



Hidalgo County Purchasing Department
2812 S. Business Highway 281
New Administration Building
Edinburg, Texas 78539
(956) 318-2626 / Fax: (956) 318-2629

May 13, 2013

Arbitrage Compliance Specialists, Inc.
Attn: Doug Pahnke
5975 South Quebec Street, #205
Centennial, CO 80111

Via Email: Doug@RebateByACS.com

Re: **Extension Of Letter Of Engagements:**
E-12-139-05-15-Hidalgo County (Original Contract C-11-070-06-21)
E-12-139A-05-15-(Drainage District No. 1 (Original Contract C-11-070A-06-21))

Dear Mr. Pahnke:

Hidalgo County Purchasing Department will be requesting Commissioners' Court to consider the County's sole option to exercise its' option to extend the letter of engagement services, the second (2nd) year of the three (3)-one (1) year as provided under RFQ NO: 2011-070-03-16-VYG for Hidalgo County and Hidalgo County Drainage District No. 1. Extension will be at the same rates, terms and conditions.

Please forward back this acknowledge receipt of notice of such request in order to proceed forward in placement on the Commissioners' Court meeting of Tuesday, May 28, 2013 for discussion, consideration and action, by signing below and returning to the Purchasing Department, by no later than 3:00 p.m., Wednesday, May 15, 2013 or sooner, via facsimile to (956) 956-318-2629 or email to: evangelina.garcia@co.hidalgo.tx.us so as to meet the agenda request form deadlines.

By: _____

Date: _____

Additionally, we are requesting your company provide an updated certificate of insurance as required through Hidalgo County's Request for (Bid, Quote, Proposal, Statement of Qualification), if applicable.

Should you have any questions or require additional information, please do not hesitate to contact me at (956) 318-2626. Your cooperation in this matter is greatly appreciated and we hope your company continues its business relationship with Hidalgo County.

Sincerely,
Vangie Y. Garcia, Contract's Manager
Hidalgo County Purchasing Department

June 1, 2011

Hidalgo County, Texas
2802 South Business Hwy. 281
Edinburg, Texas 78539



ENGAGEMENT LETTER FOR ARBITRAGE COMPLIANCE SERVICES

The purpose of this letter is to propose the engagement of Arbitrage Compliance Specialist, Inc. ("ACS") to prepare arbitrage compliance computations as required by the United States Treasury, Internal Revenue Service ("IRS") for all tax-exempt debt issues of **Hidalgo County ("County")**. The engagement will include all services as indicated in ACS' response to RFQ NO: 2011-070-03-16-VYG-Arbitrage Calculation Services Scope provided as Exhibit A for reference. This Agreement shall be construed under and in accordance with the laws of the State of Texas, and all obligations of the parties created hereunder are performable in Hidalgo County, Texas. The parties hereby consent to personal jurisdiction in Hidalgo County, Texas. Calculations performed under this agreement will be performed at ACS' office and the results of the calculations will be delivered by ACS to the County. This agreement shall become effective at the date of acceptance by the County and remain in effect until canceled. The County can terminate this Engagement with or without cause, with thirty (30) days written notice prior to cancelation. Listed below are the associated fees to complete this engagement:

FEE SCHEDULE

Arbitrage Rebate Fee Schedule – Per Issue	
One Year Report (computation period of up to one year).....	\$1,350
Two Year Report (computation period of up to two years)	\$1,875
Three Year Report (computation period of up to three years).....	\$2,400
Four Year Report (computation period of up to four years)	\$2,925
Five Year Report (computation period of up to five years).....	\$3,450
Miscellaneous Fee Schedule – Per Issue	
Recovery of Overpayment.....	\$3,000
Pre-calculation and post-calculation services:	
On-site ACS team to transition the contract	Included
Training of the County's staff on strategies to help lower arbitrage rebate liabilities	Included
Arbitrage rebate calculation services:	
Yield reduction calculations	Included
Spending exception calculations	Included
Transferred proceeds analysis	Included
Universal Cap analysis	Included
Debt service testing	Included
Commingled funds	Included
Preparation of Form 8038-T	Included
Comprehensive discussions of the findings of each arbitrage calculation	Included
Attend the County's Board meetings	Included
Legal services:	
IRS audit support	Included
Pre-issuance election advice	Included

HEADQUARTERS: 5975 S. Quebec St. #205 • Centennial, Colorado 80111

☎ 800-672-9993 ☎ 800-756-6505 ☎ 303-756-5100 ☎ 303-756-0901 🌐 www.rebatebyacs.com


LOCATIONS NATIONWIDE: AZ • CA • CO • FL • ID • NV • OK • OR • PA • TN • TX • UT • WA

In conjunction with this engagement, we will provide the applicable report(s) opining to the arbitrage compliance liability for the tax-exempt debt and related services.

We appreciate the opportunity to provide assistance to help you comply with your IRS arbitrage compliance requirements. As always, if we may be of further assistance or if you have any questions, please do not hesitate to call us at (800)672-9993 x7526.

Very truly yours,

Arbitrage Compliance Specialists, Inc.



Doug Pahnke, Director, Vice President

Please acknowledge acceptance of this engagement by signing and faxing this letter in its entirety to Arbitrage Compliance Specialists, Inc. at (800) 756-6505 or scanning and e-mailing to arbitrage@rebatebyacs.com.


Accepted by - Signature _____ Date _____

Ramon Garcia

County Judge

Approved by Commissioners' Court

Accepted by - Print Name

Title

on 6-21-11 rw

Hidalgo County

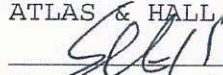
Organization

ATTEST:


Arturo Guajardo, Jr., County Clerk

Approved As To Form:

ATLAS & HALL, L.L.P.


Stephen L. Crain

Approved By Commissioners Court: June 21, 2011

Exhibit A

Arbitrage Compliance Specialists Response to RFQ NO: 2011-070-03-16-VYG-Arbitrage Calculation Services



REQUEST FOR QUALIFICATIONS FOR
ARBITRAGE CALCULATION SERVICES
HIDALGO COUNTY AND
HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
2011-070-03-16-VYG

DUE: MARCH 16, 2011, 9:30 A.M.

PREPARED BY:
ARBITRAGE COMPLIANCE SPECIALISTS, INC.
2500 CITY WEST BOULEVARD #300
HOUSTON, TEXAS 77042-3014

www.RebateByACS.com
1-800-672-9993



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March 10, 2011

Ms. Martha L. Salazar, CPPB, Purchasing Agent
Hidalgo County Purchasing Department
New Administration Building
2802 South Highway Business 281
Edinburg, Texas 78539

Dear Ms. Salazar and Members of the Selection Committee:

Arbitrage Compliance Specialists, Inc. ("ACS") is pleased to present this proposal to provide Arbitrage Calculation Services to Hidalgo County and Hidalgo County Drainage District No. 1 (the "County"). All calculations will be completed in accordance with Section 148(f) of the Internal Revenue Code, as amended, and Treasury Regulations (the "Tax Code") and with the scope of services listed in the Request for Qualifications for Arbitrage Calculation Services, RFQ No: 2011-070-03-16-VYG (the "RFQ").

The County will be receiving RFQ responses from firms such as BLX, First Southwest, and the Bank of New York. Each firm's response will state that their firm is the most experienced arbitrage firm in the country – and ACS is no different. When evaluating our response please keep in mind that arbitrage calculations require extensive knowledge of governmental accounting, accounting allocation rules, as well as legal interpretations of the Tax Code. Simply put, an arbitrage calculation is a type of tax calculation and therefore, the most qualified professional to complete the tax calculation is a CPA. When reviewing the RFQ responses, please pay special attention to the individuals who will be performing the arbitrage calculations. You will find that many of the individuals within the organizations are not CPAs – yet these firms will state that they are the most qualified to compute a tax calculation.

What sets our firm apart from our competitors is that the County's calculations will be completed by a tax attorney and CPA who has over 24 years of experience in computing arbitrage liabilities. This means that the calculations are completed by a professional who is trained in accounting as well as tax law; the perfect combination for arbitrage calculations. Since our firm specializes solely in arbitrage calculations, our fees are often **30-40% less** than our competitors' fees. In addition, our firm provides services prior to issuance and after the bonds are final that are not offered by our competitors. A few highlights of our arbitrage compliance program are listed below:

- ACS provides an on-site team to collect all of the necessary documentation to transition the calculations to our firm at no cost to the County.
- Bond planning legal assistance
- IRS audit assistance
- On-site arbitrage and bond accounting rules training
- ACS will create an arbitrage rebate policy manual for the County's use (highly recommended by the IRS).

If you have any questions or would like to discuss the details of our proposal, you may contact me at (800) 672-9993 extension 7526.

Best regards,

Arbitrage Compliance Specialists, Inc.



Doug Pahnke, Director, Vice President

2500 City West Boulevard, Suite 300 • Houston • Texas • 77042
Phone: (800) 672-9993 • Fax: (800) 756-6505 • E-mail: doug@rebatebyacs.com
California | Colorado | Florida | New Jersey | Pennsylvania | Tennessee | Texas | Washington



1. UNDERSTANDING OF THE PROJECT

It is our understanding that the County is seeking a qualified arbitrage calculation service provider to perform arbitrage rebate, yield restriction/yield reduction, and spending exception calculations for the County's tax-exempt debt issues in compliance with the Tax Code. Calculations are to be performed on each fifth year filing date and on the final maturity date of each debt issue. Calculations will include construction/capitalized interest funds, cost of issuance funds, reserve funds, overfunded debt service funds, escrow funds and transferred proceeds.

ACS is to provide on-site services to include an initial organizational meeting, record retention training, and Tax Code training. ACS is to provide IRS audit/inquiry support by our team of CPAs and on-staff tax attorney.

The contract will be supported by our Houston, Texas office that will provide the following services:

- On-site ACS team to transition the contract
- IRS audit support
- Comprehensive discussions of the findings of each arbitrage calculation
- Pre-issuance election advice
- Training of the County's staff on strategies to help lower arbitrage rebate liabilities
- Attend the County's Board meetings

2. FIRM'S QUALIFICATIONS

Firm's history and number of years performing arbitrage calculations

Providing arbitrage rebate calculations since 1986: Our strong, debt-free financial positioning, coupled with a very low employee turnover ratio is indicative of a financially stable firm that will be able to service the County for decades to come. ACS has 14 employees that are dedicated to arbitrage rebate including a tax attorney, CPAs, financial managers, Directors, and technical computer hardware/software managers.

Advisor to the United States Congress on arbitrage rebate: Janet P. Sacks, Managing Director, President, started her arbitrage rebate career in 1986 while working for Price Waterhouse, the third largest accounting firm in the Country at that time. Due to her extensive expertise in governmental debt, Janet was requested by the United States Congress to take part in the Beryl Anthony Public Finance Commission. This bipartisan Commission resulted in the formulation of the arbitrage rebate calculation methodology we use today. Having been one of the first arbitrage rebate providers in the Country, ACS has grown to be known as the expert among experts, regularly providing arbitrage rebate interpretation, consultation and advice to clients as well as to professionals within the industry.

ACS is a privately held corporation whose practice has been calculating arbitrage liabilities for tax-exempt debt issuers since the inception of the 1986 Tax Code. Selecting our firm to begin this engagement with the County should instill confidence that each and every tax-exempt debt issue will be supported by the most qualified arbitrage rebate calculation firm in the Country. All calculations are opined by a licensed tax attorney and completed by seasoned accountants who are trained and educated in tax law interpretation, accounting methodologies, and arbitrage rebate minimization strategies. Our firm pledges the entirety of our accounting and legal expertise to ensure that the County will pay the lowest amount of arbitrage rebate liability allowable while adhering to the rules and regulations set forth in the Tax Code.

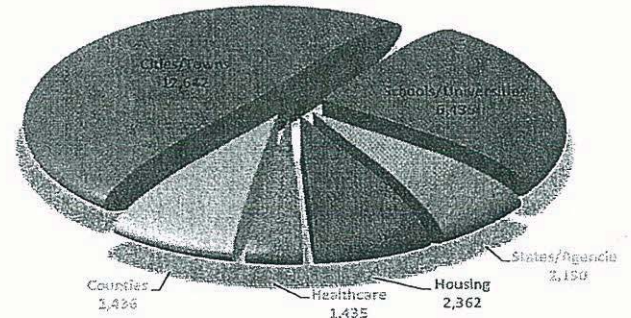
ACS provides services for over 1,500 municipalities across the United States and currently works with clients with active tax-exempt debt issues ranging from 1 to 250 bonds. We have absolute confidence that our firm possesses the available resources necessary to exceed the County's expectations. Since 1986, our practice has completed over 30,000 calculations for fixed rate and variable rate tax-exempt debt issues with varying investment structures such as swaps, letter



of credit agreements, guaranteed investment contracts, remarketing agreements, repurchase agreements, reimbursement agreements, flex repos, and forward delivery agreements.

30,000 CALCULATIONS COMPLETED SINCE 1986

Legal expertise: ACS is highly sought out by issuers and legal counsel throughout the Country. Our firm has distinctive legal and accounting experience with the arbitrage rebate regulations dating back to the inception of the 1986 Tax Code. ACS retains *on-staff* legal tax counsel services. As an added benefit to our clients, ACS' legal tax counsel services are included in our arbitrage rebate services at *no additional cost*.



On-site training: ACS is committed to providing initial and ongoing support to our clients. The services that ACS will provide to the County at *no additional cost* before and after the arbitrage rebate calculations are performed are listed below:

- ACS team to transition the contract
- IRS audit support
- Comprehensive discussions of the findings of each arbitrage calculation
- Pre-issuance election advice
- Training of the County's staff on strategies to help lower arbitrage rebate liabilities
- Training of the County's staff on the accounting rules allowable under the Tax Code
- Attend the County's board meetings

IRS audit assistance: ACS has developed an unmatched, comprehensive knowledge of how the existing tax regulations are interpreted as well as how new financial instruments may be treated by the IRS. As an independent firm specializing **solely** in the field of arbitrage compliance, ACS is not involved in providing bond counsel services, financial advisory services, or investment services to municipalities, and therefore, the IRS has regarded our calculations as extremely reliable and free from any internal or external influence. We have developed a thorough understanding of the IRS' enforcement philosophy and tactics and we include initial preventative audit-proofing in our work product. ACS will defend our clients *at no additional charge* in the event of an IRS audit.

ACS' custom arbitrage rebate calculation system: The type of calculation method used will vary between different types of funds, i.e. project funds, debt service funds, reserve funds, and cost of issuance funds. ACS utilizes its integrated tax law and accounting expertise throughout the whole arbitrage rebate compliance process to select the accounting method that will compute the lowest permissible liability as allowed by law. The Tax Code allows numerous allocation methods in calculating arbitrage rebate. A few of the methods are listed below:

Project Funds:

- First in first out
- Last in first out
- Ratable allocations
- Specific tracing

Debt Service Residual Extraction:

- 100%
- Average excess
- Year end excess
- Excess over maximum annual debt service

Commingled Funds:

- Values of the debt issues
- Remaining maximum annual debt service
- Original principal

A majority of arbitrage firms use Microsoft Excel or an off-the-shelf arbitrage calculation software product to perform the arbitrage calculations. ACS has evaluated these systems and found that they are prone to errors and are severely restricted in the ability to compute arbitrage liabilities under various accounting methods. **ACS' custom arbitrage rebate software and experienced professionals will calculate the lowest allowable arbitrage rebate liability in the industry.** The Tax Code allows the use of dozens of different accounting and allocation methods, and ACS' custom-built software allows our accountants the ability to run and rerun the calculation under each of these methods. This unique and efficient system continually saves our clients millions of dollars each year in potential arbitrage payments.



Bond deadline tracking system: Key information from each debt issue is entered into our database system to track IRS filing deadlines and election requirements to ensure timely reporting. Information included in this system will be provided as an Arbitrage Rebate Summary as detailed below and illustrated on Page 17 of this response.

Bond facts	Completed and future reports	Notes/Recommendations
<ul style="list-style-type: none">• Internal control number• Debt issue name• Issuance date• Final maturity• Subject to rebate• Subject to yield restriction	<ul style="list-style-type: none">• Description of report• Type of report• Report end date• Liability	<ul style="list-style-type: none">• Accounting modifications• Liability reserves: 90% or 100%• Spending exception elections• Spending goals• Yield restriction limits

Legal experience and expertise

Ira B. Sacks, CPA, Tax Attorney, Director: ACS is highly sought out by issuers and legal counsel throughout the Country because our firm has unique legal and accounting experience with the 1986 Tax Code. Ira is both a CPA and tax attorney and is regarded by the bond community as an “attorney for attorneys.” Ira’s extensive education and background includes Bachelor Degrees in Accounting, Finance, and Computer Science and Masters Degrees in Law, Taxation, and Business. ACS retains *on-staff* legal tax counsel services. As an added benefit to our clients, ACS’ legal tax counsel services are included in our arbitrage rebate services at *no additional cost*.

