

**ARKANSAS DEVELOPMENT FINANCE AUTHORITY  
REQUEST FOR PROPOSALS FROM  
UNDERWRITER  
FOR  
HIGHER EDUCATION BOND PROGRAM**

**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.**



**November 27, 2006**

**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.** Act 1282 of the 2005 of the Regular Session of the 85<sup>th</sup> General Assembly authorizes the Arkansas Development Finance Authority (ADFA) to issue State of Arkansas general obligation bonds for institutions of higher education to provide funding to improve technology and facility improvements. The voters of Arkansas approved the issuance of up to \$250 million during the last general election on November 7, 2006. The bonds will be backed by the full faith and credit of the state. The proceeds of these bonds will be used to:

1. Restructure existing general obligation bond debt issued under the Arkansas College Savings Bond Act of 1989 with current maturities extending out until 2017,
  - a. there are eleven existing and outstanding series: 1991A, 1991B, 1991C, 1993, 1995, 1996A, 1996B, 1996C, 1997A, 1997B and 1998A,
  - b. a large portion of the outstanding bonds on the existing series are zero coupon bonds which are not subject to early redemption,
  - c. there was a crossover refunding completed on the serial bonds in 2005,
  - d. an estimated size of the restructuring is \$100 million and,
2. Finance a \$150 million expected need for technology and facility improvement projects for state institutions of higher education.

The state currently pays a fixed \$24 million per year in debt service on the bonds issued under the College Savings Bond Act of 1989. The last of these bonds will be repaid in 2017.

With the new \$250 million authorization approved by the voters this year, ADFA seeks proposals from underwriters that restructures the existing bonds and provides a minimum of \$150 million in new money for technology and facility improvements. The state will continue to pay no more than the fixed \$24 million annually but the repayment period for the restructuring and new money issue will be extended. The exact year the new bonds will be retired depends on interest rates at the time of issuing new bonds, the method of restructuring and the beginning date for retiring bond principal.

It will be a stated goal to maximize project dollars for the institutions of higher education in Arkansas while keeping the fixed annual debt service payment of \$24 million in place for the least amount of time.

**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:

[rfp@adfa.state.ar.us](mailto:rfp@adfa.state.ar.us)

To be considered, one (1) copy of the proposal should be delivered to ADFA not later than December 11, 2006, by 12:00 p.m., via email. 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](mailto:geagle@adfa.state.ar.us)), Vice President for Development Finance at 501-682-5905 or Patrick Patton ([ppatton@adfa.state.ar.us](mailto:ppatton@adfa.state.ar.us)), Vice President for Internal Audit at 501-682-5902. Substantive questions and answers will be documented in letter form 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 WILL BE GROUNDS FOR IMMEDIATE REJECTION OF A FIRM'S PROPOSAL.**

**F. SELECTION TIMETABLE.**

November 27, 2006	Request for Proposal Issued
December 11, 2006	Proposals Due @ 12:00 p.m.
TBA	Oral Presentations (if necessary)
December 21, 2006	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 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 December 21, 2006, 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.

Any firm selected will be required to complete a disclosure form in compliance with Governor's Executive Order 98-04.

**H. SELECTION CRITERIA.** The proposals will be reviewed by the Staff Professional Selection Committee composed of selected members of ADFA staff. The committee generally will use the following criteria to rank all acceptable proposals and to develop recommendations to be presented to ADFA Board Professional Selection Committee; however, ADFA reserves the right to evaluate the ranking of proposals based on factors beyond the listed criteria.

#### CRITERIA

1. Qualifications of the senior underwriter:
  - a. Prior experience with municipal bond issues
  - 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 structuring the bond issue and allocating proceeds and costs by borrower;
2. Advise the Authority concerning market conditions and the timing of the sale;
3. Obtain an underwriter's counsel (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. Manage the syndicate prior to, during, and after the bond sale;
7. Conduct pre-sale briefings and information sessions;
8. Conduct the bond sale including "running the books" and, if necessary, underwriting;
9. Provide normal administrative services such as procurement of CUSIP number, establishment of account with DTC, etc.;
10. Prepare a summary analysis of the bond sale;
11. Provide detailed Cost of Issuance breakdown in format requested by ADFA;
12. Review, comment and assist in the refinement of the financing plan for the projects; and
13. Cooperate with ADFA and its engaged professionals in the calculation of arbitrage rebates on an as needed basis.

