

**ARKANSAS DEVELOPMENT FINANCE AUTHORITY
REQUEST FOR PROPOSALS FROM
UNDERWRITER
FOR
Arkansas Department of Environmental Quality Building
Financing
+/- \$17,500,000**



SPECIAL NOTE: YOUR IMMEDIATE ATTENTION IS CALLED TO SECTION I.C. YOU NEED TO SEND TO US AN E-MAIL ADDRESS FOR TRANSMISSION OF NOTICES OF INQUIRIES.

October 12, 2004

**Arkansas Development Finance Authority
423 Main Street, Suite 500
Little Rock, AR 72201
(501) 682-5900**

SECTION I: INSTRUCTIONS TO PROPOSERS/ GENERAL INFORMATION

A. PURPOSE.

The Arkansas Development Finance Authority (ADFA) and the Arkansas Department of Environmental Quality (ADEQ) are requesting proposals from investment banking firms to serve as underwriter for the issuance of state agency revenue bonds to provide financing for the construction and acquisition of a new office building (90,000 sq. ft.), a new laboratory (10,000 sq. ft.), and a technical shop for a boat and other storage needs. The project will allow ADEQ to move from outdated facilities that are currently being leased. The projected capital costs for the project are expected to be approximately \$17,500,000. The facilities will be located in central, Arkansas.

The Department of Environmental Quality (ADEQ) (established by ACT 1219, of 1997) works to protect and enhance the state's environment through proactive regulatory, technical assistance, and educational programs. The ADEQ is organized into thirteen divisions that focus on protecting Arkansas' priceless natural resources – its air, water and land – as well as providing a strong foundation for environmental awareness and activity to safeguard the future of these resources and the people of the State of Arkansas.

The repayment on the bonds is expected to come from several sources. ADEQ has funds derived from fees charged to the regulated community for permitted environmental activities. Another major source of revenue is derived from the ADEQ's reimbursement of indirect costs associated with grants received from the federal government agencies, primarily the Environmental Protection Agency (EPA). Specific attention should be paid to the ADEQ's ability to pledge these revenues derived through statutory and regulatory authority. Bond counsel will advise ADFA and ADEQ as to any application of provisions of the State Facilities Acquisition Act, or new proposed legislation, after review and assessment of proposed pledged revenues.

Please size the Bond Issue and Maturity based on the pledged available projected revenue stream, **\$1,610,000 annually**.

The Arkansas Building Authority (ABA) will be performing site, land purchase and construction reviews for this project. A general contractor and architect team has been selected for this project.

B. SUBMISSION OF PROPOSALS. Written proposals responding to the questions and requests for information in the manner specified in this Request For Proposal ("RFP") should be submitted to the following:

ppatton@adfa.state.ar.us

To be considered, one (1) copy of the proposal should be delivered to ADFA not later than November 2, 2004, by 12:00 p.m., via email. All proposals shall be time and date stamped upon

receipt. Late proposals will not be accepted. ADFA reserves the right to reject any or all proposals.

C. ADDITIONAL INFORMATION. It is the responsibility of the proposer to inquire about and clarify any aspect of the RFP. Questions should be directed to Gene Eagle (geagle@adfa.state.ar.us), Vice President for Development Finance at 501-682-5905, or Mary Leath (leath@adeq.state.ar.us), Chief Deputy Director of ADEQ at 501-682-0959, or Tom Geis (tgeis@adfa.state.ar.us), Governmental Finance Specialist at 501-682-5907 or Patrick Patton (ppatton@adfa.state.ar.us), Vice President for Internal Audit at 501-682-5902. Substantive questions and answers will be documented in letterform and will be sent by electronic mail to all the proposers who provide us with an e-mail address. **IN ORDER TO BE ON THE DISTRIBUTION LIST FOR INTERNET TRANSMISSION OF ALL RESPONSES TO INQUIRIES, YOU MUST IMMEDIATELY ADVISE PATRICK PATTON OF ADFA, THE INTERNET E-MAIL ADDRESS TO WHICH YOU WANT ALL SUCH TRANSMISSIONS SENT.**

D. PROPERTY OF ADFA. Any information or materials submitted as a response to this RFP shall become the property of ADFA and will not be returned. All submitted materials will be available for public review.