Member of the National Association of Bond Lawyers (NABL): Rebate compliance is a serious business and the Tax Code is a volatile and complex set of rules and regulations subject to frequent changes and constant re-interpretation. With the Tax Code evolving on a daily basis, it is imperative that an arbitrage rebate firm keep abreast of proposed regulations as well as current interpretations of the Tax Code. As a member of NABL, ACS is informed on a daily basis of all proposed and ultimately finalized changes to the Tax Code as well as the current IRS enforcement focus.

Independent tax counsel services: Arbitrage calculations require that that elections made within the bond issuance documents are analyzed to ensure that the Tax Code is properly applied. As a truly independent firm, not providing bond counsel or financial advisory services, our legal opinions and arbitrage calculations are regarded by the SEC and the IRS to be extremely reliable and free from influence. In audits conducted on our arbitrage calculations, the IRS has found our calculations to be 100% accurate. Throughout our firm’s history, we have not had any adverse findings by the IRS. Audits and inquiries have been quickly closed, saving our clients extensive costs that are often associated with an audit.

Unmatched understanding of the Tax Code: ACS’ experience in the arbitrage rebate industry, combined with our ability to offer on-the-spot legal advice, makes our firm stand out from our competitors. ACS has developed an unmatched, comprehensive knowledge of tax regulations, existing tax regulation interpretation, and the skills for determining how new financial instruments will be handled by the IRS to keep our clients in compliance with the Tax Code.

Legal opinion

Opinion issued by in-house tax attorney: Ira B. Sacks, CPA, Tax Attorney, Director personally certifies the legal opinion that the calculations were completed in accordance with the Tax Code and may be relied upon by the County in determining any liability payments to the United States Treasury.

Legal opinion: A majority of arbitrage rebate firms rely upon outside legal counsel services or subsidiary law firms with offices hundreds of miles away from the arbitrage rebate calculation office. To provide a creditable opinion, Tax Counsel is not only required to understand the financing of the bond transaction but is also required to understand how the funds were allocated and accounted in the arbitrage calculation. Arbitrage rebate calculations involve documents and data that



often reach into the thousands of pages. Such data creates interdependencies between bonds as in cases of common reserve and debt services funds. This can lead to additional documentation that may be overlooked if the legal opinion and rebate calculation are originating from separate locations. To ensure accuracy in our reports, ACS' legal opinion and arbitrage rebate calculations are performed in the same centralized office.

ACS provides a legal and CPA opinion with every arbitrage report; assuring that the work performed is consistent with the current federal tax and other applicable laws.

Office locations

~ Providing Arbitrage Services Since 1986 ~

Office locations: ACS has office locations throughout the nation in such states as: California, Colorado, Florida, New Jersey, Pennsylvania, Tennessee, Texas, and Washington. We understand that arbitrage rebate compliance is not part of the daily routine for the County's employees, and therefore, the County's contract will be supported by our Houston, Texas office. ACS is committed to providing initial and ongoing training of the County's staff to aid in the understanding of the Tax Code.

Day-to-day support:

Mr. Doug Pahnke, Director, Vice President
 2500 City West Boulevard #300
 Houston, Texas 77042-3014
 P: (713) 899-1380
 E: doug@rebatebyacs.com

a. Description of Personnel

Below is a list of the proposed project team for the County. All team members will report to Ira Sacks in a textbook heirarchical reporting structure. Follow-up communication will be provided via phone, fax and email. ACS believes in providing on-site periodic consultation visits with each of our clients and we feel communication is the key to enhancing our client relationships. By visiting with each client we are better suited to assess each client's current rebate compliance needs, and provide a budget structure to accomplish this compliance. We also present the most current information about the arbitrage compliance market, such as current IRS practices and reinterpretations of the Tax Code. Below is a list of the proposed project team for the County.

Ira Sacks, CPA, Tax Attorney, Director <i>24 Years of Arbitrage Experience</i>	Ira will perform the initial legal review of the debt issuance and be available to the team as a legal expert throughout the calculation process.
Carol Huller, Director <i>19 Years of Arbitrage Experience</i>	Carol will perform the arbitrage calculations utilizing her arbitrage rebate minimization experience to ensure the lowest possible rebate liability permitted by the Tax Code.
Doug Pahnke, Director <i>11 Years of Arbitrage Experience</i>	Doug will be the County's day-to-day contact for the term of the contract. He will be monitoring the County's debt issues on our master database system and will keep the County abreast of the calculation progress.
Janet P. Sacks, Director <i>24 Years of Arbitrage Experience</i>	Janet will perform the final review of the completed calculations ensuring compliance with the Tax Code.
Stacia Perrizo, Senior Manager <i>9 Years of Arbitrage Experience</i>	Stacia will be responsible for report language and invoice review throughout the contract period.



b. Most Recent and Similar Projects for the Team Assigned to the County

ACS' experience and expertise: The typical arbitrage rebate engagement for most types of debt issues has some common elements and scope of services. ACS expertly handles all types of debt issues and complexities, such as: fixed rate bonds, variable rate bonds, short-term instruments, notes, forward purchase agreements, transferred proceeds allocation calculations, student loan bond issues, commercial paper, tax anticipation notes, tax revenue anticipation notes, bond anticipation notes, single family and multi-family housing bonds, cash funded reserves, uncommingling and accounting methodology as it relates to arbitrage compliance, investment valuation as it relates to arbitrage compliance, feasibility analysis of rebate exceptions, spending exception calculations for 6-month, 18-month and 2-year, and yield restriction calculations.

ACS proudly provides services for 1,500 clients across the United States. Additionally, ACS works with 535 clients in the State of Texas alone. ACS' vast experience working with Texas issuers is unmatched in the arbitrage industry. In fact, our first client dating back to 1986 was the YMCA of Greater Houston. By providing arbitrage rebate services in Texas for over 24 years, ACS has developed working relationships with Texas-based financial advisors, bond counsel firms and investment firms. Listed below are a few narrative descriptions of work performed by our firm:

Experience with Fixed Rate Bonds: City of Mission, Texas

Arbitrage compliance environment: The City of Mission issues various types of short and long term tax-exempt debt. A large portion of their debt pool consists of fixed rate general obligation bonds issued for the purpose of infrastructure improvements as well as refundings of prior debt issues. Fixed rate debt issues are comprised of different principal maturities bearing interest at fixed rates.

ACS' assistance: ACS calculates the bond yields for each of the fixed rate debt issues to result in the most correct arbitrage liability. Over the course of our engagement with the City of Mission, ACS has performed annual and filing year calculations, spending exception calculations and yield restriction/yield reduction calculations resulting from our bond yield calculations. We have also reviewed investment and accounting information and methods, performed allocation of common debt service funds, and provided various related consulting services.

Experience with Cash Reserves: City of Pearland, Texas

Arbitrage compliance environment: The City of Pearland's Common Reserve Fund is administered by a cash funded parity reserve fund which secures all issues. This common reserve is invested and accounted for collectively without regard to the source of the funds therein (a "commingled reserve").

ACS' assistance: ACS has provided all arbitrage compliance calculations for the City of Pearland for over 10 years. ACS determines the allowable allocation methodologies under the Tax Code to allocate the reserve ratably among each parity issue. ACS has performed an analysis of the allowable methods and models performance scenarios under these methods to determine which method produces the most favorable rebate results over the long run. This analysis requires reallocation of the reserve to each issue and calculation of arbitrage rebate for each issue. ACS has worked on 60-debt issues for the City of Pearland with a par value totaling \$950 Million.

Experience with Water Drainage and Improvement District Bonds

Arbitrage compliance environment: Water drainage and improvement bonds issued by districts managed by a board of directors with the assistance of consultants.

ACS' assistance: ACS currently works with over 350 Municipal Utility Districts in the state of Texas. ACS manages 1,465 bonds with a par value that exceeds \$6.3 Billion. ACS manages these districts to ensure that each of these 1,465



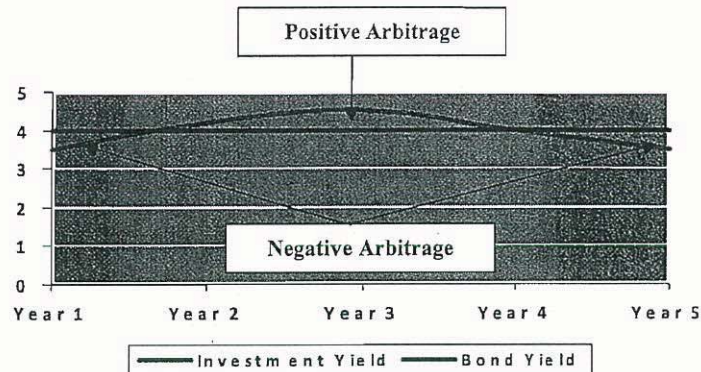
bonds are compliant with the arbitrage rebate and yield restriction requirements. The law firms that ACS has been engaged by on behalf of the districts are listed below:

Fulbright & Jaworski LLP
 Smith, Murdaugh, Little & Bonham, L.L.P.
 David M. Marks, P.C.
 Jeanne H. McDonald, PC
 Bacon & Wallace, L.L.P.
 Paul A. Philbin & Assoc., P.C.
 Michael A. Cole, P.C.

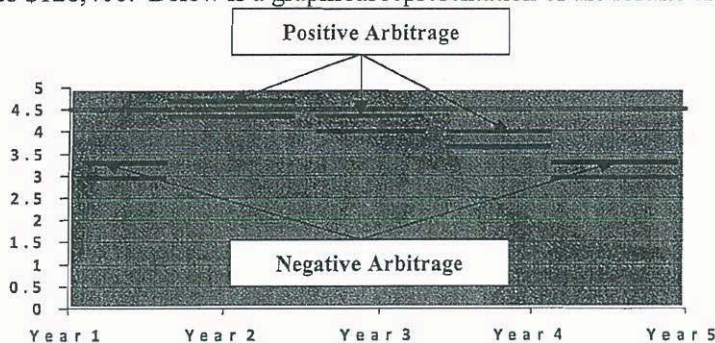
Schwartz, Page, and Harding
 Coats, Rose, Yale, Ryman & Lee, P.C.
 Winstead P.C.
 Terrie Sechrist P.C.
 Strawn & Richardson, PC
 Young & Brooks
 Johnson Radcliffe Petrov & Bobbitt PLLC

Experience with Variable Rate Bonds

Variable rate bond computational system: Through our extensive knowledge of the Tax Code, ACS has developed a complex bond year slicing model used solely by our firm. ACS' bond year slicing model matches the bond yield and the investment yield in short incremental time spans that result in significantly lowering or eliminating an arbitrage rebate liability. An arbitrage rebate position for a variable rate bond using a standard computation process is graphically shown below:



In the graph above, the **black line** depicts the bond yield/interest cost of the bond. A variable rate debt issue's interest cost is in constant flux throughout the debt issue's life cycle. Only after combining all interest costs over a specified period of time does a cumulative single rate emerge. In the graph above, the bond yield was calculated to be an average 4% over this five year period. The **red line** depicts the rate of return on the investments. The difference between the red line and the black line is the computed arbitrage, or in this case, payment due to the IRS. In this real life example, the calculation resulted in a \$650,000 liability. The bond yield and the interest rate earned on investments do not move in perfect harmony, yet there is a significant amount of correlation between the two rates. ACS' proprietary bond year slicing model breaks down the five year period into smaller blocks of time to significantly reduce or eliminate the difference between the bond yield and the investment yield. The result of using ACS' Bond Year Slicing Model lowered the liability from \$650,000 to \$128,400. Below is a graphical representation of the results of the bond year slicing model.





Client references

One reference of particular interest is the City of Mission. ACS was selected as the City's arbitrage calculation provider in 2009 and transitioned the contract seamlessly from the City's location, therefore saving the City time and money.

City of Mission, Texas

Ms. Janie Flores, Finance Director
1201 East 8th Street
Mission, Texas 78572
P: (956) 580-8683
E: jflores@mission.lib.tx.us

Description of work:

- Bond management – 37 debt issues
- Forensic accounting
- Recordkeeping management
- Arbitrage rebate reports
- Reserve fund allocations
- Construction fund allocations

Contract details:

- Contract period November 2009 – current

City of San Antonio, Texas (Water System)

Mr. Sergio Molina, Manager Finance
P.O. Box 2449
San Antonio, Texas 72298-2449
P: (210) 233-3814
E: semolina@saws.org

Description of work:

- Bond management – 28 debt issues
- Recordkeeping management
- On-site data and record retrieval
- On-site training
- Arbitrage rebate reports

Contract details:

- Contract period September 2009 – current

City of Sugar Land, Texas

Mr. William Pena, CPA, Project Accountant
2700 Town Center Boulevard
Sugar Land, Texas 77479
P: (281) 275-2779
E: smp@sugarlandtx.com

Description of work:

- Bond management – 166 debt issues
- Forensic accounting
- Recordkeeping management
- Arbitrage rebate reports
- Reserve fund allocations
- Construction fund allocations

Contract details:

- Contract period 1998 – current

City of Pearland, Texas

Ms. Claire Manthei, Director of Finance
3519 Liberty Drive, 2nd Floor
Pearland, Texas 77581-5416
P: (281) 652-1671
E: cbogard@ci.pearland.tx.us

Description of work:

- Bond management – 82 debt issues
- Forensic accounting
- Recordkeeping management
- Arbitrage rebate reports
- Reserve fund allocations
- Construction fund allocations

Contract details:

- Contract period 1998 – current

City of Conroe, Texas

Mr. Steve Williams, Director of Finance
300 West Davis, Suite 230
Conroe, Texas 77305
P: (936) 522-3050
E: swilliams@cityofconroe.org

Description of Work:

- Bond management – 37 debt issues
- 5-year arbitrage rebate calculations
- Yield restriction reports
- Filing reports to the IRS
- Spending exception calculations

Contract details:

- Contract period July 2005 – current

The Woodlands Joint Powers Agency, Texas

Ms. Sandy Treon, Accounting Manager
P.O. Box 7580
The Woodlands, Texas 77387
P: (281) 367-1271 x230
E: sandy@wjpa.org

Description of Work:

- Bond management – 60 debt issues
- Forensic accounting
- Recordkeeping management
- On-site data and record retrieval
- On-site training
- Arbitrage rebate reports

Contract details:

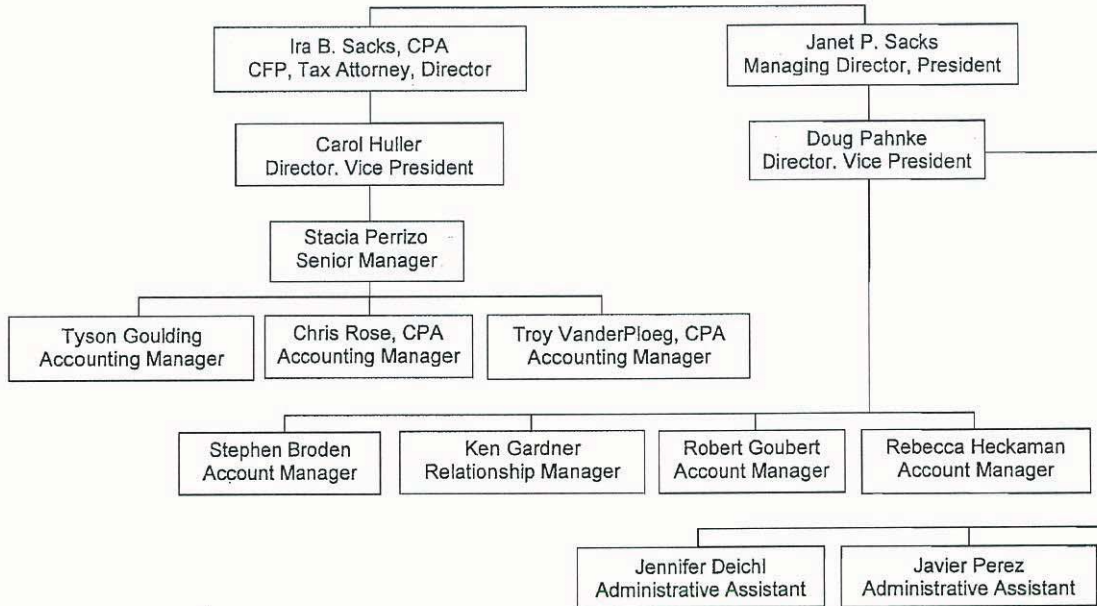
- Contract period August 2005 – current



3. PERSONNEL AND STAFFING

a. Organizational Chart

Key employees assigned to the County are highlighted in yellow.



b. Summary of Work Performed by Each Staff Member

ACS has selected 4 key team members from our 14 person staff to provide arbitrage consulting and compliance services to the County as listed below:

Day-to-day contact

ACS staff member: Mr. Doug Pahnke, Director, Vice President
 Experience: 11 years

Mr. Pahnke was selected as the day-to-day contact for the County. He is available to attend the County's management meetings and provide on-site training seminars. These seminars will include one-on-one meetings with the County's accounting staff to discuss project progress and selecting the most beneficial accounting method in the early stages of the bond issuance with a goal of lowering the County's arbitrage rebate liabilities.

