

**REQUEST FOR PROPOSALS TO PROVIDE
ARBITRAGE CONSULTING AND
COMPLIANCE SERVICES**



**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.**

February 28, 2007

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

SECTION I: INSTRUCTIONS TO PROPOSER/GENERAL INFORMATION

A. PURPOSE. The Arkansas Development Finance Authority (“ADFA” or the “Authority”) is requesting proposals from certified public accounting firms, legal firms, and other qualified firms to provide arbitrage rebate calculation services for ADFA’s Tax Plans for which the Authority is responsible. ADFA expects to select a firm for a period of approximately three (3) years, subject to the successful negotiation of fees with the concerned firm. A listing of the type, number and periodicity of arbitrage calculations that is estimated to be performed is as follows:

Type of Bonds	Tax Plans	Periodicity
Single Family	28	10 annually 18 five years
Multifamily	2	2 five years
State Facilities	14	14 five years *
Economic Development	45	45 five years
Wastewater	6	6 five years *
College Savings	11	11 five years

* Interim after construction account is depleted

All 5-year calculations will be accompanied by description of the amount of rebate accrued during the 5-year period, the accumulated amount accrued over the life of the issue, the amount of rebate paid to date, and the amount required to be paid at the end of the 5-year period. The firm will also be expected to prepare any necessary IRS Forms 8038-T. All interim calculations within the 5-year period will be accompanied by a description of the amount of positive arbitrage accrued during the period, and the amount recommended being set-aside in the Rebate Fund. All calculations should be submitted to ADFA within 45 days from date of receipt of information required to complete the calculation.

Any firm selected pursuant to this RFP shall serve at the pleasure of ADFA, and the professional services of any firm selected may be terminated at the sole discretion of ADFA upon delivery of written notice of such termination to the firm. ADFA reserves the right to select one or more firms to serve as Arbitrage Rebate Calculation Agent for the various types of bond issues.

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 March 16, 2007 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 Patrick Patton (ppatton@adfa.state.ar.us), Vice President for Internal Audit and Information Technology, at (501) 682-5902 or Brandye Williams (bwilliams@adfa.state.ar.us), Arbitrage Rebate Manager and Finance Officer, at (501) 682-5646. 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. Firms wishing to respond to this RFP may contact any of the ADFA staff persons identified herein. **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.

February 28, 2007	Request for proposal issued
March 16, 2007	Proposals due @ 12:00 p.m., via email
April 19, 2007	Board action (Appoint/ratify appointment of firm, authorize the President of ADFA to negotiate fees)
TBD	Submission to Legislative Committee for contract review (if required)

G. SELECTION PROCESS. ADFA's Staff Professional Selection Committee will review the submitted proposals. Proposals will be evaluated based on the responses to specifics outlined in the Proposal Format section of this RFP and based upon the selection criteria. Proposals that omit any of these items may be rejected as non-responsive. The ADFA Board 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 April 19, 2007, 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 Staff Professional Selection Committee composed of selected members of ADFA staff. 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, ADFA reserves the right to evaluate the proposals based on factors beyond the listed criteria.

Criteria

1. Firm's recent experience in arbitrage consulting and compliance services related to municipal bond issues.
2. Organization, size, and structure of firm:
 - a. Adequate firm resources dedicated to arbitrage consulting and compliance services.
 - b. Response to Arkansas presence issue including relevance of presence to this transaction.
3. Qualifications of staff to be assigned, i.e., team members' demonstrated ability, years, and type of experience.
4. Responsiveness of written proposals to the scope of services issues.
5. Responsiveness of proposal on fee issue.

SECTION II: SCOPE OF SERVICES AND REQUIREMENTS

The firm selected will be expected to perform all of the normal duties associated with providing arbitrage consulting and compliance services, including but not limited to:

A. Calculating the arbitrage yield on the bonds classified as "variable", computing the yield on "non-purpose" investments, calculating yield reduction payments, and calculating the amount of rebatable arbitrage, if any.