E. RESPONSE TO REQUEST FOR PROPOSAL. Investment banking firms wishing to respond to this RFP may contact Patrick Patton, Chair of the Staff Professional Selection Committee. **NO CONTACT WITH ADFA BOARD MEMBERS IS ALLOWED AND ANY SUCH CONTACT SHALL BE GROUNDS FOR IMMEDIATE REJECTION OF A FIRM'S PROPOSAL.**

F. SELECTION TIMETABLE.

October 12, 2004	Request for Proposal Issued
November 2, 2004	Proposals Due @ 12:00 p.m., via email
TBA	Oral Presentations (if necessary)
November 18, 2004	Board Action (Appoint/Ratify appointment of Underwriter, authorizes the President of ADFA to negotiate fees)
TBD	Submission to Legislative Committee for contract review (if required)

G. SELECTION PROCESS. The ADFA Staff Professional Selection Committee, working with representatives from its project partners, the Arkansas Department of Environmental Quality (collectively, the "Review Committee"), will review the submitted proposals. Proposals will be evaluated based on (1) responses to specifics outlined in the PROPOSAL FORMAT section of this RFP and (2) the SELECTION CRITERIA. Proposals which omit any of these items may be rejected as non-responsive. From this review, a select group of firms may be chosen for oral presentations. All proposing firms will be advised of the firms selected for oral interviews. After conducting oral interviews, if necessary, the Board Professional Selection Committee, in consultation with the Review Committee, will make its decision on a recommendation for selection

which will be reported to the Board of Directors of the Authority at its November 18, 2004, regular meeting. The final selection will be made by a vote of Board members.

ADFA may at any time prior to the selection of a firm reject any and all proposals and cancel this RFP, without liability therefore, upon finding that there is good cause for rejecting all proposals and that it would be in its interest to cancel the solicitation. Further, regardless of the number and quality of proposals submitted, ADFA shall under no circumstances be responsible for any proposer costs and expenses incurred in submitting a response to this RFP. Each proposer who submits a response does so solely at the proposer's cost, risk and expenses. ADFA accepts no responsibility for the return of successful or unsuccessful proposals. This RFP in no way obligates ADFA to select a firm.

H. SELECTION CRITERIA. The proposals will be reviewed by the Review Committee. The committee may use the following criteria to evaluate all acceptable proposals and to develop recommendations to be presented to ADFA Board Professional Selection Committee, although ADFA and the Review Committee reserve the right to consider factors beyond those mentioned below and to follow a process of selection that involves means other than ranking based on such criteria.

FACTOR

1. Qualifications of the senior underwriter:
 - a. Prior experience with municipal bond issues and current commitment to municipal finance
 - b. Prior experience with comparable municipal bond issues including size, number, complexity and success of prior bond issues
 - c. Qualifications of staff assigned to this program including the team members' demonstrated ability, years and type of experience
 - d. Demonstrated marketing ability and resources, and strength of co-managing group, as applicable
 - e. Net capital of the firm
 - f. Response to Arkansas presence issue including relevance of presence to this transaction
2. Merits of the proposed financing structure including its creativity and cost effective goals of the program
3. Pricing proposal

SECTION II: SCOPE OF SERVICES AND REQUIREMENTS

The senior managing underwriter will be expected to perform all the normal duties associated with the underwriting and sale of the bonds in a negotiated mode including but not limited to:

1. Assist in final structuring of the bond issue;
2. Advise the Authority concerning market conditions and the timing of the sale;
3. Obtain an underwriter's counsel, if necessary (subject to the approval of ADFA);
4. Assist in the preparation of necessary documents related to the issue;
5. Develop a sale strategy and marketing plan;
6. Prepare a supplemental document related to the bond issue, including (but not limited to) a detailed cost of issuance (using the format outlined in Appendix A);
7. Manage the syndicate prior to, during, and after the bond sale;
8. Coordinate information with selling group members and financial advisor;
9. Conduct pre-sale briefings and information sessions;
10. Conduct the bond sale including "running the books" and, if necessary, underwriting;
11. Provide normal administrative services such as procurement of CUSIP number, establishment of account with DTC, etc.;
12. Prepare a summary analysis of the bond sale;
13. Review, comment and assist in the refinement of the financing plan for the projects;
14. Cooperate with ADFA and its engaged professionals in the calculation of arbitrage rebates on an as needed basis; and
15. Cooperate with ADFA Finance Department and the Trustee in the event of a bond call (full or partial) prior to final maturity.