Pre-calculation analysis and calculation completion

ACS staff member: Mr. Ira Sacks, CPA, Tax Attorney, Director
 Experience: 24 years

Pre-calculation analysis: Mr. Sacks will identify the relevant regulations and elections for each debt issue that will be used to compute the lowest arbitrage rebate liability as allowed by the Tax Code.

Calculation completion: Mr. Sacks will reconcile investment detail to each debt issue's source/use statement to ensure all gross proceeds have been accounted. We always include all funds that are subject to rebate in our



calculations including: cost of issuance funds, project funds, escrow funds, transferred proceeds, capitalized interest funds, reserve funds and debt service funds. The calculation will detail the rebatable arbitrage earned.

Report language and invoice review

ACS staff member: Ms. Stacia Perrizo, Senior Manager
Experience: 9 years

Ms. Perrizo will review the report language to ensure compliance with the Tax Code and will review the final invoicing to ensure compliance with the County’s contract.

Technical review

ACS staff member: Ms. Janet P. Sacks, Managing Director, President
Experience: 24 years

Each ACS report is subjected to a rigorous review process to ensure the accuracy of our work. ACS’ report and related documentation is examined for a final technical review to ensure the most favorable treatment of the Tax Code has been applied.

c. Contingency Plan for Alternative Staffing

ACS believes in promoting within our firm and all higher-level employees have served in the capacity of all of the positions below their current position. If an employee is on vacation, sick, or has an emergency, ACS reassigns their duties to the employee’s supervisor. In the case of a Director reassignment, the backup would be to another Director. Listed below is ACS’ alternative staffing plan for the County:

Employee Assigned	Tasks	Alternative Replacement
Doug Pahnke	Day-to-day support	Robert Goubert
Stacia Perrizo	Report and invoice proofing	Doug Pahnke
Ira B. Sacks	Legal interpretation	Janet P. Sacks
Ira B. Sacks	Arbitrage accountant	Carol Huller

d. Staff Resumes

Collectively, our firm’s directors have educational backgrounds that include Masters’ Degrees in Accounting, Business, Law, and Taxation as well as having the distinction of holding Certified Public Accountant Licenses. We have built our practice around a solid, unmatched foundation of accounting expertise, tax law interpretation, and arbitrage rebate minimization strategy. Resumes of the proposed project team are listed below:



24 Years
Arbitrage Experience

IRA B. SACKS, CPA, CFP, TAX ATTORNEY, DIRECTOR

Holds Masters Degrees in Jurisprudence, Taxation, and Business, Bachelor of Science Degrees in Accounting, Finance and Computer Science | Credited with the development and implementation of an industry-first, arbitrage rebate calculation software system | Renowned analytical acumen in selecting and applying a specific set of the Tax Code to minimize a client’s rebate liability | Regularly provides arbitrage rebate interpretation, consultation and advice to IRS and SEC officials and NABL | Current member of NABL and subcommittee member of the General Tax Matters Committee



11 Years
Arbitrage Experience

DOUG PAHNKE , DIRECTOR, VICE PRESIDENT

Holds Bachelor of Science Degrees in Marketing and Finance, Masters Degree in Computer Science | Nationally recognized expert of the Tax Code | Coordinates the firm's IRS Audit Defense Team of accountants, legal counsel and arbitrage rebate employees to ensure favorable outcome for clients | Highly regarded instructor on topic of arbitrage compliance to government organizations, auditing firms and accounting firms throughout the nation | Adept at applying years of government accounting acumen to resolve problems and recreate incomplete, aged accounting records | CPA Candidate



19 Years
Arbitrage Experience

CAROL HULLER, DIRECTOR, VICE PRESIDENT

Holds Bachelor of Science Degree | Extensive knowledge of interest rate swaps, parity reserve allocations, expenditure allocation analysis, bond year slicing optimization, universal cap compliance, variable rate bonds, and transferred proceeds analysis | Highly regarded as an expert among experts, regularly providing arbitrage rebate interpretation, consultation and advice to clients and to professionals within the arbitrage rebate industry | Develops sophisticated cash flow models analyzing past and future investment earnings and eliminating client's risk of IRS fines and penalties



20 Years Experience
in Public Finance
and Government

KEN GARDNER, RELATIONSHIP MANAGER

Holds Bachelor of Science Degree from Seton Hall University in Business Administration/ Economics | Certificate in Government from Rutgers University | Certificate in Supervisory Management from the National Certified Public Managers Program | Brings over 10 years of experience in public finance, bond compliance and issuance representing clients from the State, County, Authority, Municipal, School District, and Hospital levels as well as over 10 years experience in government as an elected official and government employee | Served as Council President and Fire Commissioner in Woodbridge, New Jersey | Served as a manager of School Facilities Finance for the New Jersey Department of Education



24 Years
Arbitrage Experience

JANET P. SACKS, MANAGING DIRECTOR, PRESIDENT

Holds Masters Degrees in both Accounting and Finance | Industry Pioneer and original member of the Beryl Anthony Commission of Public Finance, the Congressional Committee responsible for the overhaul of 1986 Tax Code | Highly regarded in the field of arbitrage compliance and speaker for national agencies including the Internal Revenue Service, the Securities Exchange Commission, NABL, numerous government organizations as well as state and local Government Finance Officer's Associations | Reviews all calculations to ensure they are in compliance with the Tax Code



9 Years
Arbitrage Experience

STACIA PERRIZO, SENIOR MANAGER

Holds Bachelor of Arts Degree | Brings an excellent foundation from her years of financial audit experience as Internal Financial Auditor for the Marriott Corporation | Member of the IRS Audit Defense team since 2002 | Primary focus is on the production and review of arbitrage rebate analysis, training new accountants, and analyzing financial trends to reduce or eliminate potential arbitrage rebate | Expertise in complex analytical work, including arbitrage rebate minimization strategies, common reserve allocations, and yield period optimizations



9 Years
Arbitrage Experience

ROBERT GOUBERT, ACCOUNT MANAGER

Brings a solid foundation in budgeting, forecasting, and profit/loss analyses as Profit Manager with the Marriott Corporation | Skilled at applying years of experience and government accounting knowledge to resolve problems and recreate incomplete, forensic accounting records | Highly regarded instructor on a national level covering arbitrage minimization, accounting requirements, investment tracking systems, and IRS audit-proofing procedures for GFOA, school business officials, and auditing firms | Responsible for training new account managers and overseeing team's report production as well as managing client relations



2 Years
Arbitrage Experience

TROY VANDERPLOEG, CPA, ACCOUNTING MANAGER

Holds Bachelor of Science Degree in Finance and Master of Science Degree in Accounting | Extensive knowledge of interest rate swaps, parity reserve allocations, expenditure allocation analysis, universal cap compliance, variable rate bonds, and transferred proceeds analysis | Develops sophisticated cash flow models analyzing past and future investment earnings and eliminating client's risk of IRS fines and penalties | Troy enters the initial information into our arbitrage software for a senior level staff member to complete the calculations



2 Years
Arbitrage Experience

STEPHEN BRODEN, ACCOUNT MANAGER

Holds Bachelor of Science Degree in Financial Management | Brings six years of experience in finance, accounting, and investments as a Bank Manager for Wachovia Bank | Works very closely with client's staff concerning investment practices, debt structures and accounting requirements to ensure compliance with the Tax Code, with a focus on minimizing costly rebate liabilities | Excels in developing and maintaining business relationships with clients | Excels in developing a full understanding of the client's debt programs



4 Years
Arbitrage Experience

TYSON GOULDING, ACCOUNTING MANAGER

Holds Bachelor of Science Degree in Accounting | Extensive knowledge of interest rate swaps, parity reserve allocations, expenditure allocation analysis, universal cap compliance, variable rate bonds, and transferred proceeds analysis | Develops sophisticated cash flow models analyzing past and future investment earnings and eliminating client's risk of IRS fines and penalties | Tyson enters the initial information into our arbitrage software for a senior level staff member to complete the calculations | CPA Candidate



2 Years
Arbitrage Experience

CHRIS ROSE, CPA, ACCOUNTING MANAGER

Holds both Bachelor of Science and Master of Science Degrees in Accounting | Extensive knowledge of interest rate swaps, parity reserve allocations, expenditure allocation analysis, universal cap compliance, variable rate bonds, and transferred proceeds analysis | Develops sophisticated cash flow models analyzing past and future investment earnings and eliminating client's risk of IRS fines and penalties | Chris enters the initial information into our arbitrage software for a senior level staff member to complete the calculations

4. REQUIRED CERTIFICATIONS AND SUBMITTAL

Ira B. Sacks	Attorney License	11490
Ira B. Sacks	Certified Public Accountant License	6950
Ira B. Sacks	Preparer Tax Identification Number*	P0124703
Troy Vanderploeg	Certified Public Accountant License	28963
Christopher Rose	Certified Public Accountant License	29050

***New registration requirements for arbitrage rebate providers:** Prior to December 31, 2010, the arbitrage rebate industry did not have governmental oversight. Regardless of an individual's education or qualifications, the individual was allowed to perform arbitrage calculations. Because of this lack of qualification in the arbitrage industry, the United States Treasury required firms to be registered with the IRS as of January 1, 2011. A registered arbitrage provider is required to have either a CPA's license, attorney's license, or must satisfy minimal testing requirements in order to legally calculate and submit arbitrage rebate and/or yield restriction payments to the IRS. Ira B. Sacks received his qualification through his CPA and Tax Attorney Licenses. *In reviewing the responses from other vendors, the County should take note of the qualifications of the individual(s) that have received their tax professional Preparer Tax Identification Number ("PTIN") and determine how many years of actual arbitrage rebate experience the individuals have.*

Many arbitrage rebate firms were in a rush to employ an individual by December 31, 2010 that would qualify for a PTIN. Such firms may have hired an attorney or a CPA with little to no experience in calculating arbitrage rebate in order to satisfy the new registration requirement.

Professional liability insurance is included in Tab 1 of this response.



5. SCOPE OF SERVICES

ACS performs pre-calculation work on all rebate computations, assuring that the relevant regulatory and technical expertise necessary to identify the lowest, legally permissible arbitrage rebate liability is applied.

No cost contract transition team: As part of the arbitrage rebate service contract, ACS' contract transition team will copy the necessary bond documents and completed arbitrage reports at the County's location. ACS provides this no cost service because we understand that switching from one vendor to another can create additional work for the County's staff. The County's involvement will be limited to directing ACS personnel to the location of the bond transcript books. Transitioning an arbitrage contract for 13 bonds can take upwards of 16 labor hours and by allowing our firm to transition the contract, the County will forgo the labor cost and inconvenience of copying the documents required to transition to our firm. ACS' transition team will require approximately 100 square feet of working space and the use of a copier for approximately one day to complete this transition. Our team is very conscientious and will not disrupt County personnel during the course of copying the necessary documents. Our calculations will incorporate the findings compiled by the County's previous provider in order to create a comprehensive arbitrage rebate report. Transition costs and other hardships typically placed on the County will be eliminated.

Arbitrage compliance programs

On-site training: We understand that arbitrage compliance is not part of the daily routine of the County's employees; therefore, the County's contract will be supported by our Houston, Texas office. The on-site services that ACS will provide to the County are:

- No cost contract transition team will be provided
- Comprehensive discussions of the findings of each arbitrage calculation
- Training of the County's staff on strategies to help lower arbitrage liabilities
- Training of the County's staff on the accounting rules allowable under the Tax Code
- Attend board meetings

Yield restriction requirements: ACS monitors each debt issue to ensure that it satisfies both the construction fund yield restriction requirements as well as the refunding escrow yield restriction requirements.

Full or partial payment advice: The arbitrage rebate regulations require that at least 90% of the liability is paid when due. However, if less than 100% of the liability is paid, the remaining unpaid liability may continue to increase due to the future value factor used to compute arbitrage rebate. ACS will evaluate if making a payment less than 100% of the liability due is in the best interest of the County. ACS will review certain factors such as: unspent fund balances, current earnings rates, and the future value factor.

Computational requirements

Legal analysis of bond documents: Our in-house tax attorney will analyze each bond structure to determine which bonds are subject to rebate, yield restriction, and applicable exceptions. ACS will issue a legal opinion to the County stating our findings. We will then determine IRS filing deadlines, extensions, and election requirements and enter this information into our database tracking system to ensure timely reporting.

Bond yield: ACS will compute the bond yield on each debt issuance to ensure accuracy. The Tax Code only allows one method to calculate the bond yield on fixed rate bonds; however, the Tax Code allows numerous methods to calculate the yield on variable rate bonds. As discussed on Page 6 of this response, ACS has developed a variable rate bond yield slicing model utilized to significantly reduce or eliminate arbitrage rebate payments for variable rate bonds. Our bond year slicing model has saved our clients millions in potential arbitrage rebate and yield restriction payments.



Gross proceeds: The ACS accountant will reconcile the investment detail to each debt issue's source/use statement to ensure all gross proceeds have been accounted. We always include all funds that are subject to rebate in our calculations including: cost of issuance funds, project funds, escrow funds, transferred proceeds, capitalized interest funds, reserve funds and debt service funds.

Investment records: As a national provider of arbitrage rebate services, ACS currently works with investment firms throughout the Country. ACS will contact the respective investment firm directly and have the investment statements sent to our firm for storage. Our statement storage program alleviates the need for our clients to track down old statements, copy them and mail them to our firm. Upon receipt of the monthly statements, ACS will review the data for completeness. If ACS discovers any inconsistencies, we will contact the County to discuss the entries while the transactions are still current and easily reconciled in the County's records. As correcting entries become aged, reversing those entries becomes more difficult and therefore requires more of the County's personnel time than is necessary.

Yield on the investments: Investment yield is calculated for each investment to assist in evaluating if each investment was attributing to a positive arbitrage rebate liability or negative arbitrage rebate liability. Rate of return information will identify which investments are underperforming and may be exchanged for higher yielding investments to maximize the overall rate of return on the investment portfolio. Rate of return is also calculated for all investments in aggregate.

Unmatched understanding of the Tax Code: ACS' experience in the arbitrage rebate industry, combined with our ability to offer on-the-spot legal advice, makes our firm stand out from our competitors. ACS has developed an unmatched, comprehensive knowledge of tax regulations, existing tax regulation interpretation, and the skills for determining how new financial instruments will be handled by the IRS to keep our clients in compliance with the Tax Code. The Tax Code is riddled with legal uncertainties and ambiguities. These ambiguities are not made easier since arbitrage rebate regulations have undergone four major changes, as indicated in bold type in *Figure 1* below, and numerous minor regulatory changes since 1986.

- Figure 1:**
- 1986 Arbitrage Rebate Requirements, Section 148, issued 8/31/86**
 - 1989 Temporary Regulations, issued 5/15/89**
 - Amended on 4/25/91
 - 1989 Spending Exception Regulations
 - 1992 Final and Proposed Regulations, issued 5/18/92**
 - Amended on 9/30/92
 - Amended on 10/5/92
 - 1993 Final Regulations, issued 7/1/93**
 - 1998 Amendment to Small Issuer Exception, issued 1/1/98
 - 2002 Amendment to Small Issuer Exception, issued 1/1/02
 - 2007 Amendment to Safe Harbor Rules, issued 1/1/07
 - 2009 Amendment to Computational Credits, issued 1/1/09

Arbitrage rebate calculations are dependent upon the year of issuance and the set of regulations that were effective at the time of issuance. Therefore, a thorough knowledge of each and every regulatory change since that time is mandatory to accurately compute the lowest permissible liability as allowed by law. Ira Sacks' daily involvement in the arbitrage calculation process ensures that the arbitrage exemptions and elections are correctly applied to compute the lowest permissible arbitrage rebate liability.

