

ARKANSAS DEVELOPMENT FINANCE AUTHORITY



**REQUEST FOR PROPOSALS
FOR
WATER FINANCIAL ADVISORY SERVICES
FOR PROGRAMS OF THE**

**Arkansas Natural
Resources Commission**



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.

August 27, 2007

**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 Natural Resource Commission (“ANRC”) is the lead agency for the State of Arkansas Construction Assistance Revolving Loan Fund Program (“Wastewater program”) and the State of Arkansas Safe Drinking Water Revolving Loan Fund Program (“Drinking Water program”). As lead agency, ANRC is responsible for performing technical project reviews, monitoring construction, and coordinating the total management of the programs. For the Drinking Water program, ANRC works with the Arkansas Department of Health to identify eligible projects.

The Arkansas Development Finance Authority (“Authority” or “ADFA”) serves as financial manager for the programs under an interagency agreement. ADFA is responsible for investing and disbursing funds as authorized by the lead agency, servicing loans, preparing and submitting monthly financial reports and annual financial statements, and procuring audit services.

ADFA and ANRC plan to engage one or more financial advisory firms, familiar with State Revolving Fund regulations and rules of the U.S. Environmental Protection Agency (“EPA”), to create a new water bond indenture and assist with other matters as needed. The Wastewater program has \$78 million in outstanding bonds. There have been no bonds issued under the Drinking Water program. It is the desire of ANRC to create a new parity indenture utilizing the resources of both the Wastewater and Drinking Water programs.

ADFA will serve as issuer of the bonds. ADFA was created May 1, 1985, by Act 1062 of 1985, and is a public body politic and corporate, with corporate succession, to be an independent instrumentality exercising essential public functions.

Any financial advisor selected pursuant to this RFP shall serve at the pleasure of ADFA and ANRC, and the professional services of any firm may be terminated, at the sole discretion of ADFA and ANRC, upon delivery of written notice of such termination to the selected firm.

The appointment of the Financial Advisor will be for a period of approximately 2 years ending December, 2009, unless extended by ADFA’s Board of Directors. It is the intent of ADFA and ANRC that the Financial Advisor would not serve as Underwriter for any bonds issued during the term of this agreement.

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

To be considered, one (1) copy of the proposal should be delivered to ADFA not later than September 14, 2007, by 12:00 p.m. Central Time, 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 related to this RFP should be directed to Leigh Ann Biernat (lbiernat@adfa.state.ar.us), ADFA Vice President of Finance and Administration, at (501) 682-5995 or Patrick Patton (ppatton@adfa.state.ar.us), ADFA 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 those 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. Financial Advisors wishing to respond to this RFP can interact and contact Leigh Ann Biernat or Patrick Patton. **NO CONTACT WITH ADFA BOARD MEMBERS IS ALLOWED AND ANY SUCH CONTACT WILL BE GROUNDS FOR IMMEDIATE REJECTION OF A FIRM'S PROPOSAL.**

F. PROPOSAL TIMETABLE.

August 27, 2007	Request for Proposal Issued
September 14, 2007	Response to Proposals Due by 12:00 p.m., via email
TBD	Short list to be announced
To be announced	Oral Presentations (if necessary)
October 18, 2007	Board Action (Appoint/ratify appointment of Financial Advisor, authorizes the President of ADFA to negotiate fees)
TBD	Submission to Legislative Committee for Contract Review (if required)

G. SELECTION PROCESS. The Review Committee composed of selected members of ADFA and ANRC will review the proposals. Proposals will be evaluated based upon responses to specifics outlined in the Proposal Format section of this RFP and based upon the selection criteria. Proposals, which omit any of these items, may be rejected as non-responsive. From this review, a select group of financial advisors could be chosen for oral interviews, with all firms being notified of the short-list. The ADFA Board of Directors Professional Selection Committee will make its decision on a recommendation for selection, which will be reported to the Board of Directors of the Authority at its October 18, 2007, regular meeting. The final selection will be made by a vote of ADFA Board of Directors.