Co-managing underwriters will participate in the sale and underwriting of the bonds and may assist the senior managing underwriter in other matters on an as-needed basis. Consistent with current ADFA policy, the management fee will be distributed to the senior managing underwriter, and it is at the discretion of the senior managing underwriter as to whether or not the management fee will be shared with co-managers.

SECTION III: STATEMENT OF QUALIFICATIONS

An updated statement of qualifications should be maintained on file at ADFA for all firms submitting proposals as senior managing underwriter as well as all firms who are proposed as co-managers. If a firm for which ADFA does not have a statement of qualifications on file is proposed as a co-manager, ADFA will advise both the proposing senior manager and the concerned proposed co-manager. Ultimately, it is the responsibility of each firm to submit their own statement of qualifications to ADFA in order to be eligible to participate in the Program as a co-manager.

SECTION IV: PROPOSAL FORMAT

A. TRANSMITTAL LETTER. A one-page transmittal letter prepared on the proposer's business stationery should accompany the proposal.

B. PROPOSAL. The proposal should be labeled "Proposal to serve as Underwriter for the Arkansas Department of Environmental Quality Building Financing." The submission must contain sufficient information to enable the Review Committee to evaluate the proposal. It should be prepared in a clear and concise manner and should address each of the following subsections:

1. **Investment Banking Team and Personnel.** Describe the manner in which you would organize your firm's resources to serve as ADFA's senior managing underwriter. In doing so, please address the following questions or issues:
 - a. Identify the individual who will manage this financing on a day-to-day basis. Indicate the degree to which he or she will be able to commit the firm's resources to ADFA. What is this person's availability for this financing and what other commitments does he or she have?
 - b. Identify other public finance bankers who will be assigned to work on this project, their roles and responsibilities. What are some relevant aspects of their background?
 - c. Provide your firm's net capital and your firm's philosophy in applying that capital to ensure the placement and takedown of bond issues.
 - d. This request for proposal does not request recommendations or designations of underwriter's counsel or other law firms. Such designation will occur after selection of an investment banking firm as senior manager in conjunction with ADFA.
2. **Co-Managing Group.** List the firm name and primary contact person for each investment banking firm who you propose as co-manager and describe the proposed division of bonds between the senior manager and co-managers.
3. **Financing Approach and Recommendation for the Financing Plan.** Please respond briefly to the following issues, as you deem appropriate:
 - a. What financing structure would you recommend that ADFA take? Why?
 - b. What are likely credit concerns associated with the bonds? What credit rating would you expect to be assigned to the bonds? What strategy or approach would you recommend to maximize the credit rating?

- c. Who are likely investors for the bonds? Do you anticipate special marketing problems or issues associated with the bonds? Are there special marketing efforts that might make the bonds more attractive to non-traditional investors in tax-exempt bonds?
4. **Arkansas Presence.** Please explain your firm's presence within Arkansas and describe how that presence is relevant to this proposed transaction.
5. **Rationale for Appointment and Proposal Summary.** This section of the proposal should be used by each proposer to present the case for its appointment to the position sought. It is not necessary for you to recite comprehensively your firm's qualifications and experience, which should be on file with ADFA in your current Statement of Qualifications, but it would be useful for you to describe how your qualifications and experience in structuring, underwriting and distributing securities is relevant to the proposed transaction. In particular, you may want to select, e.g., three (3) past deals as senior manager (indicating the date of issue, issuer, credit description, size and method of sale) and summarize their similarity to this program and their successfulness.
6. **Investment Banking Fee Proposal.** The fee proposals are an important component of the evaluation process. State the basic assumptions on which your figures are predicated and any factors that would affect the proposal. In particular, we are interested in a specific proposal as to the management fee, expressed in terms of dollars per \$1,000.

We are also interested in receiving from you an estimate of the anticipated average takedown for the sale and underwriting of the bonds and your reasonable expectation for a total spread, including expenses (also expressed in dollars per \$1,000). Recognizing that the takedown and expenses can vary from issue to issue, we expect to negotiate with our senior managing underwriter for each issue, in advance, a budget for these items.

7. **Acceptance.** Submission of proposals, in response to this Request for Proposal, constitutes acceptance of all conditions, requirements and limitations described in this document.