Perform computations every five years and upon maturity: Data is entered into our rebate calculation software and the rebate, yield restriction/yield reduction or spending exception/penalty calculations are performed. Throughout the data entry phase, the ACS accountant confers with our tax attorney concerning any unusual circumstances surrounding the data. Compliance with the Tax Code is essential to the calculations and services ACS performs for our clients. Each calculation will be performed on our proprietary arbitrage rebate software.



Methodology in completing calculations: As an integral and important part of ACS' arbitrage rebate services, we utilize our vast and extensive experience by first identifying various allowable alternative methods, which may lower the rebate liability on each bond issue and then research, evaluate and apply the most advantageous option. As an example, there are numerous accounting and allocation rules such as: pro-rata, first-in, first-out, last-in, first-out, or specific tracing of funds, all contained within the Tax Code. These methods provide a degree of flexibility in allowable treatments of investment/expenditure of bond proceeds that serve as our input into the rebate calculation process. ACS will use its years of experience and large knowledgebase to apply these rules and select the best method or combination of methods to minimize the County's aggregate rebate liability.

Each report and related supporting documentation will be subject to examination by ACS' tax attorney for final technical review to ensure the most favorable treatment of the Tax Code. ACS' reports include an executive summary, investment information as well as recommendations as outlined below:

Executive summary:

- CPA certified and legal professional opinion that the calculations were completed in accordance with the Tax Code and may be relied upon by the County in determining the liability payments to the United States Treasury.
- Investment yield – the overall cumulative yield for all investments.
- Arbitrage rebate liability
 - 100% arbitrage rebate liability
 - 90% arbitrage rebate liability – the Tax Code only requires that at least 90% of the liability be paid upon reaching a filing date.
 - Bond yield – to ensure accuracy in our reports, ACS will recalculate the bond yield using the source documents received since the entire arbitrage rebate calculation is based on the bond yield.

Investment information:

- Investment yield is calculated for each investment to assist in evaluating if each investment was attributing to a positive arbitrage rebate liability or negative arbitrage rebate liability.
- Rate of return information will identify which investments are underperforming and may be exchanged for higher yielding investments to maximize the overall rate of return on the investment portfolio.
- Rate of return is also calculated for all investments in aggregate.

Recommendations:

- Future filing due dates
- Accounting method modifications – ACS will provide recommendations on alternative accounting methods that may be employed to reduce the arbitrage rebate liability.
- Liability reserves – amount of funds to be reserved for upcoming arbitrage filings
 - ACS will analyze the current fund balances, investment yields, yield trends, and future value factors and provide recommendations on whether to submit 100% of the arbitrage liability or 90% of the liability.
- Spending exception elections
- Yield restriction limits

IRS reporting requirements

Complete Form 8038-T and reports: ACS will prepare and distribute a signature ready IRS Form 8038-T for payment of arbitrage rebate or yield restriction to include detailed filing instructions. The forms and returns will be attached to the supporting calculations and will include transferred proceeds allocations.

Provide a written report: Each report will include supporting documentation and will include a legal professional opinion that the calculation methodology used is consistent with current tax laws and regulations and may be relied upon by the County in determining the liability payments to the United States Treasury.



Determine correction/penalty amount: If a correction amount is due, ACS will determine that amount due to include any penalty amount. In the history of our firm, ACS has not missed a deadline that resulted in a correction or penalty amount due.

Recovery requests/IRS refunds: ACS has completed hundreds of refund requests for clients. Requesting a refund from the IRS requires an extensive amount of documentation to be gathered and formatted to expedite processing the refund. Since the IRS completes a mini-audit on both the past completed arbitrage rebate reports as well as the bond structuring, the information submitted to the IRS needs to be evaluated by ACS carefully before presenting the information to the IRS. For example, bond structuring investments have recently been scrutinized by both the IRS and the SEC concerning swap agreements and cancellations, forward purchase agreements, escrow funds supported by open market securities, and guaranteed investment agreements. These investment and hedge transactions were often not sold for market rates and created arbitrage positions that placed the municipalities' debt at risk of losing their tax-exempt statuses. Before submitting a refund to the IRS, ACS will identify the risk level of submitting bond information to the IRS and discuss our findings with the County. ACS' goal is to not only calculate the lowest arbitrage rebate but to also keep the County out of harm's way in regard to the IRS and SEC inquires.

Record retention: ACS will retain all records received by the County for the life of the bond plus three years.

IRS audits: ACS has been assisting our clients with audits for over 24 years. We not only deliver initial preventative "audit-proofing" in our work product for clients, but also provide all necessary IRS follow-up procedures as outlined below:

Step One: Determine if the audit was random or targeted

- On-staff tax attorney reviews audit details
- If the audit was targeted, ACS would research the NABL database to determine if other audits were issued under similar circumstances.
- Evaluate the finding from similar audits

Step Two: Determine the risk to the County

- ACS will evaluate:
 - Investments, swaps, repurchase agreements, guaranteed investment contracts, or other financial instruments that have been known to evoke IRS attention.
 - The structure of the debt issue.
 - The accuracy of past arbitrage providers' calculations (if applicable).

Step Three: ACS will formulate the answers to the IRS audit and act as legal representative to shield the County from direct exposure to the IRS inquiry to ensure that all responses are properly formulated to reduce the County's exposure to penalties.

Step Four: If ACS determines the bond under audit may have exposure, ACS' legal and accounting team will confer with the County's Bond Counsel, Financial Advisors and other related parties to strategize on how to lower the amount of the exposure to the minimum level. If allowable, ACS will re-compute the arbitrage rebate or yield restriction liability and perform other calculations deemed necessary to assist the County in reducing or eliminating any financial penalties that the IRS may impose.

Who better to defend the County in an IRS audit than a firm that has both 24 years of accounting and legal acumen in the arbitrage rebate industry?



Bond tracking system: Key information from each debt issue is entered into our database system to track IRS filing deadlines and election requirements to ensure timely reporting. Information included in this system will be provided as an Arbitrage Rebate Summary as detailed below:

ARBITRAGE REBATE SUMMARY

City of XYZ
Friday, July 16, 2010

Arbitrage Compliance Specialists, Inc.
Phone: (800) 672-9953
Fax: (800) 756-6505
www.rebateyacs.com



Cpt#	PAR	Bond Issue	BOND FACTS				COMPLETED				FUTURE	
			Date Issued	Final Maturity	Subject to Rebate	Subject to Project Yield Restriction	Report Description	Type	End Date	Liability	Type	End Date
1.00	\$5,507,370.65	Unlimited Tax Refunding Bonds, Series 1989	11/27/89	03/01/00	Yes	No	Arbitrage Rebate Calculation	Final	03/01/00	(\$102,005.83)		
2.00	\$1,875,000.00	Waterworks and Sewer System Unlimited Tax Bonds, Series 1993	05/19/93		No	No						
3.00	\$1,465,000.00	Waterworks and Sewer System Unlimited Tax Bonds, Series 1994	10/20/94		No	No						
4.00	\$2,760,000.00	Unlimited Tax Refunding Bonds, Series 1996	09/11/96	03/01/08	Yes	No	Arbitrage Rebate Calculation	Final	03/01/08	(\$58,145.80)		
5.00	\$3,060,000.00	Waterworks and Sewer System Unlimited Tax Bonds, Series 2000	09/20/03		No	No						
6.00	\$5,515,000.00	Waterworks and Sewer System Unlimited Tax Bonds, Series 2001	05/22/01	02/01/26	Yes	No	Arbitrage Rebate Calculation	05th Year	08/22/05	(\$134,861.13)	10th Year	06/27/11
6.10	\$3,160,000.00	Bond Anticipation Note, Series 2001	12/11/01	09/19/02	Yes	No	Arbitrage Rebate Calculation	Final	09/19/02	(\$4,944.60)		
7.00	\$6,340,000.00	Waterworks and Sewer System Unlimited Tax Bonds, Series 2002	09/19/02	02/01/27	Yes	Yes	Arbitrage Rebate Calculation	05th Year	09/19/07	(\$173,782.04)	10th Year	09/17/12
							Project Yield Restriction Calculation	05th Year	09/19/07	(\$14,445.53)		
7.10	\$10,110,000.00	Bond Anticipation Note, Series 2002	09/23/02	09/10/03	No	No	Arbitrage Rebate Calculation	05th Year	11/20/07	(\$50,814.31)	10th Year	11/20/12
8.00	\$2,655,000.00	Unlimited Tax Refunding Bonds, Series 2002	11/20/02	03/01/17	Yes	No	Arbitrage Rebate Calculation	05th Year	09/10/06	(\$389,714.21)	10th Year	09/10/13
9.00	\$19,440,000.00	Waterworks and Sewer System Unlimited Tax Bonds, Series 2003	09/10/03	03/01/28	Yes	No	Arbitrage Rebate Calculation	05th Year	11/04/09	(\$139,446.48)	10th Year	11/04/13
9.10	\$9,865,000.00	Bond Anticipation Note, Series 2003	10/20/03	10/01/04	No	Yes						
10.00	\$21,250,000.00	Waterworks and Sewer System Unlimited Tax Bonds, Series 2004	11/04/04	03/01/28	Yes	Yes	Arbitrage Rebate Calculation	05th Year				
10.50	\$12,835,000.00	Bond Anticipation Note, Series 2004A	12/01/04	11/20/05	No	Yes						
10.75	\$10,368,716.83	Refunding Bond Anticipation Note, Series 2004	10/01/04	11/20/04	No	No						
11.00	\$33,780,000.00	Waterworks and Sewer System Unlimited Tax Bonds, Series 2005	08/04/05	02/01/20	Yes	Yes	Arbitrage Rebate Calculation	05th Year			05th Year	08/04/10
12.00	\$16,850,000.00	Waterworks and Sewer System Unlimited Tax Bonds, Series 2005	06/22/08	03/01/20	Yes	Yes	Arbitrage Rebate Calculation	05th Year			05th Year	06/22/11



Additional services provided to the County

Providing an efficient, cost-effective means of calculating rebate: In addition to providing arbitrage calculation fees of approximately 30-40% lower than the industry average, ACS will provide services to cover the entire life cycle of each debt issue starting with the preliminary planning stage of a debt issue and ending with investment records storage for three years after the bonds have matured. The additional services ACS will provide are listed below:

- **No cost transition team:** ACS will provide a transition team to copy the bond documents and prior calculations at the County's location. The County's involvement will be limited to directing ACS personnel to the location of the bond transcript books. This process will be performed at *no cost to the County*.
- **Automatic distribution of bond documents through the closing process:** As debt is issued in the future, ACS will work directly with the County's bond counsel to receive documents directly, eliminating the need for the County's personnel to copy the documents.
- **Monthly data transmissions:** Upon receipt from the investment firm, ACS will review the data for completeness. If ACS discovers any inconsistencies, we will contact the County to discuss the entries while the transactions are still current and easily reconciled in the County's records. As correcting entries become aged, reversing those entries becomes more difficult to implement and therefore requires more of the County's personnel time than is necessary.
- **On-site training classes:** ACS is committed to providing initial and ongoing training of the County's staff to aid in the understanding of arbitrage rebate. Our support and training includes comprehensive discussions of each arbitrage calculation, training on strategies to help lower arbitrage rebate, and training concerning the rules of arbitrage rebate accounting.
- **Pre-issuance advice:** ACS has performed over 30,000 arbitrage rebate and yield restriction calculations for tax-exempt debt issues over the past 24 years. Over this time, we have seen complications that can arise based on elections made by municipalities during the pre-issuance stage of the debt. Such complications have the potential to create high arbitrage rebate liabilities. We find that in many cases, the arbitrage rebate payments may have been reduced or eliminated if these issuers had consulted with ACS during the pre-issuance stage of the debt issue. ACS' practice is committed to providing pre-issuance election advice to our clients to assist in lowering or eliminating arbitrage rebate payments made to the IRS.
- **Create an arbitrage rebate policy manual:** In 2008, the IRS announced that a review of tax-exempt debt issuers' arbitrage compliance policies would be added to their audit processes. In response, ACS' tax attorney and team of accountants developed a comprehensive policy manual that includes a summarized explanation of the arbitrage rebate requirements as well as a model of best practices to ensure compliance with the Tax Code. The policy manual is provided to all of our clients and is tailored to meet the specific accounting structure and process flow of each client.



CERTIFICATE OF LIABILITY INSURANCE

ARBIT-1 OP ID: AP

DATE (MM/DD/YYYY)

06/18/12

PRODUCER Western Group Inc - Montrose 540 East Main PO Box 788 Montrose, CO 81402 Alex Perez		970-249-6661	THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.
INSURED Arbitrage Compliance Specialistst, Inc. 5975 S Quebec St // Sulte 205 Greenwood Village, CO 80111		INSURERS AFFORDING COVERAGE	NAIC #
		INSURER A: State Auto Insurance	41653
		INSURER B:	
		INSURER C:	
		INSURER D:	
		INSURER E:	

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	ADD'L INSR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	LIMITS	
A		GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC	BOP261747000	07/18/12	07/18/13	EACH OCCURRENCE \$ 2,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 300,000 MED EXP (Any one person) \$ 10,000 PERSONAL & ADV INJURY \$ 2,000,000 GENERAL AGGREGATE \$ 4,000,000 PRODUCTS - COM/PROP AGG \$ 4,000,000	
A		AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS	BOP261747000	07/18/12	07/18/13	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$	
		GARAGE LIABILITY <input type="checkbox"/> ANY AUTO				AUTO ONLY - EA ACCIDENT \$ OTHER THAN AUTO ONLY: EA ACC \$ AGG \$	
		EXCESS / UMBRELLA LIABILITY <input type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> DEDUCTIBLE <input type="checkbox"/> RETENTION \$				EACH OCCURRENCE \$ AGGREGATE \$ \$ \$	
		WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) <input type="checkbox"/> Y/N If yes, describe under SPECIAL PROVISIONS below				WC STATU-TORY LIMITS <input type="checkbox"/> OTH-ER <input type="checkbox"/> E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$	
		OTHER					

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS
 Those usual to the Insured's operations

CERTIFICATE HOLDER

HILDAGO

County of Hildago
 Purchasing Department
 2812 South Highway Bus 281
 Edinburg, TX 78539

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 10 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE Alex Perez

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
05/13/2013

PRODUCER
Pinnacol Assurance
7501 E Lowry Blvd
Denver, CO 80230-7006

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

INSURED
Arbitrage Compliance Specialists Inc
5975 S. Quebec St. #205
Greenwood Village, CO 80111

INSURERS AFFORDING COVERAGE		NAIC#
INSURER A:	Pinnacol Assurance	41190
INSURER B:		
INSURER C:		
INSURER D:		
INSURER E:		

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	ADD'L INSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE(MM/DD/YYYY)	POLICY EXPIRATION DATE(MM/DD/YYYY)	LIMITS
		GENERAL LIABILITY COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIERS PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PROJECT <input type="checkbox"/> LOC				EACH OCCURRENCE DAMAGE TO RENTED PREMISES MED EXP(Any one person) PERSONAL & ADV INJURY GENERAL AGGREGATE PRODUCTS - COMP/OP AGG
		AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS				COMBINED SINGLE LIMIT (Ea Accident) BODILY INJURY (Per person) BODILY INJURY (Per accident) PROPERTY DAMAGE (Per accident)
		GARAGE LIABILITY <input type="checkbox"/> ANY AUTO				AUTO ONLY - EA ACCIDENT OTHER THAN EA ACC AUTO ONLY: AGG
		EXCESS/UMBRELLA LIABILITY <input type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> DEDUCTIBLE <input type="checkbox"/> RETENTION \$				EACH OCCURRENCE AGGREGATE
A		WORKERS COMPENSATION AND EMPLOYER'S LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, please describe under SPECIAL PROVISIONS below	3358559	08/01/2012	08/01/2013	<input checked="" type="checkbox"/> W/C STATU- <input type="checkbox"/> OTHER TORY LIMITS E.L.EACH ACCIDENT \$1,000,000 E.L.DISEASE - EA EMPLOYEE \$1,000,000 E.L.DISEASE - POLICY LIMIT \$1,000,000
		OTHER				

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/EXCLUSIONS ADDED BY ENDORSEMENT/SPECIAL PROVISIONS

CERTIFICATE HOLDER

1455135
County of Hildago
Purchasing Department
2812 South Highway
Bus 281
Edinburg, TX 78539

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL ENDEAVOR TO MAIL 10 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE COMPANY, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE

Timothy Hurd
Underwriter

ACORD CORPORATION 1988

CERTIFICATE HOLDER COPY

County of Hidalgo
Purchasing Department
2812 South Highway
Bus 281
Edinburg, TX 78539

IMPORTANT

If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

DISCLAIMER

The Certificate of Insurance on the reverse side of this form does not constitute a contract between the issuing insurer(s), authorized representative or producer, and the certificate holder, nor does it affirmatively or negatively amend, extend or alter the coverage afforded by the policies listed thereon.