ADFA may at any time prior to the selection of the financial advisor 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 expense. ADFA accepts no responsibility for the return of successful or unsuccessful proposals. This RFP in no way obligates ADFA to select a financial advisor.

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

H. SELECTION CRITERIA. The Review Committee, composed of selected members of ADFA and ANRC, will review the proposals. The committee generally will use the following criteria to evaluate all acceptable proposals and to develop recommendations to be presented to the ADFA Board Professional Selection Committee; however, the Committee reserves the right to evaluate proposals based upon factors beyond the listed criteria.

CRITERIA

1. Experience working with EPA funds and other state recipients of EPA funds, familiarity with EPA restrictions on funds, rules with regard to cross collateralization and disbursement of funds.
2. Structuring and analytic capability as well as experience performing financial advisory services for water financings, including creating new indentures and subordinate bond structures.
3. Qualifications of the staff to be assigned to perform the financial advisory services.
4. Responsiveness of written proposals to the purpose and scope of services to be performed.
5. Responsiveness and reasonableness of proposed pricing structure.

SECTION II: STATEMENT OF QUALIFICATIONS

A. EXPERIENCE IN PROVIDING PROFESSIONAL FINANCIAL ADVISOR SERVICES.

Provide a representative list of State Revolving Funds with which you have worked, including recent water and wastewater transactions on which your firm provided financial advisory and/or structuring agent services, which includes the following:

1. Name of client;
2. Type of services provided;
3. Your firm's engagement team.

B. GENERAL INFORMATION REGARDING THE FIRM. Please provide the following information about your firm:

1. A description of the professional composition of your firm; and
2. A list of employees engaged in financial advisory matters.

C. PROFESSIONAL TEAM AND PERSONNEL. Provide a summary of the background, qualifications, and experience of the professionals in your firm who are involved in financial advisory services and who you expect will have involvement in these services for ADFA and ANRC. Provide background summaries on staff members who would be assigned routine responsibility for ADFA and ANRC's account, indicating the year first employed by your firm. If employees to be assigned to ADFA and ANRC's account have experience beyond your firm, please summarize. Indicate the employees who will serve as the primary and secondary contacts.

D. CLIENT REFERENCES. Provide three client references for which you provided financial advisory services, with one being a client whereby you also provided structuring services. Furnish name, agency, and telephone number for these references.

SECTION III: PROPOSAL FORMAT

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

B. PROPOSAL. The proposal should be labeled "Proposal for Water Financial Advisory Services." The proposal must contain sufficient information to enable the Review Committee to evaluate the proposal. It should be prepared in a clear and precise manner and should address all appropriate subsections.

1. **Financial Advisory Team and Personnel.** Describe the manner in which you would organize your firm's resources to serve as the financial advisor for the proposed services. In doing so, please address the following questions or issues:
 - 1.1 Identify the individual who will manage this service on a day-to-day basis. Define this individual's position within the firm and indicate the degree to which he or she will be able to commit the firm's resources to the program. What is this person's availability for this service and what other commitments does he or she have?
 - 1.2 Identify other professionals from your firm who will be assigned to work on ADFA and ANRC's account, their roles and responsibilities and relevant aspects of their background, specifically addressing the staff who would perform structuring/cash flow analysis. What relevant experience do they have in structuring water transactions, pooled financings and subordinate bond structures?
2. **Comments on Scope of Services.** Elaborate on the Categories of Service (outlined in the Attachment) you propose to perform for ADFA and ANRC as the financial advisor. Identify any other services or categories of service you feel might be missing from those listed in the attachment.
3. **Arkansas Presence.** Please explain your firm's presence within Arkansas and describe how that presence is relevant to the proposed transaction.
4. **Potential Conflicts.** List any relationship, which might lead to a potential conflict in performing any services for ADFA or ANRC. Please list specifically any conflicts resulting from material adverse matters, as distinguished from the conduct of business as usual. Indicate what steps would be taken to eliminate any such conflict.
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 would be useful for you to describe how your qualifications and experience is relevant to the services requested. In particular, you may want to select up to three (3) recent engagements that you have been selected to perform financial advisory services and summarize their similarity to services to be performed for ADFA and ANRC. Include in your response how you would conduct the financial advisory services with ADFA and ANRC, highlighting your experience with State Revolving Funds and EPA, and, specifically, how you would serve as structuring agent for creating this new indenture.
6. **Financial Advisory Fee Determination.** Selection of a financial advisor will not be based on a competitive bid. ADFA will attempt to negotiate with the top qualified firm to establish a fair and reasonable fee. If an agreement cannot be reached with the top qualified firm, negotiations will be attempted with the other firms in order of their qualifications.

