

**ARKANSAS DEVELOPMENT FINANCE AUTHORITY
REQUEST FOR PROPOSALS
FOR
FINANCIAL ADVISORY 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.

May 10, 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 (“Authority” or “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.

ADFA’s mission statement “to be dedicated to providing affordable financing for the housing, economic, agricultural and governmental needs of Arkansas. The authority accomplishes this through a powerful network of partners dedicated to promoting greater economic opportunities and fostering the general health, safety and welfare of the state and its citizens.” ADFA is the state’s largest source of low-cost financing for low-to-moderate income housing development, small industries, government, education, agricultural business enterprises and health care. It is through the issuance of taxable and tax-exempt bonds and notes, the administration of private and public grants and partnering with other state and federal agencies that ADFA gives Arkansans the most cost-effective financing choices possible. Additional information on ADFA and the Authority’s programs may be found at www.state.ar.us/adfa.

The board and management of ADFA plan to evaluate the possibility of engaging one or more financial advisor firms to provide services relating to the many different aspects of its bond and other financial operations. In the past, ADFA has received different levels of service for its various bond transactions. These services can be described in three categories: financial advisor for bond transactions; pricing advisor for bond transactions; and special projects. These services are outlined on the *Categories of Service Attachment* to this Request For Proposal. Most recently, ADFA has requested “financial advisor for bond transactions” services for its Single Family program and “pricing advisor for bond transactions” for its state facility and economic development bond guaranty programs.

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

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 May 27, 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 related to this RFP should be directed to Leigh Ann Biernat (lbiernat@adfa.state.ar.us), Vice President of Finance and Administration, at (501) 682-5995 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 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 Mr. 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.

May 10, 2004	Request for Proposal Issued
May 27, 2004	Response to Proposals Due by 12:00 p.m.
TBD	Short list to be announced
To be announced	Oral Presentations (if necessary)
June 17, 2004	Board Action (Appoint/ratify appointment of Financial Advisor, authorizes the President of ADFA to negotiate fees)

G. SELECTION PROCESS. The Staff Professional Selection Committee composed of selected members of ADFA 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. All proposing financial advisors will be advised of the financial advisors selected for oral interviews, if necessary. After interviewing, 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 June 17, 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 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.

H. SELECTION CRITERIA. The Staff Professional Selection Committee composed of selected members of ADFA 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 performing financial advisory services for various types of organizations, including, in particular, state housing finance agencies, other governmental agencies, non-profit organizations or other similar organizations.
2. Qualifications of the staff to be assigned to the financial advisory services.
3. Responsiveness of written proposals to the purpose and scope of services to be performed.
4. 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 recent state or local transactions on which your firm provided financial advisory 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.

D. CLIENT REFERENCES. Provide three client references for which you provided financial advisory 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 original and required copies of the proposal.

B. PROPOSAL. The proposal should be labeled "Proposal for Financial Advisory Services." The proposal must contain sufficient information to enable the 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. **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 this project, their roles and responsibilities and relevant aspects of their background. How will these individuals work with the other members of the ADFA staff?
2. **Comments on Scope of Services.** Elaborate on the services you propose to perform as the financial advisor for the proposed service.
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. 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 proposed transaction. In particular, you may want to select, e.g., three (3) or more recent engagements that you have been selected to perform financial advisory services and summarize their similarity to this program. Include in your response how you would conduct the financial advisory services with ADFA and its staff.
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), 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 financial advisor fee for this representation, and state your rationale.

Categories of Service Attachment

Financial Advisor for Bond Transaction

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

1. Scheduling and coordinating the debt issuance process;
2. Examining, evaluating and formulating a sound and flexible financing program, including short-term financing options, that takes into consideration the Issuer's objectives, existing debt structure, the timing of capital projects, tax regulations, and the climate in the capital markets;
3. Provide assistance with the Single Family Warehousing Program including volume considerations, short-term and long-term financing options and tax ramifications;
4. Preparing or assisting in the preparation of all documents relative to a financing;
5. Providing financial analyses and expert advice to the Issuer 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.;
6. Provide analyses and expert advice to the Issuer for derivative financial products including interest-rate swaps, caps and collars;
7. Preparing reports for and participating in presentations to the rating agencies and credit enhancement providers;
8. Formulating, coordinating and participating in information meetings with institutional investors, credit analysts, underwriters and other public presentations as requested by the Issuer;
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. Review underwriter compensation recommendations and assist in underwriter compensation negotiations;
12. Review bond allotments, prepare for and participate in closing of financings, generate post

bond sale analyses and reports on financing; and

13. Assist staff and members of the Professional Selection Committee in drafting and evaluating responses to requests for specific financing proposals received from various bond professionals.

Pricing Advisor for Bond Transaction

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

1. Review issuance scheduling and advise the Issuer as to market timing;
2. Providing financial analyses and expert advice to the Issuer 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 cost of issuance (such as underwriter management fees and takedown, trustee fees and bond counsel fees), evaluation of syndicate members, settlement and post-settlement analyses, etc.;
3. Provide analyses and expert advice to the Issuer for derivative financial products including interest-rate swaps, caps and collars;
4. Formulating, coordinating and participating in information meetings with institutional investors, credit analysts, underwriters and other public presentations as requested by the Issuer;
5. Provide pre-pricing books and pre-sale market analyses and updates, pricing recommendations and assistance in pricing negotiations;
6. Review underwriter compensation recommendations and assist in underwriter compensation negotiations; and
7. Review bond allotments, prepare for closing of financings, generate post bond sale analyses and reports on financing.

Special Projects

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

1. Examining, evaluating and providing financial analyses and reports in response to State Legislative requests specific to the Issuer, as well as, any other proposals received by or initiated by ADFA;
2. Providing financial analyses and reports for non-bond programs and general funds as

requested by the Issuer;

3. Attend meetings not related to specific debt issuances;
4. Provision of any other services or products as mutually agreed upon by the Issuer and the Advisor;
5. Attend, upon Issuer's request, regular meetings and committee meetings of the Board of Directors; and
6. Provide other financial advisory services as requested by the Issuer and the Board of Directors.

**FINANCIAL ADVISOR
TO RECEIVE RFP'S**

FIRM	FIRM
First Southwest Company Angela M. Rodell rodell@arimax.com Steve Kantor kantor@arimax.com	CSG Advisors Incorporated Keith Waldrop kwaldrop@csgadvisors.com
Seasongood & Mayer Scot Perlman scotp@sgood.com	Evensen Dodge, Inc. Katherine Kardell kardellk@publicfm.com
Caine Mitter & Associates Incorporated Tom Caine tc@cainemitter.com	PK Advisors, Inc. Mary Packer mpacker@pksecurities.com