B. Review all relevant portions of the Bond transcripts and appropriate sections of the Internal Revenue Code.

C. Consult with bond counsel as necessary concerning interpretations of the above information as affected by applicable sections of the Internal Revenue Code.

D. Tender reports, based on the frequency stated in Section I.A., which accompany the detailed calculation schedules and summarize the results of the computations performed.

E. Consult with ADFA and provide guidance and assistance to ADFA with regard to arbitrage compliance issues.

F. Tender workpapers upon request by ADFA. Workpapers used in the calculations are the property of ADFA, even if retained by the analyst.

SECTION III: STATEMENT OF QUALIFICATIONS

A. EXPERIENCE IN PROVIDING PROFESSIONAL ARBITRAGE CONSULTING AND COMPLIANCE SERVICES. Provide a representative list of recent state or local transactions on which your firm provided arbitrage consulting and compliance services, which includes the following:

1. Name of issuer;
2. Size and title of issue;
3. Date of issue; and
4. 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 arbitrage consulting and compliance 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 arbitrage consulting and compliance services and who you expect will have involvement in these services for ADFA.

D. CLIENT REFERENCES. Provide three client references for which you provide arbitrage consulting and compliance services. Furnish name, agency, and telephone number for these references.

SECTION IV: PROPOSAL FORMAT

A. TRANSMITTAL LETTER. A one page transmittal letter prepared on the proposer's business stationery should accompany the proposal and required copies of the proposal.

B. PROPOSAL. The proposal should be labeled “Proposal to Provide Arbitrage Consulting and Compliance Services for ADFA.” The proposal must contain sufficient information to enable the ADFA Staff Professional Selection Committee to evaluate the proposal. It should be prepared in a clear and precise manner and should address all appropriate subsections.

1. **Arbitrage Consulting and Compliance Services Team and Personnel.** Describe the manner in which you would organize your firm’s resources to provide arbitrage consulting and compliance services for ADFA. In doing so, please address the following questions or issues:
 - a. Identify the individual who will manage these services 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. What is this person’s availability for these services and what other commitments does he or she have?
 - b. Identify other professionals from your firm who will be assigned to work on this project, their roles and responsibilities, and relevant aspects of their background. How will these individuals work with the other members of your team?
2. **Comments on Scope of Services.** Elaborate on the arbitrage consulting and compliance services you propose to perform. In what way do you expect the scope of services to differ from those listed in Section II? What processes are in place by your firm for reviewing the calculations before they are issued? Also discuss the compliance documents (certificate, etc.) issued by your firm based on various scenarios related to bond issues. For example, how is an issue that clearly meets a spending exception treated vs. one which requires more in depth analysis to determine whether or not a liability was incurred.
3. **Record Retention.** Please explain the record retention policy surrounding the workpapers utilized for the arbitrage rebate calculations.
4. **Sample Report.** Please provide, as an Appendix to your proposal, a sample five year calculation and report.
5. **Arkansas Presence.** Please explain your firm’s presence within Arkansas and describe how that presence is relevant to the proposed transaction.
6. **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. Do not recite comprehensively your firm’s qualifications and experience, but describe how your qualifications and experience are relevant to the program.

7. **Arbitrage Consulting and Compliance Services Fee Determination.** Selection of an arbitrage consulting and compliance services firm will not be based on a competitive bid. ADFA will attempt to negotiate with the selected firm to establish a fair and reasonable fee. If an agreement cannot be reached with the selected firm, negotiations will be attempted with other firms in order of their selection.

Provide the basic assumptions on which your 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 for these services, and state your rationale.

Please provide your fee analysis following the format below:

Engagement Fee	\$
Base Fee (per report)	
Variable Rate Fee	
Document Review Fee	
Transferred Proceeds Fee	
Commingled Funds Fee	
Yield Restriction Fee	
Cash Flow/Recreation Fee	
Extra Periods Fee	
Optional Services	
Other (please describe)	_____
	\$ _____

8. **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.
9. **Acceptance.** Submission of proposals, in response to this Request for Proposal, constitutes acceptance of all conditions, requirements and limitations described in this document.

PROFESSIONAL FIRMS

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