Provide the basic fee structure for the three Categories of Service (and any other categories you feel might be missing or segregated, such as swap advisory services); stating

assumptions on which your firm's fee would be predicated and any factors that would change the actual fee. State what you consider to be the most appropriate method for determining a reasonable fee and method of payment for this representation and state your rationale.

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. **Insurance.** Indicate the types and amounts of insurance carried. All insurance must be sufficient to protect the firm selected from any liability arising out of the obligations performed pursuant to any such contract.
9. **Acceptance.** Submission of Proposals, in response to this Request for Proposal, constitutes acceptance of all conditions, requirements and limitations described in this document.

Financial Advisor

Services shall include, but not be limited to, the following:

1. Working with ANRC to obtain EPA's approval of the new indenture;
2. Assisting in the procurement and selection of underwriter (if negotiated transaction), bond counsel, trustee and any other professionals relative to the new indenture and related bond transaction;
3. Scheduling and coordinating the debt issuance process;
4. Examining, evaluating and formulating a sound and flexible financing program and new indenture, including short-term financing options, that takes into consideration ADFA and ANRC objectives, existing debt structure, existing assets and liquidity of the current program, the timing of capital projects, tax regulations, and the climate in the capital markets;
5. Preparing or assisting in the preparation of all documents relative to a financing;
6. Providing financial analyses and expert advice to ANRC and ADFA in all the areas of a financing relative to timing, method of sales (competitive versus negotiated), strategies, economic considerations, market conditions, maturity structures, interest rates, redemption provisions, debt service requirements, fees for other services (underwriter, trustee and bond counsel), evaluation of syndicate members, settlement and post-settlement analyses, etc.;
7. Provide analyses and expert advice for derivative financial products including interest-rate swaps, caps and collars (when requested by ADFA and ANRC);
8. Formulating, coordinating and participating in information meetings with institutional investors, credit enhancement providers, rating analysts, underwriters and other public presentations as requested by the ADFA and ANRC;
9. Arranging for the printing and distribution of any Official Statement, any Notice of Sale or other financing document;
10. Provide pre-pricing books and pre-sale market analyses and updates, pricing recommendations and assistance in pricing negotiations;
11. Prepare or assist in the preparation of a final report on the results of each negotiated bond sale including, but not limited to, the performance of each member of the underwriting syndicate (requests and allocations), distribution of bonds by geographical region and type of investor, pricing and expense characteristics of comparable sales by other issuers, etc.(for negotiated sales only);
12. Review underwriter compensation recommendations and assist in underwriter compensation

negotiations;

13. Review costs of issuance, including bond counsel and underwriter's counsel fees and assist in negotiations as needed;
14. Review bond allotments, prepare for and participate in closing of financings, generate post bond sale analyses and reports on financing;
15. Assist staff and members of ADFA and ANRC in drafting and evaluating responses to requests for specific financing proposals received from various bond professionals; and
16. Assist with issues involving bond redemptions and other "after issuance" matters when requested.