CERTIFICATE OF INSURANCE

TO: Purchasing Department
County of Hildago
2812 South Highway Bus 281
Edinburg TX 78539

**This is to certify that the described insurance is in force at this date with:
Colony Specialty Insurance Company**

NAMED AND ADDRESS OF INSURED:

Arbitrage Compliance Specialists, Inc.
5975 S. Quebec Street, #205
Centennial CO 80111

TYPE OF INSURANCE: Accountants Professional Liability

AMOUNT OF COVERAGE

\$2,000,000 Limit of Liability, Each Claim
\$2,000,000 Limit of Liability, Aggregate
\$5,000 Deductible, Each Claim
\$5,000 Deductible, Annual Aggregate

POLICY PERIOD

Effective Date 01/06/2013
Expiration Date 01/06/2014

POLICY NUMBER IAC10887 - 03

This certificate is furnished to you as a matter of information only and confers no rights upon the Certificate holder. The issuance of the Certificate does not make the person or organization to whom it is issued an additional Insured, nor does it modify in any manner the Policy between the Insured and the Insurers. Any amendment, change or extension of such Policy can only be effected by special endorsement attached thereto.

In the event of cancellation of the aforementioned Policy by the undersigned, the undersigned will endeavor to give 30 days written notice to the party to whom this Certificate is issued, but failure to give such notice shall impose no obligation upon the undersigned.

DATE: December 12, 2012

A handwritten signature in cursive script, appearing to read "Michael J. Chaves", is written over a horizontal line.

Authorized Representative



Hidalgo County Purchasing Department
New Administration Building
2812 S. Business Highway 281
Edinburg, Texas 78539
(956) 318-2626/ Fax: (956) 318-2629

February 21, 2011

Re: **HIDALGO COUNTY and HIDALGO COUNTY DRAINAGE DISTRICT NO. 1**
Request For Qualifications:
"Arbitrage Calculation Services-Hidalgo County and Hidalgo County Drainage District No. 1"

RFQ No: 2011-070-03-16-VYG

Dear Respondents:

Enclosed please find a Request for Qualifications (RFQ) packet for you review and consideration.

Hidalgo County Purchasing Department welcomes and appreciates your participation in the RFQ process.

If any further assistance is required, please do not hesitate to call the Purchasing Department at (956) 318-2626.

Sincerely,

Martha L. Salazar, CPPB
Hidalgo County Purchasing Agent

MLS/vyg

Enclosures



Hidalgo County Purchasing Department
New Administration Building
2812 S. Business Highway 281
Edinburg, Texas 78539
(956) 318-2626/ Fax: (956) 318-2629

REQUEST FOR QUALIFICATIONS (RFQ) CHECKLIST

HIDALGO COUNTY AND HIDALGO COUNTY DRAINAGE DISTRICT NO. 1
"ARBITRAGE CALCULATION SERVICES"
RFQ No: 2011-070-03-16-VYG

1. Request For Qualifications Letter.
2. Request for Qualifications, Legal Notice, consisting of 9 pages.
3. Requirements, Exhibit A and Additional Specifications, consisting of 10 pages.
4. Evaluation Criteria, Exhibit B, consisting of 3 pages.
5. Insurance Requirements, Exhibit C, consisting of 4 pages.
6. Conflict of Interest Questionnaire (CIQ), Exhibit D, consisting of 1 page.
7. Participant's Affidavit, Exhibit E, consisting of 1 page.
8. Vendor Application and Request for Taxpayers Identifications Number (W-9) form, consisting of 6 pages.
9. Certification Regarding Debarment, consisting of 1 page.

The above mentioned items shall be found in the Request for Qualifications (RFQ) packet that is attached herewith. Should you find that any of the items are not attached in its entirety please contact Purchasing by calling (956) 318-2626, advise of missing documentation, and Purchasing will forward information either through facsimile or by U.S. Mail.

Thank you.



Martha L. Salazar, CPPB, Purchasing Agent

February 21, 2011

Date

RFQ No: 2011-070-03-16

Contract's Manager: Vangie Y. Garcia

Tel. No: (956) 318-2626

REQUEST FOR QUALIFICATIONS

Hidalgo County and Hidalgo County Drainage District No. 1
Edinburg, Texas

ARBITRAGE CALCULATION SERVICES **MARCH 16, 2011**

Contact Person:

Martha L. Salazar, CPPB, Purchasing Agent
Hidalgo County Purchasing Department
2802 S. Hwy. Business 281 - Administration Building
Edinburg, Texas 78539

(956) 318-2626

Form HCPD-04

LEGAL NOTICE

RFQ NO: 2011-070-03-16-VYG

1. **Sealed Statements of Qualifications** will be received for "**ARBITRAGE CALCULATION SERVICES-HIDALGO COUNTY and HIDALGO COUNTY DRAINAGE DISTRICT NO.1**", in accordance with the requirements attached hereto as Exhibit "A." RFQs should address all requirements set forth. Submitters may suggest substitutions of features which they feel would be in the best interest of Hidalgo County ("County"). Strong rationale must be presented for any deviation from the requirements. Hidalgo County reserves the right to reject the deviation and its effect on the overall RFQ.
2. One (1) original and seven (7) copies of all RFQs are required, with the submitters name and address clearly typed/printed on upper left hand corner and the proper notation clearly typed/printed on the lower left hand corner of the envelope and/or package, "**REQUEST FOR QUALIFICATIONS NO: 2011-070-03-16-VYG-ARBITRAGE CALCULATION SERVICES-HIDALGO COUNTY and HIDALGO COUNTY DRAINAGE DISTRICT NO. 1**" and in County's Purchasing Department, 2802 S. Hwy. Business 281, Administration Building, Edinburg, Texas, **on or before 9:30 a.m., Wednesday, March 16, 2011. NO FACSIMILES OR LATE ARRIVALS WILL BE ACCEPTED. ANY RFQ RECEIVED AFTER THAT TIME WILL NOT BE OPENED AND WILL BE RETURNED. OVERNIGHT MAIL MUST ALSO BE PROPERLY LABELED ON THE OUTSIDE OF EXPRESS ENVELOPE OR PACKAGE IN REFERENCE TO RFQ: 2011-070-03-16-VYG-ARBITRAGE CALCULATION SERVICES-HIDALGO COUNTY and HIDALGO COUNTY DRAINAGE DISTRICT NO. 1 .**

Hidalgo County and Hidalgo County Drainage District No.1 reserves the right to refuse and reject any/all RFQs and to waive any/all formalities or technicalities, or to accept the RFQ considered the best and most advantageous to Hidalgo County and Drainage District.

WRITTEN QUESTIONS WILL BE ACCEPTED NO LATER THAN Wednesday, March 9, 2011 *at 5:00 p.m.* Responses will be sent to all applicants via facsimile by Friday, March 11, 2011 at 5:00 p.m. **TELEPHONE INQUIRIES WILL NOT BE ACCEPTED.**

3. Failure of the delivered item(s) to perform as specified, or failure to meet the stated delivery schedule shall release Hidalgo County from all obligations to the contracting party with regard to the item(s) in question. In such event, County may elect to award the contract to the next-lowest responsible submitter, or to reject all RFQs and re-advertise.
4. For work to be performed at a County-owned or operated location, each submitter shall, in its sole discretion, visit the job site before preparing the RFQ and thoroughly familiarize himself/herself with existing conditions. Submitter should take field dimensions and note all circumstances which affect the RFQ.
5. No RFQ may be withdrawn within ninety (90) days from the scheduled time to accept RFQs.

6. Any interpretations, amendments, corrections or changes to this RFQ document must be in a written addendum and signed by the County Judge or his designee. Addenda will be mailed to all who are known to have received a copy of the Request for Qualifications. Submitters shall acknowledge receipt of all addenda as a part of their RFQ.
7. County reserves the right to accept or reject any or all RFQs.
8. Costs are to be net F.O.B. destination, County Prepaid.
9. County is exempt from Federal Excise Tax, State Tax and Local Tax. Tax exemption certificates will be furnished upon request.
10. Funds for this procurement have been provided through the County budget for this fiscal year only. County, on an annual basis, has the right to reconsider a contract during the budget process for ensuing years if financial resources of County are insufficient to meet the liabilities of said contract. The award of an RFQ or contract hereunder will not be construed to create a debt of the County which is payable out of funds beyond the current fiscal year.
11. Upon award and prior to execution of a contract, Sole Proprietorships are required to submit a copy of their social security card to the Hidalgo County Auditor's Office in order to establish an account with the County. All awarded vendors must submit a completed W-9 and a copy of their Federal ID Number Certificate.
12. DELIVERY INSTRUCTIONS: (IF APPLICABLE)
 - . No deliveries accepted after 3:00 P.M., Monday-Friday.
 - . At least seventy two (72) hours prior notice of delivery must be given to Martha L. Salazar, CPPB, Purchasing Agent, before delivery will be accepted.
 - . If you need additional information call the office listed below:
Hidalgo County Purchasing Department
Martha L. Salazar, CPPB, Purchasing Agent
(956) 318-2626
13. BILLING AND PAYMENT INSTRUCTIONS:
 - . Invoices must include:
 - a) Name and address of successful submitter
 - b) Name and address of receiving department or official
 - c) Purchase Order Number (if any)

d) Notation - **"ARBITRAGE CALCULATION SERVICES-HIDALGO COUNTY and HIDALGO COUNTY DRAINAGE DISTRICT NO. 1"**

e) Descriptive information as to the items or services delivered, including product code, item number, quantity, etc.

Discount payments will be considered when offered.

Contact person for Billing and Payment questions:

Hidalgo County Auditor's Office (**For Hidalgo County**)

Ray Eufrazio, County Auditor

2808 S. Business Hwy. 281

Edinburg, TX 78539

956-318-2511

Hidalgo County Drainage District No.1

Godfrey Garza

1902 North Doolittle Road

Edinburg, Texas 78542

14. Schedule of Events

RFQ Acceptance, 9:30 A.M.

March 16, 2011

Award of Contract

_____, 2011

Commence Work or Deliver Products

_____, 2011

15. ~~Bid or Performance Bond and Debarment Certification; Payment Under Contract:~~

~~If the contract proposed is for the construction of public works or is for a contract for goods and services exceeding \$100,000, all bidders shall furnish a good and sufficient bid bond in the amount of five percent of the total contract price. A bid bond must be executed with a surety company authorized to do business in Texas. All participants are required to furnish a certification or acknowledgment stating that the contractor or vendor is free from suspension or debarment pursuant to federal regulation 45CFR76.~~

- ~~Together with the signing of a contract or issuance of a purchase order following the acceptance of a proposal, and prior to commencement of the actual work, the proposer shall furnish a performance bond to the County for the full amount of the contract, if that contract exceeds \$50,000.~~
- . ~~If the contract is for \$50,000 or less, no money will be paid to the contractor until completion and acceptance of the work or the fulfillment of the purchase obligation to the County, and, if applicable, the receipt by County of satisfactory evidence that all subcontractors and material men have been paid.~~
- . ~~If a contract is for the construction, alteration or repair of public buildings or public works, the contractor shall provide a payment bond for a contract in excess of Twenty Five Thousand Dollars (\$25,000.00), as required by Tex. Govt. Code Ch. 2253.~~
- . ~~For requirements contracts, bond requirements are determined by applying the proposed unit price to the estimated quantities included in the specifications.~~

16. Ethical Standards:

- . It shall be a breach of ethics to offer, give or agree to give any elected official, department head or employee, or former elected official, department head or employee, of the County, or for any elected official, department head or employee of the County, to solicit, demand, accept or agree to accept from another person, entity or organization, a gratuity or an offer of employment in connection with any decision, approval, disapproval, recommendation, preparation or any part of a program requirement or purchase request, influencing the content of any specification or procurement standard, rendering of advice, investigation, auditing, or in any other advisory capacity in any proceeding or application, request for ruling, determination, claim or controversy, or other particular matter pertaining to any program requirement or a contract or subcontract, or to any solicitation or proposal therefor pending before any department or agency of the County.
- . It shall be a breach of ethics for any payment, gratuity or offer of employment to be made by or on behalf of a subcontractor under a contract to the prime contractor or higher tier subcontractor for any contract for the County, or any person associated therewith, as an inducement for the award of a subcontract or order.

- . No public official shall have an interest in a contract awarded hereunder except in accordance with Tex. Loc. Govt. Code Chapter 171.

17. **Disclosure of Conflict of Interest:**

- Effective January 1, 2006, Chapter 176 of the Texas Local Government Code requires that any vendor, person, consultant or contractor considering doing business with Hidalgo County (“the County”) to disclose in the Conflict of Interest Questionnaire (the “CIQ”) attached as Exhibit D, the vendor, person consultant or contractor’s affiliation or business relationship that might cause a conflict of interest with the County. By law, the CIQ must be filed with the Hidalgo County Clerk’s Office no later than the seventh business day after the date the person becomes aware of facts that require that statement to be filed. The disclosure requirement applies to a person or business who contract or seeks to contract with Hidalgo County for the sale or purchase of property, goods or service. Any purchase order or contract resulting from this process shall be considered null and void if the successful Proposer fails to comply with Texas Local Government Code Chapter 176. Vendors, consultants, contractors and others who desire to conduct business with Hidalgo County are encouraged to refer to Texas Local Government Code Chapter 176 for the details of this law. An offense under Texas Local Government Code Chapter 176 is a Class C Misdemeanor.

Please submit complete CIQ forms to the Hidalgo County Clerk’s Office located at 100 No. Closner, Edinburg, Texas 78539-Hidalgo County Courthouse
COMPLETION AND SUBMISSION OF FORM CIQ IS THE SOLE RESPONSIBILITY OF THE PROSPECTIVE Proposer.

18. If, during the life of any contract or proposal awarded, the successful proposer's net prices generally available to other customers for items awarded herein are reduced below the contracted price, it is understood and agreed that the benefits of such reduction shall be extended to County.
19. Proposals, and all goods and services provided thereunder, shall comply with all federal, state and local laws concerning this type(s) of goods and/or services.
20. Minimum Standards For Responsible Prospective Proposers: A prospective proposer must affirmatively demonstrate proposer's responsibility. A prospective proposer, by submitting a proposal, represents to County that it meets the following requirements:
- . Possess or is able to obtain adequate financial resources as required to perform under the proposal;
 - . Be able to comply with the required or proposed delivery schedule;

- . Have a satisfactory record of performance;
 - . Have a satisfactory record of integrity and ethics;
 - . Be otherwise qualified and eligible to receive an award.
21. Successful proposer will pay or cause to be paid, without cost or expenses to County, all FICA, FUTA/SUTA and Federal Income Withholding Taxes of all employees, and all wages and benefits as required by Federal or State law. Successful proposer's officers, agents and/or employees will not be entitled to any benefits of an employee or elected official of County, including, but not limited to, benefits associated with County's civil service system.
22. Any contract award to a successful proposer will be in effect until (a) the contract expires, (b) delivery and acceptance of products, and/or performance of services ordered, or (c) terminated by County with thirty (30) day's written notice prior to cancellation.
23. County reserves the right to enforce performance of any contract awarded hereunder in any manner prescribed by law or deemed to be in the best interest of the County in the event of breach or default by successful proposer; County reserves the right to terminate any contract immediately in the event a successful proposer fails to:
- A. Meet schedules;
 - B. Pay any required fees or taxes; or
 - C. Otherwise perform in accordance with the requirements.
24. Successful proposer shall defend, indemnify and save harmless County and all its elected officials, officers, agents and employees from all suits, actions, or other claims of any character, name and description brought for or on account of any injuries or damages received or sustained by any person, persons, or property on account of any negligent act or fault of the successful proposer, or of any agent, employee, subcontractor or supplier in the execution of, or performance under, any contract which may result from proposal award. Successful proposer indemnifies and will indemnify and save harmless County from liability, claim or demand on their part, agents, servants, customers, and/or employees whether such liability, claim or demand arise from event or casualty happening or within the occupied premises themselves or happening upon or in any of the halls, elevators, entrances, stairways or approaches of or to the facilities within which the occupied premises are located. Successful proposer shall pay any judgment with costs which may be obtained against County growing out of such injury or damages, and shall, upon request, provide a defense to County by counsel reasonably acceptable to County. Successful proposer's indemnity hereunder shall include, but is not limited to, claims relating to patent, copyright or trademark

infringement, and the like, arising out of the goods or services provided by successful proposer.

