

**REQUEST FOR PROPOSALS FROM
UNDERWRITERS
FOR
2010 SINGLE FAMILY HOME OWNERSHIP
REVENUE BONDS:
SENIOR BOOK RUNNING MANAGER*
OR
CO-MANAGER**

***SUBMISSIONS FOR SENIOR BOOK RUNNING MANAGER WILL AUTOMATICALLY BE
CONSIDERED FOR CO-MANAGER**



**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.**

December 18, 2009

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

SECTION I: INSTRUCTIONS TO PROPOSER/ GENERAL INFORMATION

A. PROGRAM INFORMATION. The Arkansas Development Finance Authority (“ADFA” or the “Authority”) is requesting proposals from investment banking firms to serve as senior book running manager or co-manager for the Single Family Home Ownership Revenue Bond Program (the “Program”). It is our current intention to assemble and engage one or more firms who will market successive issues of bonds to fund the Authority’s Program for a period of one (1) year beginning in 2010 (term can be extended for additional one (1) year terms, with a maximum of 6 extensions, at the discretion of the ADFA Board).

A new general resolution was created for the Program in 2009 in response to the U.S. Treasury’s New Issue Bond Program. The volume of ADFA Single Family bonds to be sold in the marketplace in 2010 is expected to be approximately \$128.7 million, in no more than three (3) bond issues. The Authority placed escrow bonds with the U.S. Treasury in December 2009 in the amount of \$193.1 million, and, pursuant to Treasury requirements, each long term issue transacted in 2010 will consist of (i) sixty percent (60%) structured as converted escrow bonds having the long-dated maturity and (ii) forty percent (40%) of market bonds structured as serials and intermediate term bonds. The market bonds will be sold by the underwriter selected from this RFP. No compensation will be paid to the senior book running manager or co-manager(s) for those bonds placed or held by Treasury.

The Authority hopes to obtain proposals which are designed to contribute to the following major goals of the Program:

1. Promote affordable housing for low-to-moderate income homebuyers, which includes offering a mortgage lending rate that is notably lower than prevailing conventional rates.
2. Low cost of funds through broadening investor base, creative financing structures, expanded disclosure reporting and high retail participation.
3. Attractive to the Authority’s clients and agents which include homebuyers, mortgage bankers, realtors, homebuilders, bond lawyers, trust officers, bond holders, elected officials, government agencies, etc.
4. Limited Authority contribution
5. Program generates income to the Authority
6. Easily managed by Authority staff.

The Authority believes more than one financing structure may be needed to effectively reach its single family housing goals. Proposers may submit any number of financing strategies or other program ideas they deem appropriate to accomplish the goals of the Authority. Nevertheless, the objective of this selection process is to select a financing team, not a financing structure. The Authority has separately engaged a financial advisor and structuring agent, but would like underwriter input as to effective and sellable structures to the investor community, particularly retail investors. Ultimately, after the selection of the Program team, further strategy sessions may be conducted where financing structures and other aspects will be evaluated and pursued as appropriate.

Any investment banking 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 selected firms.

Authority for this Program is contained in Arkansas Development Finance Authority Act, consisting of Arkansas Code Annotated § 15-5-101 *et seq.* A copy of the Act is available upon request to the Authority.

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) electronic copy of the proposal should be delivered to ADFA not later than January 5, 2010, by 12:00 p.m. (CDT), via email. Late proposals will not be accepted. ADFA reserves the right to reject any or all proposals.

Joint proposals from a team of underwriters will not be accepted and will be considered as non-responsive.

In previous transactions, ADFA has utilized co-managers and a selling group to increase market penetration, particularly local retail buyers. Co-managers must be willing to commit capital to the issue, if necessary.

Firms may choose to respond only as senior book running manager or co-manager. Responses for senior book running manager will automatically be considered for co-manager unless the firm indicates a lack of desire to serve as such. If your firm is making the choice to propose as co-manager only, please so indicate and only respond to the items requested in Section IV (B) 1, 5 and 6.

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 Leigh Ann Biernat (lbiernat@adfa.state.ar.us), Vice President for Finance and Administration, at (501) 682-5915 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 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 interact and contact the Chair of the Staff Professional Selection Committee, 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. SELECTION TIMETABLE.

December 18, 2009	Request for Proposal Issued
January 5, 2010	Proposals Due
January 21, 2010	Board Action (Appoint/ratify appointment of underwriter, authorizes the President of ADFA to negotiate fees)
TBD	Submission to Legislative Committee for contract review (if needed)

G. SELECTION PROCESS. The ADFA Staff Professional Selection Committee will review the submitted proposals. Proposals will be evaluated based on 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. The 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. The final selection will be made by a vote of the full Board.

ADFA may at any time prior to the selection of underwriter 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 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 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 proposals based on factors beyond the criteria listed below.

1. Qualifications of the underwriter;
 - a. Current commitment to municipal finance and, specifically, housing
 - b. Prior experience with single family mortgage revenue bond issues including size, number, complexity and success of prior bond programs

- c. Qualifications of staff assigned to the single family housing program and the team members' demonstrated ability, years and type of experience
 - d. Demonstrated marketing ability and resources, particularly in selling Arkansas paper to retail investors.
 - e. Net capital of firm and application of that capital to ensure placement and takedown of bonds
 - f. Response to Arkansas presence issue including relevance to this program
2. Merits of any proposed financing structures or other program initiatives including their creativity and cost effectiveness for the program
 3. Responsiveness of written proposals to the scope of services
 4. Proposed management fee, if any, and expected takedown by maturity.

