

State of Texas Series 2012 TRAN

HUB Participation Goals and Required Disclosure Report for Successful Bidders

Pursuant to Chapter 2161 of the Texas Government Code, the Comptroller encourages participation by Historically Underutilized Businesses (“HUBs”) in all contracts. In general, a HUB is a Texas based business owned by an economically disadvantaged person. The full definition of HUB may be found at §2161.001(2), Texas Government Code. The goals for HUB participation in state procurement may be found at 34 TAC §20.13(b).

The Comptroller encourages qualified HUBs to bid directly on the Series 2012 Notes. The Comptroller also expects all bidders to make a good faith effort to increase HUB participation in the award of the Series 2012 Notes by actively seeking opportunities to partner with HUBs and where appropriate entering Mentor-Protégé relationships with HUBs.

Partnering with HUBs: Where feasible and practical, bidders should seek to partner with qualified HUBs to engage in bidding on the Series 2012 Notes. While the capacity may not currently exist for HUBs to bid on the Series 2012 Notes independently, the Comptroller urges potential bidders to seek strategic alliances with HUBs in Texas in formulating their bids. Through exposure to the processes and requirements of the bidding process, these HUBs may develop the capacity, expertise and knowledge base necessary to bid on portions of the Notes in future sales.

Definition of “good faith effort” for the 21012 TRAN. In relation to the HUB efforts expected by the Comptroller, “good faith effort” is defined as:

1. bidders’ outreach to HUBs or minority or women trade organizations to educate them and seek opportunities to partner on TRAN related work,
2. to the extent consistent with prudent industry practices, efforts to identify specific opportunities to subcontract or partner with HUBs on TRAN related work, and/or
3. formal attempts by bidders to offer HUBs any TRAN related work opportunities.

Bidders should also consider whether existing corporate structures, such as vendor diversity programs, could be utilized or expanded to partner with Texas HUB businesses.

Required Disclosure Report for Successful Bidders: Each of the successful bidders will be required to submit a disclosure report regarding HUB participation to the Comptroller within two (2) days after the sale of the Series 2012 Notes, August 23, 1012, as set out in the Notice of Sale in Attachment C. See the Question & Answers portion of this document for more information regarding the disclosure report. Attachment C is also posted at the end of this document.

HUB Participation Questions & Answers

1. What is the definition of a HUB for purposes of the Texas Series 2012 TRAN Program?

In general, a HUB is a Texas based business owned by an economically disadvantaged person. Please see Texas Government Code, §2161.001 for more information.

Specifically, a "Historically Underutilized Business:"

- is at least 51% owned by an Asian Pacific American, Black American, Hispanic American, Native American and/or American woman,
- is a for-profit entity with its principal place of business in Texas, and
- has an owner residing in Texas with a proportionate interest that actively participates in the control, operations and management of the entity's affairs.

2. What are the goals for HUB participation?

The HUB participation goal for the Texas Series 2011A TRAN Program was \$100 Million. We would like to improve on that goal for the Texas Series 2012 TRAN Program.

3. How does a successful bidder demonstrate a good faith effort toward the Comptroller's HUB participation goals, as set out in the Notice of Sale, in Attachment C?

A good faith effort means, to the extent consistent with prudent industry practices, outreach to minority or women trade organizations and HUBs; efforts to identify opportunities to subcontract or partner with them on TRAN related work; and attempts to offer them any TRAN related work opportunities.

4. What is a Mentor-Protégé relationship?

A Mentor-Protégé relationship is one way of contributing to the Texas Series 2012 TRAN Program's HUB participation goal. The State of Texas Mentor Protégé Program is designed to foster relationships between prime contractors and Texas certified HUBs. The objective of the Mentor Protégé Program is to provide professional guidance and support to the protégé (HUB) to facilitate their growth and development, and to increase HUB contracts and subcontracts with the State of Texas. A Mentor's use of their Protégé to fulfill any portion of scope of work related to the Texas Series 2012 TRAN Program could potentially contribute to the HUB participation goal. Bidders with existing Mentor-Protégé agreements should highlight those agreements and seek opportunities to involve or include their protégé where appropriate and reasonable. State agencies serve

as sponsors for the Mentor Protégé agreements. Companies interested in establishing a state Mentor Protégé agreement through the Comptroller's office should contact Paul Gibson, CPA's HUB Manager at Paul.Gibson@cpa.state.tx.us. For more information please see §2161.065, Texas Government Code, and 34 TAC §20.28.

4. What are the HUB reporting requirements for successful bidders in the Disclosure Report Form that is found in the Notice of Sale, Attachment C?

Each successful bidder must submit a disclosure report by the end of business on August 23, 2012, which is two days after the sale of the Series 2012 Notes. The disclosure report in Attachment C contains the following items, and must be executed by the bidder (the senior managing underwriter may make the certification on behalf of a bidder that is a syndicate):

- An acknowledgment that bidder is aware of the Comptroller's goal to encourage HUB participation in the sale of the Series 2012 Notes;
- An acknowledgment that bidder is aware that it must demonstrate a good faith effort toward the Comptroller's participation goals for HUBs; and
- A disclosure report that must include, but is not limited to, (a) the bidder's efforts in obtaining participation of HUBs in the syndicate, (b) the actual level of participation of HUBs in the syndicate, and (c) in the case of a syndicate, the list of participating underwriters and the amount of Series 2012 Notes allocated to and sold by each participating underwriter.

ATTACHMENT C

DISCLOSURE REPORT FORM

Instructions: The Bidder must complete, execute and deliver this form to the Comptroller by the close of business two (2) days after the sale of the Series 2012 Notes, as designated in the Notice of Sale. Please clearly mark the boxes (see below) and provide all the required information and sign the signature block. Delivery to be made by facsimile to Paula Griffin, Texas Comptroller of Public Accounts (Fax Number (512) 463-6315), or a scanned original can be emailed to Paula Griffin at paula.griffin@cpa.state.tx.us.

- The undersigned acknowledges that it is aware of the Comptroller's goal to encourage HUB participation in the sale of the Series 2012 Notes.
- The undersigned acknowledges that it is aware that it must demonstrate a good faith effort toward the Comptroller's participation goals for HUBs.
- Attached to this form is a disclosure report that describes (a) our efforts in obtaining participation of HUBs in the syndicate, (b) the actual level of participation of HUBs in the syndicate, and (c) in the case of a syndicate, a list of participating underwriters and the amount of Series 2012 Notes allocated to and sold by each participating underwriter.

Very truly yours,

UNDERWRITERS

Name of Underwriter or Manager of Syndicate

By: _____

Name: _____

Title: _____