tax-Exempt AMT market and Taxable U.S. Municipal markets in context of multiple large hub airport's capital programs occurring simultaneously
 - d. Discuss ineligible uses of Tax-Exempt bonds related to the use of airport terminals in today's environment. (i.e. Airports have become malls)
2. Please describe in detail how your firm would add value in the global marketing and sale of taxable bonds. Please include a list of all international offices from which your firm conducts investment banking and securities activities.

If your firm does not have international offices, please discuss how your firm would participate in pre-marketing and securing orders from taxable bond investors. The discussion should include arrangements such as relationships with domestic taxable purchasers, 15a-6 relationships with foreign broker/dealers, relationships with foreign underwriting firms or investment banks, etc.

3. The Airport plans in its next Use Agreement to collect 25% hard coverage (compared to the current rolling coverage). This coverage would be utilized during terminal construction as PAYGO funds and used to call outstanding bonds following construction.
- a. Assuming that the final years of debt principal will be paid using coverage dollars, discuss any ideas that you have to provide this prepayment flexibility.
 - b. Please discuss and provide an analysis of the marketability and structure of bonds with call provisions in the taxable market. Specifically, discuss the possibility of a 10 year (or shorter) par call vs. a make-whole call.
 - c. Discuss the use of other less-common call features such as premium calls, super sinkers, turbo bonds, etc. available in the taxable market which may provide a benefit

4. Please provide your thoughts on the following aspects of Taxable Bond Issuances:
 - a. Discuss the advantages or disadvantages of the Airport using corporate CUSIP numbers when issuing taxable bonds
 - b. Discuss any advantages or disadvantages of issuing index-qualified bonds
 - c. Discuss any advantages or disadvantages of “Green Bonds” in marketing DFW Taxable Bonds
5. Describe in general global investor sentiment and interest for buying taxable U.S. Infrastructure bonds denominated in U.S. Dollars.
6. Discuss options to provide interim financing (i.e. Commercial Paper, Revolving Credit Facilities, etc.) to obtain the lowest interest cost during the terminal construction period. Please provide any case studies where your firm used such an approach, if any.
7. Discuss your firm’s use of derivatives in large taxable financings over the past 3 years. Please provide any case studies. Please discuss how derivatives could be utilized to assist the Airport in reducing funding costs or reducing interest rate risks.

Additionally, should there be demand for payments in foreign local currency, please discuss your firm’s capabilities and willingness to act as a dealer in a cross-currency swap transaction with potential investors to hedge currency risks associated with such financing. While the Airport will only transact in US Dollars, this could help achieve further investor diversification.

8. Please describe your proposed marketing plan for taxable bonds issued by DFW. Please include case studies of other large and cross-border transactions that you or your firm has participated in on behalf of municipal authorities or P3s including investor outreach (i.e. an international roadshow), investor diversification, and overall marketing strategy.