ADFA reserves the right to award the contract to the firm or firms which will best meet the qualifications required by ADFA, which may include establishing a group of professionals which may serve as either book runner, co-senior or co-manager. Firms selected may or may not be the firm(s) with the lowest bid. ADFA also reserves the right to reject any and all proposals prior to execution of the contract with no penalty or cost to ADFA.

SECTION II: SCOPE OF SERVICES AND REQUIREMENTS

The senior book running manager 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. Work with the Authority's Structuring Agent to develop a structure which is marketable and provides the lowest cost of funds to the Program;
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. Prepare supplemental documents related to each bond issue. This will include, but not be limited to, a detailed cost of issuance at closing (format to be distributed to selected firm prior to closing), and an analysis of each bond issue which compares it with similar bonds sold within the same time frame;
5. Develop a sale strategy and marketing plan;
6. Coordinate information with co-managers, selling group and financial advisor;
7. Manage the syndicate prior to, during, and after the bond sale;
8. Conduct pre-sale briefings and information sessions;
9. Conduct the bond sale including "running the books" and, if necessary, underwriting;

10. Provide normal administrative services such as procurement of CUSIP number, establishment of account with DTC, etc.;
11. Prepare a summary analysis of the bond sale (format to be distributed to selected firm prior to closing);
12. Review, comment and assist in the refinement of the single-family loan program and the financing plan for the loan program;
13. Cooperate with ADFA and its engaged professionals in the calculation of arbitrage rebate and in solving any problems connected with any bond issue in the Single Family program on an as-needed basis

The co-managing underwriters will participate in the sale and underwriting of the bonds and may assist the senior book running managers in other matters on an as-needed basis.

SECTION III: STATEMENT OF QUALIFICATIONS

An updated statement of qualifications should be maintained on file at ADFA for all firms submitting proposals in response to this RFP.

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 2010 ADFA Single Family Home Ownership Revenue Bonds" The submission must contain sufficient information to enable the ADFA Staff and Board Professional Selection Committees to evaluate the proposal. It should be prepared in a clear and concise manner and should address each of the following subsections (**complete proposal responses should be limited to no more than 25 pages**):

NOTE: Proposals for Co-Manager only should be labeled "Proposal to serve as Co-Manager for the 2010 ADFA Single Family Home Ownership Revenue Bonds" and should include responses to items 1, 5 and 6 only.

1. **Investment Banking Firm Resources.** 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 your firm's experience with single family mortgage revenue bonds, including a list of state agencies for which your firm serves as senior manager or co-manager.
 - b. 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? What experience does this person have with

bond structures and with managing interest rate subsidy and running consolidated cash flows?

- c. 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?
 - d. Provide your firm's net capital and your firm's philosophy in applying that capital to ensure the placement and takedown of bond issues.
2. **Comments on Scope of Services.** Elaborate on the services you propose to perform as underwriter for the proposed financing. In what way do you expect the scope of services to differ from those listed in Section II?
3. **Financing Approach and Recommendations for the Financing Plan.**
 - a. The Program is currently rated Aaa by Moody's. Discuss the value, if any, of adding an additional rating along with the effect any ratings migration might have on this Program.
 - b. Discuss the Authority's current disclosure practices and make recommendations which you believe would enhance the ability to market the Authority's bonds. (In addition to filings on EMMA, ADFA also has investor information at www.arkansas.gov/adfa.)
4. **Rationale for Appointment and Recent Experience.** This section of the proposal should be used to present the case for your selection to the position, describing how your qualifications and experience in structuring, underwriting and distributing securities are relevant to serving as ADFA's senior managing underwriter. Select one past deal where your firm served as senior managing underwriter (indicating the date of issue, issuer, credit description, size and method of sale) and summarize its similarity to ADFA's program and its successfulness. You may want to compare it with other deals of similar size and purpose that were sold at the same time.
5. **Marketing of ADFA Single Family Housing Bonds.** Please respond briefly to the following:
 - a. Describe your firm's retail and institutional marketing network for municipal bonds, emphasizing your ability to market ADFA bonds. What is the amount of ADFA bonds currently held in your firm's retail customer accounts?
 - b. Describe your philosophy of and procedure for establishing bond sale prices. What is your strategy to attract multiple institutional investors to a deal?
 - c. How will your firm make an active secondary market for our bonds?

6. **Arkansas Presence.** Please explain your firm’s presence within Arkansas and describe how that presence is relevant to the services and requirements of this Request for Proposal.

7. **Fee Proposal.** Recognizing that the takedown and certain 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. However, we would request a fee proposal for the following services:
 - a. Management fee, if any, for Book Running Senior Manager services
 - b. Describe how you plan to allocate management fee with co-managers or management group
 - c. Provide expected takedowns for the following maturities, along with an average takedown per sale:

Year	Takedown
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
15	
20	
25	

Your fees should be based on what is listed in the Scope of Services and Requirements in Section II of this Request for Proposal. Please state any other services not listed in the Scope of Services and Requirements and how they would change the amount of your proposed fee.

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.

**UNDERWRITERS
TO RECEIVE RFP'S**

CONTACT/FIRM/EMAIL	CONTACT/FIRM/EMAIL
Jim Fowler Morgan Keegan Jim.fowler@morgankeegan.com Carmen.quinn@morgankeegan.com Don.peterson@morgankeegan.com	Edmond Hurst Crews & Associates, Inc. ehurst@crewsfs.com
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