25. Successful proposer shall warrant that all items/services shall conform with the specifications and/or all warranties provided under the Uniform Commercial Code and be free from all defects in material, workmanship and the like. Items supplied under a contract pursuant to this Request for QUALIFICATIONS shall be subject to County's approval. Items found to be defective or not meeting specifications shall be replaced by successful proposer within two business days at no expense to County. Items not picked up within one (1) week after notification shall be deemed a donation to County and may be used or disposed of at County's discretion and without waiver of any other rights of County as to the item's nonconformity.
26. This document and any disputes arising hereunder shall be governed and construed according to the laws of the State of Texas, and will be performable exclusively in Hidalgo County, Texas.
27. The successful proposer shall not assign, sell, transfer or convey its rights under any awarded contract, in whole or in part, without the prior written consent of County.
28. Proposers shall provide with the proposal response, a list of at least three (3) references where like services have been supplied by their firm. Include the name of the business or government, address, telephone number and name of representative or contact person.
29. Proposers must provide **all** documentation requested with this Proposal in their response. Failure to provide this information may result in rejection of the proposal as non-conforming.

Request For Qualifications for
Hidalgo County and Hidalgo County Drainage District No. 1
“ARBITRAGE CALCULATION SERVICES”
RFQ NO: 2011-070-03-16-VYG

To: Martha L. Salazar, CPPB, Purchasing Agent
Hidalgo County Purchasing Department
2802 S. Hwy. Business 281 - Administration Building
Edinburg, Texas 78539

In accordance with the Requirements, and subject to all laws and regulations of the United States and state and local laws, the undersigned submitter proposes and commits to furnish all labor, equipment, material, software and services as set forth in the documents hereinbefore mentioned. The undersigned submitter further agrees, upon acceptance of its proposal, to execute a contract and/or Purchase Order issued by Hidalgo County for performing and completing the work described in the Requirements within the time stated and for the prices proposed in the documents attached hereto and made a part hereof.

Submitter acknowledges receipt of all of the pages of the documents referenced in the Request For Qualifications Checklist presented in connection with this procurement. Submitter understands that Hidalgo County reserves the right to reject any or all RFQs and further reserves the right to design the evaluation criteria to be used in selecting the lowest and best proposal.

Submitter agrees that this proposal shall be good and may not be withdrawn for a period of ninety (90) calendar days after the scheduled closing time for accepting RFQs, as contained in the Requirements.

Respectfully submitted,

Submitter: _____

Address: _____

By: _____

Printed Name: _____

Title: _____

EXHIBIT A
REQUIREMENTS

HIDALGO COUNTY and
HIDALGO COUNTY DRAINAGE DISTRICT NO. 1

REQUEST FOR QUALIFICATIONS

"ARBITRAGE CALCULATION SERVICES"
RFQ NO:2011-070-03-16-VYG

Hidalgo County is inviting statements of qualifications from qualified arbitrage firms to provide arbitrage calculation services. The County of Hidalgo is seeking to enter into an arbitrage calculation services contract(s) with a **qualified state-(Texas) arbitrage consulting firm(s)**. The Hidalgo County Purchasing Department will receive sealed envelopes containing Statements of Qualifications for the provision of **“HIDALGO COUNTY-ARBITRAGE CALCULATION SERVICES REQUEST FOR QUALIFICATIONS”** as specified herein. Statements of Qualifications will be accepted until **9:30 A.M. March 16, 2011**. **ANY RFQ RECEIVED AFTER THAT DATE AND TIME WILL NOT BE ACCEPTED AND WILL BE RETURNED UNOPENED.**

The Hidalgo County Drainage District No. 1 Board of Director’s may, at their option, utilize the **“ARBITRAGE CALCULATION SERVICES”** selected by Hidalgo County For Hidalgo County Drainage District No. 1. Should the Board of Director’s of Hidalgo County Drainage District No. 1 decide the firm selected as the Provider is the same as the one selected by Hidalgo County, the Provider shall offer Hidalgo County Drainage District No. 1 the same terms and provisions as it offers Hidalgo County.

Deliver Submittal to:

RFQ NO: 2011-070-03-16-VYG

US Postal Mail Address:

Martha L. Salazar, CPPB, Purchasing Agent
Hidalgo County Purchasing Department
New Administration Building
2812 So. Business Hwy 281
Edinburg, Texas 78539

Physical Address:

Martha L. Salazar, CPPB, Purchasing Agent
Hidalgo County Purchasing Department
New Administration Building
2802 So. Business Hwy 281
Edinburg, Texas 78539

The Submittal Envelope Must Show the RFQ Number, Name and Acceptance Date.

The following outlines the Request For Qualifications:

SECTION I GENERAL TERMS AND CONDITIONS

ADDITIONAL INFORMATION: Hidalgo County is requesting that statements of qualifications be routed to Martha L. Salazar, CPPB, Purchasing Agent, with a **Physical location of:** 2802 So. Business Hwy 281, **(Southeast Corner of Canton & Business Highway 281)** Hidalgo County New Administration Building, Edinburg, Texas, 78539. at 2802 So. Business Hwy 281, Edinburg, Texas 78539.

WRITTEN QUESTIONS WILL BE ACCEPTED VIA FACSIMILE BY NO LATER THAN Wednesday, March 9, 2011, at 5:00 P.M. at (956) 318-2629. Responses will be sent to all applicants via facsimile by **Friday, March 11, 2011, at 5:00 P.M.** **TELEPHONE INQUIRIES WILL NOT BE ACCEPTED.**

DISCLOSURE OF CONFLICT OF INTEREST:

Effective February 17, 1, 2006, Chapter 176 of the Texas Local Government Code requires that any vendor, person, consultant or contractor considering doing business with Hidalgo County ("the County") to disclose in the Conflict of Interest Questionnaire (the "CIQ") attached as **Exhibit D**, the vendor, person consultant or contractor's affiliation or business relationship that might cause a conflict of interest with the County. By law, the CIQ must be filed with the Hidalgo County Clerk's Office no later than the seventh business day after the date the person becomes aware of facts that require that statement to be filed. The disclosure requirement applies to a person or business who contract or seeks to contract with Hidalgo County for the sale or purchase of property, goods or service. Any purchase order or contract resulting from this process shall be considered null and void if the successful bidder fails to comply with Texas Local Government Code Chapter 176. Vendors, consultants, contractors and others who desire to conduct business with Hidalgo County are encouraged to refer to Texas Local Government Code Chapter 176 for the details of this law. An offense under Texas Local Government Code Chapter 176 is a Class C Misdemeanor.

Please submit complete CIQ forms to the Hidalgo County Clerk's Office located at 100 N. Closner, Edinburg, Texas 78539-Hidalgo County Courthouse. **COMPLETION AND SUBMISSION OF FORM CIQ IS THE SOLE RESPONSIBILITY OF THE PROSPECTIVE BIDDER.**

PROPOSER'S AFFIDAVIT:

Prior Contract award, respondents to this RFQ must submit a signed Proposer's Affidavit (attached herein in **Exhibit E**) certifying that the submission is (1) not the result of Collusion as described in the Proposer's Affidavit, (2) that the Respondent does not have a Conflict of Interest as described in the Proposer's, affidavit or that the Respondent has not and will not attempt to lobby directly or indirectly as described in the Proposer's Affidavit.

NON-COLLUSION:

Submitters, by submitting a signed submission, certify that the accompanying submission is not the result of, or affected by, any unlawful act of collusion with any other person or company engaged in the same line of business or commerce, or any other fraudulent act punishable under Texas or United States law.

NON-DISCRIMINATION:

Submitters, during the performance of this contract, will not discriminate against any employee or applicant for employment because of race, religion, sex, national origin or disability except where religion, sex, national origin or disability is a bona fide occupational qualification reasonably necessary to the normal operation of the contractor.

PROCESSING TIME FOR PAYMENT:

Submitters are advised that a minimum of thirty (30) days is required to process invoices for payment.

ELECTRONIC TRANSMISSION OF BIDS:

Hidalgo County's Purchasing Department will not accept telegraphic or electronically transmitted submissions.

PROOF OF FINANCIAL AND BUSINESS CAPABILITY:

Submitters must, upon request, furnish satisfactory evidence of their ability to furnish products or services in accordance with the terms and conditions of these requirements. Hidalgo County will make the final determination as to the submitter's ability.

SUBMITTER DEFAULT:

Hidalgo County reserves the right, in case of submitter default, to procure the articles or services from other sources and hold the defaulting submitter responsible for any excess costs occasioned thereby.

RESTRICTIVE OR AMBIGUOUS REQUIREMENTS:

It is the responsibility of the submitter to review the Request for Qualifications (RFQ) packet and to notify the Purchasing Department if the requirements are formulated in a manner that would unnecessarily restrict competition. Any such protest or question regarding the requirements or bidding procedures must be received in the Purchasing Department not less than seventy-two hours prior to the time set for the opening. These criteria also apply to requirements that are ambiguous.

RFQ DELIVERY: Hidalgo County requires submitters, when hand delivering qualifications, to make sure that is it stamped with date and time by the County Purchasing Department staff.

SIGNING OF QUALIFICATIONS:

In order to be considered all submittals **must** be signed. **Please sign the original in [blue ink](#).**

WAIVING OF INFORMALITIES:

Hidalgo County reserves the right to waive minor informalities or technicalities when it is in the best interest of Hidalgo County.

SUBCONTRACTING:

The successful submitter may not subcontract the award without the written consent of the Commissioners' Court of Hidalgo County.

TERM OF CONTRACT:

It is intended that the term of the contract will be for an initial period of one (1) year with the County's option to renew for three (3)-one (1) year terms, under the same rates, terms and conditions.

Hidalgo County reserves the right to continue this agreement for an additional sixty (60) day grace period at the end of the agreement terms for unforeseen delay in award of the new request for qualifications.

All costs and expenses associated with the preparation and submission for (bids, proposal and/or quotes) shall be the responsibility of the participant and no reimbursement for such charges or expenses shall be passed onto Hidalgo County.

DAVIS BACON ACT: (IF APPLICABLE)

All selected and awarded firms are required to include the Davis-Bacon Act when advertising and developing specifications.

SECTION II RFQ REQUIREMENTS

Request For Qualifications and Proposal:

The required contents and limitations for the preparation of the RFQ are described in this section. Failure to provide the requested information or adhere to any County limitations will result in disqualification of the submitted RFQ. A total of **one (1) original and seven (7) copies** of the RFQ shall be submitted to the address on the cover letter.

Contents:

The required contents for the RFQ are presented below in the order they should be incorporated into the submitted document.

Understanding of the Project:

This section should demonstrate the submitter's understanding of the project needs, the work required, and any local issues or concerns. This description should be concise, candid, and limited to 3 pages in length.

Firm(s) Qualifications:

The County of Hidalgo is seeking to contract with a competent firm(s), registered and licensed to practice in the State of Texas, that has/have had experience in, but not limited to, the following areas:

- Qualified firm must have a minimum of (5) years experience with arbitrage rebate compliance services;
- Qualified firm must have an office located in Texas;
- A description of the firm's personnel and their most recent similar projects.
- A minimum of at least five (5) such projects with federal, state or local governments in the past three (3) years.

- A minimum of three (3) client references for whom the same type work was performed (list must include name, address, telephone number, date and project description) should be included for reference purposes.

Additionally, this section should include a description of the firm's project personnel and their most recent similar projects. For each project, a client contract name and phone number should be included for reference purposes. Additionally, the names of the personnel proposed for this project who participated in the listed projects should be provided. This project list is limited to 5 pages.

Personnel and Staffing:

The participant should provide an organizational chart for the project and a summary paragraph of the project work to be performed by each proposed staff member. Biographic summaries that highlight the experience relevant to the specific project responsibilities should be provided for all proposed personnel. There is a one (1) page limitation for each biographic summary provided.

Required Certifications and Submittal:

This section will contain any licenses and certifications as required by Hidalgo County, the State of Texas, etc. The firm(s) should add copies of their Professional Liability Insurance. Hidalgo County requires limits as described and detailed in Exhibit "C"-Insurance Requirements contained herein

SCOPE OF SERVICES:

The firm selected will be required to perform all services, duties customarily and usually performed with respect to the type of work listed above for services the County of Hidalgo. **(Please refer to Additional Specifications and Requirements).**

PARTICIPANTS ARE NOT TO PROVIDE A FEE SCHEDULE AT THIS TIME WITH THIS SUBMITTAL:

The fee will be negotiated based on the scope of work and services.

PART III-SELECTION AND SCHEDULES

SELECTION PROCEDURES/EVALUATION SYSTEM:

The evaluation consists of a 100-point scoring system. However, after the 100-point evaluation, Hidalgo County Commissioner's Court may elect to narrow the participating firms and request a presentation from a representative from firms.

- A. Hidalgo County Commissioner's Court and/or an Evaluation Committee (selected and/or designated by (Commissioner's Court) will review, score and evaluate the written Statements of Qualifications (SOQ's) received in response to this Hidalgo County request for qualifications.
- B. After the SOQ's have been reviewed, scored and evaluated, a grid will be presented to Commissioner's Court for the purposes of ranking.

Categories are further detailed in the Selection Criteria (Exhibit B) section of the RFQ.

NEGOTIATION PROCESS: The number one ranked firm will be contacted to submit a letter of engagement/contract for negotiations. If negotiations prove unsuccessful, Commissioner's Court will terminate negotiations with the firm and will contact the next highest ranked firm to open negotiations. The County of Hidalgo reserves the right to reject any and all RFQ's.

TERMINATION OF SERVICES: Any contract awarded to a qualified firm will be in effect until (a) the contract expires or (b) performance of all services are completed, or (c) terminated by County with or without cause, with thirty (30) day's written notice prior to cancellation.

Hidalgo County and Hidalgo County Drainage District No. 1
Arbitrage Calculation Services
RFQ NO: 2011-070-03-16-VYG

Additional Specifications and Requirements

SCOPE OF SERVICES:

The firm selected will be required to perform arbitrage calculations for Hidalgo County and Hidalgo County Drainage District's current certificates of obligation issues and any new issues that may be added during the term of the contract.

Hidalgo County's outstanding issues currently include:

1.	Certificates of Obligation, Series 2001	\$25,675,000.00
2.	Certificates of Obligation, Series 2002	\$20,910,000.00
3.	Certificates of Obligation, Series 2004	\$32,250,000.00
4.	Refunding Bonds, Series 2005	\$51,640,000.00
5.	Certificates of Obligation, Series 2006	\$38,770,000.00
6.	Refunding Bonds, Series 2006	\$ 2,180,000.00
7.	Refunding Bonds, Series 2007	\$26,415,000.00
8.	Certificates of Obligation, Series 2009	\$24,280,000.00
9.	Certificates of Obligation, Series 2009A	\$ 6,995,000.00
10.	Certificates of Obligation, Series 2009B&C	\$12,225,000.00
11.	Certificates of Obligation, Series 2010A&B	\$27,850,000.00

Hidalgo County Drainage District No. 1 outstanding issues currently include:

1.	Unlimited Tax Improvement Bonds, Series 2007	\$28,000,000.00
2.	Unlimited Tax Improvement Bonds, Series 2008	\$72,000,000.00

1. Arbitrage Compliance Program

Firm will establish a program to ensure Hidalgo County and Hidalgo County Drainage District No. 1 is in compliance with all arbitrage rebate requirements contained in Section 148 of the Internal Revenue Code of 1986 (as revised) and related Treasury Regulations. As part of this compliance program the Firm will serve as a resource to all parties involved, explaining the requirements of the Code and Regulations and providing practical solutions to problems as they occur. The Firm will provide constant interaction with the County and the Drainage District provide the following additional services:

- Assist the County and the Drainage District in understanding the computational and reporting requirements of the Code and Regulations as they currently exist and facilitate their understanding of changes as they occur.
- Be knowledgeable of the rules regarding expiration of temporary periods and be prepared to assist County and the Drainage District in monitoring yield-restricted funds, which may be invested.
- Assist the County and the Drainage District, on a rebate installment date, in evaluating whether a full or partial payment of the rebate liability should be paid.

2. Computational Requirements

Firm will compute the arbitrage rebate that is most advantageous to Hidalgo County and Hidalgo County Drainage District No. 1 using computational methods that comply with arbitrage regulations.