INVESTMENT BANKING FEE PROPOSAL

Arkansas Department of Environmental Quality Building Financing

Management Fee \$ _____ /\$1000
Average Takedown \$ _____ /\$1000
Underwriters' Expenses \$ _____ /\$1000

TOTAL - UNDERWRITER SPREAD
\$ _____ /\$1000 *Gross Spread*

Expense Breakdown	(Maximum not to be exceeded)
Underwriters Counsel (include Firm Name)	\$ _____
Underwriters Counsel Fees	\$ _____
Computer	\$ _____
Dalcomp/Dalnet	\$ _____
PSA	\$ _____
Day Loan	\$ _____
CUSIP	\$ _____
Communications/Messenger	\$ _____
Travel and related expenses	\$ _____
TOTAL	\$ _____

Cost of Issuance	(Maximum not to be exceeded)
Bond Counsel (include Firm Name)	\$ _____
Printing	\$ _____
Financial Advisor (include Firm Name)	\$ _____
Trustee (include Firm Name)	\$ _____
Rating (S&P)	\$ _____
Contingency	\$ _____
TOTAL	\$ _____

Please use only the categories above for your expense breakouts.

ADFA expects to receive funds due at closing in the form of a wire transfer or a Federal Funds check and plans to deposit those funds into their account the day of closing. Therefore, if the senior manager plans to charge for same day funds, the cost should be included as an expense item in this proposal. If it is not included, ADFA will assume there will be no charge for same day funds.

UNDERWRITERS

TO RECEIVE RFP'S

CONTACT/FIRM/EMAIL	CONTACT/FIRM/EMAIL
<p>Mr. Jim Fowler, Senior Vice President Morgan Keegan Jim.fowler@morgankeegan.com Carmen.quinn@morgankeegan.com</p>	<p>Mr. Edmond Hurst Crews & Associates, Inc. Ehurst@crewsfs.com</p>
<p>Mr. John Tully Goldman Sachs & Company John.tully@gs.com</p>	<p>Mr. Nick Fluehr Salomon Smith Barney, Inc. Nicholas.g.fluehr@citigroup.com Amy.l.bartoletti@citigroup.com Joseph.sk.lo@citigroup.com Matthew.r.parker@citigroup.com</p>
<p>Mr. Steve Claiborn Lehman Brothers, Inc. sclaibor@lehman.com pscott@lehman.com gbrandt@lehman.com</p>	<p>Mr. John Lynch Sterne, Agee & Leach, Inc. jlynch@sterneagee.com</p>
<p>Ms, Bobbie Nichols Stephens Inc. bnichols@stephens.com</p>	<p>Ms. Barbara Feldman, Managing Director Merrill Lynch Barbara_Feldman@ml.com Susan_poast@ml.com Dan_rosen@ml.com</p>
<p>Mr. Peter Nolden, Managing Director UBS PaineWebber Inc. Peter.nolden@ubs.com mchoo@ubs.com lorraine.palcios@ubs.com</p>	<p>Mr. Jeffery Orum, Managing Director Bear, Stearns & Company, Inc. jorum@bear.com</p>
<p>Mr. Field K. Wasson, Jr., Managing Director Oppenheim, A Division of BOSCO, Inc. fwasson@mail.bokf.com bboyd@mail.bokf.com</p>	<p>Mr. Lorenzo Boyd A.G. Edwards & Sons, Inc. Lorenzo.boyd@agedwards.com robert.cole@agedwards.com</p>
<p>Mr. Craig Ferguson Raymond James Craig.Ferguson@raymondjames.com</p>	<p>Mr. Curt Shelmire Morgan Stanley Dean Witter & Co. Curt.shelmire@morganstanley.com Barry.adair@morganstanley.com Matthew.Pincus@morganstanley.com</p>
<p>Mr. Bick Satterfield American Municipal Securities, Inc. publicfinance@amuni.com</p>	<p>Mr. Scott Riffle George K. Baum riffle@gkbaum.com</p>
<p>Mr. Gregory Anderson ADVEST Gregory.Anderson@advest.com</p>	<p>Mr. Richard Ryffel Bank of America Richard.a.ryffel@bankofamerica.com</p>
<p>Mr. Jim Hahn Newman & Associates</p>	

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