The co-managing underwriters and selling group members 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-manager, if any. 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. 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 Higher Education Bond Program." 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. This request for proposal does not request recommendations or designations of underwriter's counsel or other law firms. Such designation will occur in conjunction with ADFA after selection of an investment banking firm as senior manager.
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 and/or structuring fee, expressed either as a flat fee or in terms of dollars per \$1,000 (assuming a \$10 million structure). If a sliding scale is proposed (such as for par amount of bonds issued or number of borrowers in one deal), please indicate.

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. Include takedowns for comparable deals. As volume for the program varies, assume a \$10 million issue, citing takedowns for a bond issue with and without credit enhancement. 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 expenses.

7. **Equal Opportunity Statement.** Please submit your Equal Opportunity Policy to ADFA in accordance with Arkansas Act 2157 of 2005. This act requires any firm wishing to respond to an RFP or submit a proposal or statement of qualifications to provide ADFA with your Equal Opportunity Policy.

8. **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**  
**Higher Education Bond Program**

Management/Structuring Fee      \$ \_\_\_\_\_ /\$1000  
Average Takedown                    \$ \_\_\_\_\_ /\$1000  
Underwriters' Expenses            \$ \_\_\_\_\_ /\$1000

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

Expense Breakdown	(Maximum not to be exceeded)
Clearance	\$ _____
Computer	\$ _____
Travel	\$ _____
Syndication	\$ _____
Advertising	\$ _____
U/W Printing	\$ _____
Transaction Fees (MSRB, PSA, etc.)	\$ _____
Freight & Communications	\$ _____
Closing Expenses	\$ _____
Underwriter's Counsel Cost	\$ _____
Other (please specify)	
_____	\$ _____
_____	\$ _____
<b>TOTAL</b>	\$ _____

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
Jim Fowler Morgan Keegan <a href="mailto:Jim.fowler@morgankeegan.com">Jim.fowler@morgankeegan.com</a> <a href="mailto:Carmen.quinn@morgankeegan.com">Carmen.quinn@morgankeegan.com</a>	Edmond Hurst Crews & Associates, Inc. <a href="mailto:ehurst@crewsfs.com">ehurst@crewsfs.com</a>
John Tully Goldman Sachs & Company <a href="mailto:John.tully@gs.com">John.tully@gs.com</a> <a href="mailto:Robert.foggio@gs.com">Robert.foggio@gs.com</a> <a href="mailto:Lea.engst@gs.com">Lea.engst@gs.com</a>	Nick Fluehr Citigroup <a href="mailto:Nicholas.g.fluehr@citigroup.com">Nicholas.g.fluehr@citigroup.com</a> <a href="mailto:Amy.l.bartoletti@citigroup.com">Amy.l.bartoletti@citigroup.com</a>
John Daniel Lehman Brothers, Inc. <a href="mailto:jodaniel@lehman.com">jodaniel@lehman.com</a> <a href="mailto:psscott@lehman.com">psscott@lehman.com</a> <a href="mailto:gbrandt@lehman.com">gbrandt@lehman.com</a>	John Lynch Sterne, Agee & Leach, Inc. <a href="mailto:jlynch@sterneagee.com">jlynch@sterneagee.com</a>
Bobbie Nichols Stephens Inc. <a href="mailto:bnichols@stephens.com">bnichols@stephens.com</a> <a href="mailto:mmcbryde@stephens.com">mmcbryde@stephens.com</a>	Barbara Feldman Merrill Lynch <a href="mailto:barbara_feldman@ml.com">barbara_feldman@ml.com</a> <a href="mailto:curt_shelmire@ml.com">curt_shelmire@ml.com</a> <a href="mailto:dan_rosen@ml.com">dan_rosen@ml.com</a> <a href="mailto:david_moffett@ml.com">david_moffett@ml.com</a> <a href="mailto:susan_poast@ml.com">susan_poast@ml.com</a> <a href="mailto:Kenny_gibbs@ml.com">Kenny_gibbs@ml.com</a>
Peter Nolden UBS <a href="mailto:Peter.nolden@ubs.com">Peter.nolden@ubs.com</a> <a href="mailto:Lorraine.palacios@ubs.com">Lorraine.palacios@ubs.com</a> <a href="mailto:Mina.choo@ubs.com">Mina.choo@ubs.com</a> <a href="mailto:Rosa.villegas@ubs.com">Rosa.villegas@ubs.com</a>	Jeffery Orum Bear, Stearns & Company, Inc. <a href="mailto:jorum@bear.com">jorum@bear.com</a> <a href="mailto:bchandaria@bear.com">bchandaria@bear.com</a>
Field K. Wasson, Jr. Oppenheim, A Division of BOSC, Inc. <a href="mailto:fwasson@mail.bokf.com">fwasson@mail.bokf.com</a> <a href="mailto:bkellerman@mail.bokf.com">bkellerman@mail.bokf.com</a> <a href="mailto:bboyd@mail.bokf.com">bboyd@mail.bokf.com</a> <a href="mailto:dramer@mail.bokf.com">dramer@mail.bokf.com</a>	Rich Ryffel Bank of America <a href="mailto:Richard.a.ryffel@bankofamerica.com">Richard.a.ryffel@bankofamerica.com</a>
Scott Riffle George K Baum <a href="mailto:riffle@gkbaum.com">riffle@gkbaum.com</a>	James Swan Bergen Capital <a href="mailto:jswan@bergencapital.com">jswan@bergencapital.com</a>