- Review all applicable bond documents including tax or arbitrage certificate, official statement and other related documents.
- Compute the arbitrage yield on the bonds in accordance with the regulations and revise such computations in the event that events occur subsequent to delivery of the bonds, which would require recomputation.
- Identify, and separately account for, all “Gross Proceeds” (as last term is defined in the Treasury Regulations) of the bond issue, including those requiring allocation analyses due to “transferred proceeds” and/or “commingled funds” circumstances.
- Obtain the necessary information related to investments, including expenditure detail; or investment detail; and/or interest earnings.
- Compute the yield on the earnings of the gross proceeds of the issue.
- Firm must be familiar with all of the various regulations to determine which regulations to apply in order to compute the lowest lawful arbitrage liability amount.
- Perform computations of rebatable arbitrage at least once every five years and as of the date all bonds of the issue are retired.
- Provide an executive summary and opinion identifying the methodology employed, major assumptions, conclusions, and any recommendations for changes in record keeping and investment policy. The opinion provided must state that all work performed is consistent with Federal Tax Law and other applicable law.

3. Internal Revenue Service Reporting Requirements

Firm will serve as the interface between the County, Drainage District and the Internal Revenue Service. Firm must be knowledgeable of the reporting and documentation requirements associated with compliance of the arbitrage rules and perform the following duties:

- Complete Internal Revenue Service Form 8038-T and any other necessary reports so that only a signature is required prior to filing on either an installment computation date or final installment date.
- Provide a written report supporting the computations to the County and the Drainage District.
- Determine the correction amount and the penalties associated with any installment failure as required.

- Assist in applying for permitted refunds for certain overpayments in the event the County [and the Drainage District](#) overpays the amount of rebatable arbitrage for an issue.
- Maintain complete records supporting the computations of rebatable arbitrage for a period of not less than six years after the final maturity of all bonds of an issue.
- Assist the County [and the Drainage District](#), as necessary, in responding to any inquiries or audits by the Internal Revenue Service related to the computations performed by the rebate calculation agent.
- Maintain a tickler system, which monitors critical deadlines, calculation due dates, rebate exception dates, and expiration of temporary periods.

EXHIBIT B
SELECTION CRITERIA

HIDALGO COUNTY
REQUEST FOR QUALIFICATIONS

ARBITRAGE CALCULATION SERVICES

RFQ No. 2011-070-03-16-VYG

EVALUATION CRITERIA

HIDALGO COUNTY “ARBITRAGE CALCULATION SERVICES” RFQ NO: 2011-070-03-16-VYG

RFQ Evaluation Criteria

The respondent's RFQ will be evaluated based on the criteria presented below. These criteria will be scored on the scales shown on the enclosed "RFQ Evaluation Form."

1. Firm's Qualification/Experience of Firm (0-40)

The firm's should provide information on their proposed professional team members, i.e. applicable certifications/registrations and other pertinent information that demonstrates their qualifications to perform the contract. The professional team members shall have experience in performing similar contracts for counties, cities, or other clients as stated in the Request For Qualifications (RFQ). Similar experience gained through other clients should be substantiated by reference. The provider shall designate experienced legal staff to completely and efficiently perform the work.

2. Firm's Understanding Project and Approach to Scope of Service (0-35)

The firm shall designate availability of specialized legal expertise related to arbitration calculation services to or within the firm in order to completely and efficiently perform the arbitration services. The designated individuals may not be replaced during the project unless approved by the County. The proposal shall identify the project team composition, project leadership, reporting responsibilities and address how sub-providers, if any, will fit into the management structure. Résumés of the key technical staff members, limited to two (2) pages per person, must be included in an appendix, as well as narrative descriptions of projects proposed as similar work experience. Also, in this section, outline the firm's contingency plans for servicing the project in the event that one or more key personnel are not available for any reason during the period of performance.

3. Firm's References and Similar Engagements (0-25)

The firm should provide as much background information as to its experience in providing similar services to City, County or any other governmental agencies. A list of, and scope of, similar projects for comparative purposes shall be included in an appendix.

SOQ EVALUATION FORM
"ARBITRAGE CALCULATION SERVICES-HIDALGO COUNTY"
RFQ NO:2011-070-03-16-VYG

SOQ- EVALUATION FORM

Point Range

Score

1. Firm's Qualifications/Experience of Firm

0-40

The firm should provide information on their proposed professional team members, i.e. applicable certifications/registrations and other pertinent information that demonstrates their qualifications to perform the contract. The professional team members shall have experience in performing similar contracts for counties, cities, or other clients as stated in the Request For Qualifications (RFQ). Similar experience gained through other clients should be substantiated by reference. The provider shall designate experienced legal staff to completely and efficiently perform the work.

Comments/Rationale for Points: _____

2. Firm's Understanding of Project and Approach to Scope of Service

0-35

The firm shall designate availability of specialized legal expertise related to arbitration calculation services to or within the firm in order to completely and efficiently perform the arbitration services. The designated individuals may not be replaced during the project unless approved by the County. The proposal shall identify the project team composition, project leadership, reporting responsibilities and address how sub-providers, if any, will fit into the management structure. Resumes of the key technical staff members, limited to two (2) pages per person must be included in an appendix, as well as narrative descriptions of projects proposed as similar work experience. Also, in this section outline the firm's contingency plans for servicing the project in the event that one or more key personnel are not available for any reason during the period of performance.

Comments/Rationale for Points: _____

3. Firm's References and Similar Engagements

0-25

The firm should provide as much background information as to its experience in providing similar services to County, City or any other governmental agencies. A list of, and scope of, similar projects for comparative purposes shall be included in an appendix.

Comments/Rationale for Points: _____

TOTAL SCORE:

FIRM: _____

Name of Evaluator: _____ Date: _____

EXHIBIT “C”

Insurance Requirements Professional Services (i.e...Engineers, Architects, Appraisers & Surveyors)

The proposer awarded the contract shall furnish proof of insurance, which will also include any subcontractor that is subcontracted by the proposer in at least the following limits, to be in place prior to providing any services under this Contract and to continue at all times in force in effect during the term of this Contract:

1. Professional liability insurance policy with limits of at least One Million Dollars (\$1,000,000) per occurrence, or limited to claims made, include at least a five (5) year extended reporting period.
2. A Five Hundred Thousand Dollars (\$500,000.00) Comprehensive General Liability insurance policy providing additional coverage to all underlying liabilities of County.
3. Automobile liability insurance policy with limits of at least Three Hundred Thousand Dollars (\$300,000.00) per person and Five Hundred Thousand Dollars (\$500,000.00) per occurrence. Coverage should include injury to or death of persons and property damage claims with limits up to Five Hundred Thousand Dollars (\$500,000.00) arising out of the services provided to County hereunder.
4. Uninsured/Underinsured motorist coverage in an amount equal to the bodily injury limits set forth immediately above;
5. Workers compensation insurance in amounts established by Texas law, unless the Bidder is specifically exempted from the Texas Workers Compensation Act, Texas Labor Code Chapter 401, et. seq.

Hidalgo County will only accept certificates of insurance on an Acord form (as attached hereto). Certificates of insurance naming County as an additional insured shall be submitted to County for approval prior to any services being performed by Contractor. Each policy of insurance required hereunder shall extend for a period equivalent to, or longer than the term of the Contract, and any insurer hereunder shall be required to give at least thirty (30) days written notice to the County prior to the cancellation of any such coverage on the termination date, or otherwise. This Contract shall be automatically suspended upon the cancellation, or other termination, of any required policy of insurance hereunder, and such suspension shall continue until evidence adequate replacement coverage is provided to County. If replacement coverage is not provided within thirty (30) days following suspension of the Contract, this Contract shall automatically terminate.

ACORD**CERTIFICATE OF INSURANCE**

DATE (MM/DD/YY)

PRODUCER

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

INSURERS AFFORDING COVERAGE

INSURED

INSURER A:

INSURER B:

INSURER C:

INSURER D:

INSURER E:

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THEIR TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
A	GENERAL LIABILITY				EACH OCCURRENCE	\$
	<input type="checkbox"/> COMMERCIAL GENERAL LIABILITY				FIRE DAMAGE (Any one fire)	\$
	<input type="checkbox"/> CLAIMS MADE OCCUR				MEDICAL (Any one person)	\$
	<input type="checkbox"/> OWNER'S & CONT. PROT				PERSONAL & ADV INJURY	\$
	<input type="checkbox"/> OWNER'S PROTECTIVE LIABILITY				ANNUAL AGGREGATE	\$
	<input type="checkbox"/> GENL AGGREGATE LIMIT APPLIES PER: POLICY PROJECT <input type="checkbox"/> LOC				PRODUCTS - COMP/OP	\$
					AGG	\$
B	AUTOMOBILE LIABILITY				COMBINED SINGLE LIMIT (Ea accident)	\$
	<input type="checkbox"/> ANY AUTO				BODILY INJURY (Per person)	\$
	<input type="checkbox"/> ALL OWNED AUTOS				BODILY INJURY (Per accident)	\$
	<input type="checkbox"/> SCHEDULED AUTOS				PROPERTY DAMAGE (Per accident)	\$
	<input type="checkbox"/> HIRED AUTOS					
<input type="checkbox"/> NON-OWNED AUTOS						
	GARAGE LIABILITY				AUTO ONLY-EA ACCIDENT	\$
	<input type="checkbox"/> ANY AUTO				OTHER THAN AUTO ONLY EA ACC	\$
					AGG	\$
C	EXCESS LIABILITY				EACH OCCURENCE	\$
	<input type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE				AGGREGATE	\$
	<input type="checkbox"/> DEDUCTIBLE					\$
	<input type="checkbox"/> RETENTION \$					\$
						\$
D	WORKERS COMPENSATION AND EMPLOYER'S LIABILITY				WC STATUTORY LIMITS <input type="checkbox"/> OTHER	
					E.L. EACH ACCIDENT	\$
					E.L. DISEASE-EA EMPLOYEE	\$
					E.L. DISEASE-POLICY LIMIT	\$
	OTHER					

DESCRIPTION OF OPERATIONS / LOCATION / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS
 County of Hidalgo shall be named as additional insured on all Commercial General Liability policies.

CERTIFICATE HOLDER

ADDITIONAL INSURED: INSURER LETTER: _____

CANCELLATION

Hidalgo County
 Attn: Purchasing Department
 2812 S Highway Bus. 281
 Edinburg, Texas 78539

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BY CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL **30** DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.
 AUTHORIZED REPRESENTATIVE

Insurance Requirement Acknowledgment

I, _____, authorized representative for _____,
Company/Vendor

hereby acknowledge receipt of the County's required insurance limits. Said requirements:

- will be acquired within 10 working days after notification from Purchasing Department of award of project by the Hidalgo County Commissioners' Court;
- will acquire additional amounts required to meet the County's requirements within 10 working days after notification from Purchasing Department of award of project by the Hidalgo County Commissioners' Court; currently carry the following

Professional Liability (Errors & Omissions): \$ _____

Automobile Liability: \$ _____ General Liability: \$ _____

- have already been met, see attached copy of insurance certificate.

Authorized Representative

Date

Notice to Proposer:

A certificate of insurance for the required insurance limits shall be provided to the Purchasing Department's Contract Managers in order to qualify for award and to execute a contract between your Company and the County

Failure to provide Certificates of Insurance to the Purchasing Department's Contract Managers will cause the award to be rescinded and re-awarded to next qualified vendor. Certificates of Insurance will be monitored and verified on a **quarterly basis** to ensure coverage policy is in place. It is the Company's obligation to maintain the appropriate insurance coverage throughout the term of the contract.



THIS FORM MUST ACCOMPANY YOUR PACKET



PROJECT REQUIREMENTS ACKNOWLEDGMENT

This is to certify that I, _____, possess all of the **APPLICABLE:**

1. Licenses: _____

2. Bonds: _____

3. Certificates: _____

4. Permits: _____

5. Other: _____

necessary to carry out the required project. Furthermore, I am providing copies of the required documentation so that, if my company is awarded this project, I may be eligible to enter into a contract with Hidalgo County and proceed to complete the project in a timely manner.

*** Any licenses, bonds, certificates, permits, etc. which are required must be presented as part of the packet in order to expedite the evaluation process. Failure to provide said documentation will result in the disqualification of your proposal/qualification.**

Authorized Signature

Date

Company

Address

City, State, Zip

CONFLICT OF INTEREST QUESTIONNAIRE

FORM CIQ

For vendor or other person doing business with local governmental entity

This questionnaire reflects changes made to the law by H.B. 1491, 80th Leg., Regular Session.

This questionnaire is being filed in accordance with Chapter 176, Local Government Code by a person who has a business relationship as defined by Section 176.001(1-a) with a local governmental entity and the person meets requirements under Section 176.006(a).

By law this questionnaire must be filed with the records administrator of the local governmental entity not later than the 7th business day after the date the person becomes aware of facts that require the statement to be filed. See Section 176.006, Local Government Code.

A person commits an offense if the person knowingly violates Section 176.006, Local Government Code. An offense under this section is a Class C misdemeanor.

OFFICE USE ONLY

Date Received

1 Name of person who has a business relationship with local governmental entity.

2 Check this box if you are filing an update to a previously filed questionnaire.

(The law requires that you file an updated completed questionnaire with the appropriate filing authority not later than the 7th business day after the date the originally filed questionnaire becomes incomplete or inaccurate.)

3 Name of local government officer with whom filer has employment or business relationship.

Name of Officer

This section (item 3 including subparts A, B, C & D) must be completed for each officer with whom the filer has an employment or other business relationship as defined by Section 176.001(1-a), Local Government Code. Attach additional pages to this Form CIQ as necessary.

A. Is the local government officer named in this section receiving or likely to receive taxable income, other than investment income, from the filer of the questionnaire?

Yes No

B. Is the filer of the questionnaire receiving or likely to receive taxable income, other than investment income, from or at the direction of the local government officer named in this section AND the taxable income is not received from the local governmental entity?

Yes No

C. Is the filer of this questionnaire employed by a corporation or other business entity with respect to which the local government officer serves as an officer or director, or holds an ownership of 10 percent or more?

Yes No

D. Describe each employment or business relationship with the local government officer named in this section.

4

Signature of person doing business with the governmental entity

Date

PROPOSER'S AFFIDAVIT
Exhibit "E"

PROPOSER'S AFFIDAVIT OF NON-COLLUSION NON-CONFLICT OF INTEREST, AND ANTI-LOBBYING
--

STATE OF TEXAS
COUNTY OF HIDALGO

Affiant, _____, being first duly sworn, deposes that:

(1) Affiant does hereby state neither the proposer nor any of the proposer's officers, partners, owners, agents, representatives, employees, or parties in interest, has in any way colluded, conspired, agreed, directly or indirectly with any person, firm, corporation, or other proposer, or potential proposer, to provide any money or other valuable consideration for assistance in procuring or attempting to procure a contract or fix the prices in the attached proposed or the proposal of any other proposer, and further states that no such money or other reward will be hereinafter paid.

(2) Affiant further states they have neither recommended or suggested to Hidalgo County or nay of its officials or employees, any of the terms or provisions set forth in their Request for Proposal and subsequent agreement, except at a meeting open to all interested proposers, of which proper notice was given.

(3) Affiant, further states their officers, employees, or agents have not, and will not attempt to lobby, directly or indirectly, the Hidalgo County Commissioner's Court between proposal submission date and award by the Hidalgo County Commissioner's Court.

(4) Affiant further states no officer, or stockholder of the proposer is a member of the staff, or related to any employee of the Hidalgo County except as noted herein below:

Signature/Title: _____

Subscribed and sworn to before me this _____ day of _____, 2011.

Notary Public

My commission expires: _____, 20____

HISTORICALLY UNDERUTILIZED BUSINESS (HUB) DECLARATION

The primary objective of the Hidalgo County HUB Program is to ensure Historically Underutilized Businesses receive a fair and equal opportunity for participation in the County’s procurement process. This fact holds true for Services (Professional & Non-Professional), Commodities, and Construction contracts and any subcontracts thereto. The program strongly encourages Prime Contractors to provide subcontracting opportunities to Certified Hub Contractors/Vendors. Our goal for HUB contractor/vendor participation, as well as HUB subcontractor participation is 30%. To be considered as a “Certified HUB Contractor/Vendor” the contractor/vendor must have been certified by, and hold a current and valid certification with any of the three agencies listed below.

Have you been Certified as a HUB or an MBE/WBE source?: • Yes • No

If yes, by whom?: • Texas Building & Procurement Commission • Other _____

Indicate Certification No(s): _____ or Are Certificate(s) Attached?: • Yes • No

LIST OF CERTIFIED HUB SUBCONTRACTORS

(Attach additional pages if necessary)

What percentage of the Bid, RFP, or RFQ is to be subcontracted with Certified HUB sources?: _____% (List HUB Subcontractor information below).