Structuring Agent for Bond Transactions

1. Work with underwriters to develop marketable structure for bond issue;
2. Prepare preliminary and final cash flows, bond redemption analyses, yield analyses, loan portfolio default tolerance analysis, debt service reserve analyses and assist in analyses and preparation of yield memorandum for arbitrage certifications;
3. Assist in developing rating agency presentations and follow-up, including agendas and required cash flow analyses;
4. Assist in the preparation of the preliminary and final official statements, ensuring the bond documents properly reflect the structure of the transaction;
5. Prepare cash flows analysis for outstanding Wastewater bonds and for new indenture;
6. Assist with issues involving bond redemptions and other "after issuance" matters when requested;
7. Provide GIC broker with information for guaranteed investment contracts, if applicable, such as draw schedule and average life information;
8. Prepare projected revenue certificate for Wastewater bonds semiannually and for new indenture, if applicable.
9. Provide other advice/analysis as needed.

Special Projects

Services shall include, but not be limited to, the following:

1. Examining, evaluating and providing financial analyses and reports as needed and as requested by ANRC or ADFA;
2. Attend meetings not related to specific debt issuances;

3. Provision of any other services or products as mutually agreed upon by the ADFA and ANRC and the Advisor;
4. Attend, upon Issuer's request, regular meetings and committee meetings of the ADFA Board of Directors or ANRC Commission; and
5. Provide other financial advisory services as requested by ADFA and ANRC.

Outstanding Bonds Attachment

Wastewater Bonds Outstanding as of June 30, 2007

Series	Interest Rate Range	Final Maturity Dates	6/30/2007	Bonds That Can Be Optionally Called			
				Amount Callable	Bonds Maturing On & After	Call Date	Call Premium Percentage
1995-A Serial	5.20%-5.30%	12/1/2007	\$ 340,000	\$ -	N/A	N/A	N/A
1999-A Serial	4.00%-4.60%	12/1/2013	5,860,000	4,690,000			
Term 1	4.88%	6/1/2017	4,170,000	4,170,000			
Term 2	5.00%	6/1/2022	<u>6,155,000</u>	<u>6,155,000</u>			
			16,185,000	15,015,000	12/1/2009	6/1/2009	100%
2001-A Serial	4.00%-5.50%	12/1/2017	18,350,000	-	N/A	N/A	N/A
Term 1	5.50%	12/1/2013	3,170,000	-	N/A	N/A	N/A
Term 2	5.50%	12/1/2014	3,360,000	-	N/A	N/A	N/A
Term 3	5.50%	12/1/2015	4,840,000	-	N/A	N/A	N/A
Term 4	5.50%	12/1/2018	1,750,000	-	N/A	N/A	N/A
Term 5	5.50%	12/1/2019	<u>1,345,000</u>	<u>-</u>	N/A	N/A	N/A
			32,815,000	-			
2004-A Serial	3.00% - 5.00%	6/1/2015	20,785,000	9,650,000			
Term 1	5.0%	12/1/2012	3,435,000	3,435,000			
Term 2	5.0%	12/1/2013	3,290,000	3,290,000			
Term 3	5.0%	12/1/2014	<u>1,925,000</u>	<u>1,925,000</u>			
			29,435,000	18,300,000	12/1/2011	6/1/2011	100%
			<u><u>78,775,000</u></u>				

TO RECEIVE RFP'S

FIRM	FIRM
First Southwest Company Angela M. Rodell arodell@firstsw.com	CSG Advisors Incorporated Keith Waldrop kwaldrop@csgadvisors.com
Seasongood & Mayer Scot Perlman scotp@sgood.com	PackerKiss Securities, Inc. Mary Packer mpacker@pksecurities.com
Public Finance Management Roan Blacker blackerr@pfm.com	Lamont Financial Services Corp. Debbie Schnedler dschnedler@lamontfin.com
Piper Jaffray Greg Swartz Greg.g.swartz@pjc.com	RBC Capital Markets Jay Spector Jay.spector@rbcdain.com
Stephens Inc. Mark McBryde mmcbryde@stephens.com	Morgan Keegan Jim Fowler Jim.fowler@morgankeegan.com
Crews Bob Wright rwright@crewsfs.com	