CONTACT/FIRM/EMAIL	CONTACT/FIRM/EMAIL
Bick Satterfield American Municipal Securities, Inc. <a href="mailto:publicfinance@amuni.com">publicfinance@amuni.com</a>	Barry Adair Morgan Stanley <a href="mailto:Barry.adair@morganstanley.com">Barry.adair@morganstanley.com</a> <a href="mailto:Agay.thomas@morganstanley.com">Agay.thomas@morganstanley.com</a> <a href="mailto:David.potter@morganstanley.com">David.potter@morganstanley.com</a>
Lorenzo Boyd A.G. Edwards <a href="mailto:Lorenzo.boyd@agedwards.com">Lorenzo.boyd@agedwards.com</a> <a href="mailto:Robert.cole@agedwards.com">Robert.cole@agedwards.com</a>	Curtis Flowers Loop Capital Markets, LLC <a href="mailto:curtisf@loopcap.com">curtisf@loopcap.com</a> <a href="mailto:warrenb@loopcap.com">warrenb@loopcap.com</a> <a href="mailto:sandyr@loopcap.com">sandyr@loopcap.com</a> <a href="mailto:stephenb@loopcap.com">stephenb@loopcap.com</a> <a href="mailto:stevenb@loopcap.com">stevenb@loopcap.com</a>
Linda Finley Newman & Associates <a href="mailto:lfinley@gmaccapital.com">lfinley@gmaccapital.com</a> <a href="mailto:cschwarz@gmaccapital.com">cschwarz@gmaccapital.com</a>	Omar Ganoom Butler Wick <a href="mailto:ganoomo@butlerwick.com">ganoomo@butlerwick.com</a> <a href="mailto:pralle@butlerwick.com">pralle@butlerwick.com</a>
Michael Toth JP Morgan <a href="mailto:Michael.e.toth@jpmorgan.com">Michael.e.toth@jpmorgan.com</a> <a href="mailto:Jeffery.d.gertz@jpmchase.com">Jeffery.d.gertz@jpmchase.com</a> <a href="mailto:Elizabeth.hoeng@jpmorgan.com">Elizabeth.hoeng@jpmorgan.com</a>	