HUB Subcontractor Name: _____ HUB Status: _____

Certifying Agency (Check all applicable): • Texas Building & Procurement Commission • Other _____

Address: _____ City: _____ State: _____ Zip: _____

Contact Person: _____ Title: _____ Phone No.: () _____

Subcontract Amount: \$ _____ Description of Work to be Performed: _____

HUB Subcontractor Name: _____ HUB Status: _____

Certifying Agency (Check all applicable): • Texas Building & Procurement Commission • Other _____

Address: _____ City: _____ State: _____ Zip: _____

Contact Person: _____ Title: _____ Phone No.: () _____

Subcontract Amount: \$ _____ Description of Work to be Performed: _____

HUB Subcontractor Name: _____ HUB Status: _____

Certifying Agency (Check all applicable): • Texas Building & Procurement Commission • Other _____

Address: _____ City: _____ State: _____ Zip: _____

Contact Person: _____ Title: _____ Phone No.: () _____

Subcontract Amount: \$ _____ Description of Work to be Performed: _____

Request for Taxpayer Identification Number and Certification

**Give form to the
 requester. Do not
 send to the IRS.**

Print or type See Specific Instructions on page 2	Name (as shown on your income tax return)	
	Business name, if different from above	
	Check appropriate box: <input type="checkbox"/> Individual/ Sole proprietor <input type="checkbox"/> Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Other ▶	
	<input type="checkbox"/> Exempt from backup withholding	
	Address (number, street, and apt. or suite no.)	Requester's name and address (optional)
City, state, and ZIP code		
List account number(s) here (optional)		

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on Line 1 to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

Social security number								

OR

Employer identification number								

Note. If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.

Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
3. I am a U.S. person (including a U.S. resident alien).

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the Certification, but you must provide your correct TIN. (See the instructions on page 4.)

Sign Here	Signature of U.S. person ▶	Date ▶
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Purpose of Form

A person who is required to file an information return with the IRS, must obtain your correct taxpayer identification number (TIN) to report, for example, income paid to you, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

U.S. person. Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN to the person requesting it (the requester) and, when applicable, to:

1. Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
2. Certify that you are not subject to backup withholding, or
3. Claim exemption from backup withholding if you are a U.S. exempt payee.

In 3 above, if applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the withholding tax on foreign partners' share of effectively connected income.

Note. If a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

For federal tax purposes, you are considered a person if you are:

- An individual who is a citizen or resident of the United States,
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States, or
- Any estate (other than a foreign estate) or trust. See Regulations sections 301.7701-6(a) and 7(a) for additional information.

Special rules for partnerships. Partnerships that conduct a trade or business in the United States are generally required to pay a withholding tax on any foreign partners' share of income from such business. Further, in certain cases where a Form W-9 has not been received, a partnership is required to presume that a partner is a foreign person, and pay the withholding tax. Therefore, if you are a U.S. person that is a partner in a partnership conducting a trade or business in the United States, provide Form W-9 to the partnership to establish your U.S. status and avoid withholding on your share of partnership income.

The person who gives Form W-9 to the partnership for purposes of establishing its U.S. status and avoiding withholding on its allocable share of net income from the partnership conducting a trade or business in the United States is in the following cases:

- The U.S. owner of a disregarded entity and not the entity,

- The U.S. grantor or other owner of a grantor trust and not the trust, and
- The U.S. trust (other than a grantor trust) and not the beneficiaries of the trust.

Foreign person. If you are a foreign person, do not use Form W-9. Instead, use the appropriate Form W-8 (see Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities).

Nonresident alien who becomes a resident alien.

Generally, only a nonresident alien individual may use the terms of a tax treaty to reduce or eliminate U.S. tax on certain types of income. However, most tax treaties contain a provision known as a "saving clause." Exceptions specified in the saving clause may permit an exemption from tax to continue for certain types of income even after the recipient has otherwise become a U.S. resident alien for tax purposes.

If you are a U.S. resident alien who is relying on an exception contained in the saving clause of a tax treaty to claim an exemption from U.S. tax on certain types of income, you must attach a statement to Form W-9 that specifies the following five items:

1. The treaty country. Generally, this must be the same treaty under which you claimed exemption from tax as a nonresident alien.
2. The treaty article addressing the income.
3. The article number (or location) in the tax treaty that contains the saving clause and its exceptions.
4. The type and amount of income that qualifies for the exemption from tax.
5. Sufficient facts to justify the exemption from tax under the terms of the treaty article.

Example. Article 20 of the U.S.-China income tax treaty allows an exemption from tax for scholarship income received by a Chinese student temporarily present in the United States. Under U.S. law, this student will become a resident alien for tax purposes if his or her stay in the United States exceeds 5 calendar years. However, paragraph 2 of the first Protocol to the U.S.-China treaty (dated April 30, 1984) allows the provisions of Article 20 to continue to apply even after the Chinese student becomes a resident alien of the United States. A Chinese student who qualifies for this exception (under paragraph 2 of the first protocol) and is relying on this exception to claim an exemption from tax on his or her scholarship or fellowship income would attach to Form W-9 a statement that includes the information described above to support that exemption.

If you are a nonresident alien or a foreign entity not subject to backup withholding, give the requester the appropriate completed Form W-8.

What is backup withholding? Persons making certain payments to you must under certain conditions withhold and pay to the IRS 28% of such payments (after December 31, 2002). This is called "backup withholding." Payments that may be subject to backup withholding include interest, dividends, broker and barter exchange transactions, rents, royalties, nonemployee pay, and certain payments from fishing boat operators. Real estate transactions are not subject to backup withholding.

You will not be subject to backup withholding on payments you receive if you give the requester your correct TIN, make the proper certifications, and report all your taxable interest and dividends on your tax return.

Payments you receive will be subject to backup withholding if:

1. You do not furnish your TIN to the requester,
2. You do not certify your TIN when required (see the Part II instructions on page 4 for details),

3. The IRS tells the requester that you furnished an incorrect TIN,

4. The IRS tells you that you are subject to backup withholding because you did not report all your interest and dividends on your tax return (for reportable interest and dividends only), or

5. You do not certify to the requester that you are not subject to backup withholding under 4 above (for reportable interest and dividend accounts opened after 1983 only).

Certain payees and payments are exempt from backup withholding. See the instructions below and the separate Instructions for the Requester of Form W-9.

Also see *Special rules regarding partnerships* on page 1.

Penalties

Failure to furnish TIN. If you fail to furnish your correct TIN to a requester, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

Civil penalty for false information with respect to withholding. If you make a false statement with no reasonable basis that results in no backup withholding, you are subject to a \$500 penalty.

Criminal penalty for falsifying information. Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

Misuse of TINs. If the requester discloses or uses TINs in violation of federal law, the requester may be subject to civil and criminal penalties.

Specific Instructions

Name

If you are an individual, you must generally enter the name shown on your income tax return. However, if you have changed your last name, for instance, due to marriage without informing the Social Security Administration of the name change, enter your first name, the last name shown on your social security card, and your new last name.

If the account is in joint names, list first, and then circle, the name of the person or entity whose number you entered in Part I of the form.

Sole proprietor. Enter your individual name as shown on your income tax return on the "Name" line. You may enter your business, trade, or "doing business as (DBA)" name on the "Business name" line.

Limited liability company (LLC). If you are a single-member LLC (including a foreign LLC with a domestic owner) that is disregarded as an entity separate from its owner under Treasury regulations section 301.7701-3, enter the owner's name on the "Name" line. Enter the LLC's name on the "Business name" line. Check the appropriate box for your filing status (sole proprietor, corporation, etc.), then check the box for "Other" and enter "LLC" in the space provided.

Other entities. Enter your business name as shown on required federal tax documents on the "Name" line. This name should match the name shown on the charter or other legal document creating the entity. You may enter any business, trade, or DBA name on the "Business name" line.

Note. You are requested to check the appropriate box for your status (individual/sole proprietor, corporation, etc.).

Exempt From Backup Withholding

If you are exempt, enter your name as described above and check the appropriate box for your status, then check the "Exempt from backup withholding" box in the line following the business name, sign and date the form.

Generally, individuals (including sole proprietors) are not exempt from backup withholding. Corporations are exempt from backup withholding for certain payments, such as interest and dividends.

Note. If you are exempt from backup withholding, you should still complete this form to avoid possible erroneous backup withholding.

Exempt payees. Backup withholding is not required on any payments made to the following payees:

1. An organization exempt from tax under section 501(a), any IRA, or a custodial account under section 403(b)(7) if the account satisfies the requirements of section 401(f)(2),
 2. The United States or any of its agencies or instrumentalities,
 3. A state, the District of Columbia, a possession of the United States, or any of their political subdivisions or instrumentalities,
 4. A foreign government or any of its political subdivisions, agencies, or instrumentalities, or
 5. An international organization or any of its agencies or instrumentalities.
- Other payees that may be exempt from backup withholding include:
6. A corporation,
 7. A foreign central bank of issue,
 8. A dealer in securities or commodities required to register in the United States, the District of Columbia, or a possession of the United States,
 9. A futures commission merchant registered with the Commodity Futures Trading Commission,
 10. A real estate investment trust,
 11. An entity registered at all times during the tax year under the Investment Company Act of 1940,
 12. A common trust fund operated by a bank under section 584(a),
 13. A financial institution,
 14. A middleman known in the investment community as a nominee or custodian, or
 15. A trust exempt from tax under section 664 or described in section 4947.

The chart below shows types of payments that may be exempt from backup withholding. The chart applies to the exempt recipients listed above, 1 through 15.

IF the payment is for . . .	THEN the payment is exempt for . . .
Interest and dividend payments	All exempt recipients except for 9
Broker transactions	Exempt recipients 1 through 13. Also, a person registered under the Investment Advisers Act of 1940 who regularly acts as a broker
Barter exchange transactions and patronage dividends	Exempt recipients 1 through 5
Payments over \$600 required to be reported and direct sales over \$5,000 ¹	Generally, exempt recipients 1 through 7 ²

¹ See Form 1099-MISC, Miscellaneous Income, and its instructions.

² However, the following payments made to a corporation (including gross proceeds paid to an attorney under section 6045(f), even if the attorney is a corporation) and reportable on Form 1099-MISC are not exempt from backup withholding: medical and health care payments, attorneys' fees; and payments for services paid by a federal executive agency.

Part I. Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. If you are a resident alien and you do not have and are not eligible to get an SSN, your TIN is your IRS individual taxpayer identification number (ITIN). Enter it in the social security number box. If you do not have an ITIN, see *How to get a TIN* below.

If you are a sole proprietor and you have an EIN, you may enter either your SSN or EIN. However, the IRS prefers that you use your SSN.

If you are a single-owner LLC that is disregarded as an entity separate from its owner (see *Limited liability company (LLC)* on page 2), enter your SSN (or EIN, if you have one). If the LLC is a corporation, partnership, etc., enter the entity's EIN.

Note. See the chart on page 4 for further clarification of name and TIN combinations.

How to get a TIN. If you do not have a TIN, apply for one immediately. To apply for an SSN, get Form SS-5, Application for a Social Security Card, from your local Social Security Administration office or get this form online at www.socialsecurity.gov. You may also get this form by calling 1-800-772-1213. Use Form W-7, Application for IRS Individual Taxpayer Identification Number, to apply for an ITIN, or Form SS-4, Application for Employer Identification Number, to apply for an EIN. You can apply for an EIN online by accessing the IRS website at www.irs.gov/businesses and clicking on Employer ID Numbers under Related Topics. You can get Forms W-7 and SS-4 from the IRS by visiting www.irs.gov or by calling 1-800-TAX-FORM (1-800-829-3676).

If you are asked to complete Form W-9 but do not have a TIN, write "Applied For" in the space for the TIN, sign and date the form, and give it to the requester. For interest and dividend payments, and certain payments made with respect to readily tradable instruments, generally you will have 60 days to get a TIN and give it to the requester before you are subject to backup withholding on payments. The 60-day rule does not apply to other types of payments. You will be subject to backup withholding on all such payments until you provide your TIN to the requester.

Note. Writing "Applied For" means that you have already applied for a TIN or that you intend to apply for one soon.

Caution: A disregarded domestic entity that has a foreign owner must use the appropriate Form W-8.

Part II. Certification

To establish to the withholding agent that you are a U.S. person, or resident alien, sign Form W-9. You may be requested to sign by the withholding agent even if items 1, 4, and 5 below indicate otherwise.

For a joint account, only the person whose TIN is shown in Part I should sign (when required). Exempt recipients, see *Exempt From Backup Withholding* on page 2.

Signature requirements. Complete the certification as indicated in 1 through 5 below.

1. Interest, dividend, and barter exchange accounts opened before 1984 and broker accounts considered active during 1983. You must give your correct TIN, but you do not have to sign the certification.

2. Interest, dividend, broker, and barter exchange accounts opened after 1983 and broker accounts considered inactive during 1983. You must sign the certification or backup withholding will apply. If you are subject to backup withholding and you are merely providing your correct TIN to the requester, you must cross out item 2 in the certification before signing the form.

3. Real estate transactions. You must sign the certification. You may cross out item 2 of the certification.

4. Other payments. You must give your correct TIN, but you do not have to sign the certification unless you have been notified that you have previously given an incorrect TIN. "Other payments" include payments made in the course of the requester's trade or business for rents, royalties, goods (other than bills for merchandise), medical and health care services (including payments to corporations), payments to a nonemployee for services, payments to certain fishing boat crew members and fishermen, and gross proceeds paid to attorneys (including payments to corporations).

5. Mortgage interest paid by you, acquisition or abandonment of secured property, cancellation of debt, qualified tuition program payments (under section 529), IRA, Coverdell ESA, Archer MSA or HSA contributions or distributions, and pension distributions. You must give your correct TIN, but you do not have to sign the certification.

What Name and Number To Give the Requester

For this type of account:	Give name and SSN of:
1. Individual	The individual
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account ¹
3. Custodian account of a minor (Uniform Gift to Minors Act)	The minor ²
4. a. The usual revocable savings trust (grantor is also trustee)	The grantor-trustee ¹
b. So-called trust account that is not a legal or valid trust under state law	The actual owner ¹
5. Sole proprietorship or single-owner LLC	The owner ³
For this type of account:	Give name and EIN of:
6. Sole proprietorship or single-owner LLC	The owner ³
7. A valid trust, estate, or pension trust	Legal entity ⁴
8. Corporate or LLC electing corporate status on Form 8832	The corporation
9. Association, club, religious, charitable, educational, or other tax-exempt organization	The organization
10. Partnership or multi-member LLC	The partnership
11. A broker or registered nominee	The broker or nominee
12. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments	The public entity

¹List first and circle the name of the person whose number you furnish. If only one person on a joint account has an SSN, that person's number must be furnished.

²Circle the minor's name and furnish the minor's SSN.

³You must show your individual name and you may also enter your business or "DBA" name on the second name line. You may use either your SSN or EIN (if you have one). If you are a sole proprietor, IRS encourages you to use your SSN.

⁴List first and circle the name of the legal trust, estate, or pension trust. (Do not furnish the TIN of the personal representative or trustee unless the legal entity itself is not designated in the account title.) Also see *Special rules regarding partnerships* on page 1.

Note. If no name is circled when more than one name is listed, the number will be considered to be that of the first name listed.

Privacy Act Notice

Section 6109 of the Internal Revenue Code requires you to provide your correct TIN to persons who must file information returns with the IRS to report interest, dividends, and certain other income paid to you, mortgage interest you paid, the acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA, or Archer MSA or HSA. The IRS uses the numbers for identification purposes and to help verify the accuracy of your tax return. The IRS may also provide this information to the Department of Justice for civil and criminal litigation, and to cities, states, the District of Columbia, and U.S. possessions to carry out their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

You must provide your TIN whether or not you are required to file a tax return. Payers must generally withhold 28% of taxable interest, dividend, and certain other payments to a payee who does not give a TIN to a payer. Certain penalties may also apply.

**Certification
Regarding Debarment, Suspension Ineligibility**

As is required by the Federal Regulations Implementing Executive Order 12549, Debarment and Suspension, 45 CFR Part 76, Government-wide Debarment and Suspension, in the applicant certifies, to the best of his or her knowledge and belief, that both it and its principals:

- a. Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any federal department or agency;
- b. Have not within a three-year period preceding this bid/proposal and/or application been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction, violation of federal or state antitrust statutes or commission of embezzlement, theft, theory, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
- c. Are not presently indicted for or otherwise criminally or civilly charged by a government entity with commission of any of the offenses enumerated herein; and
- d. Have not within a three-year period preceding this bid/proposal and/or application had one or more public transactions terminated of cause or default.

Signature: _____

Print Name: _____

Title: _____

Telephone Number: _____

Date: _____

If the proposer is unable to certify to all of the statements in this Certification, such proposer should attach an explanation to this proposal.