

**ARKANSAS DEVELOPMENT FINANCE AUTHORITY
REQUEST FOR PROPOSALS FROM
UNDERWRITER
FOR
AMENDMENT 82 BONDS**

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.



April 23, 2013

**Arkansas Development Finance Authority
900 West Capitol, Suite 310
Little Rock, AR 72201
(501) 682-5900**

SECTION I: INSTRUCTIONS TO PROPOSERS/ GENERAL INFORMATION

A. PURPOSE. Act 1084 of the Regular Session of the State of Arkansas 89th General Assembly, Regular Session 2013 declared a \$1.5 billion economic development project to be a qualified Amendment 82 (A.C.A. §15-4-3201 et seq., as amended) project for Phase I of the Big River Steel Mill Project (BRS) located in Osceola, AR, and authorized the issuance of general obligation bonds in an amount not to exceed \$125 million. This is the first use of an Amendment 82 bond issue utilizing full faith and credit general obligation bonds for economic development purposes.

It is currently expected these taxable general obligation bonds will be one issuance comprised of two series of bonds, sold on a negotiated basis. The first series is expected to generate \$75 million in bond proceeds, with no more than a ten year call (without call premium) and will be used for site prep costs, pilings and cost of bond issuance. The second series is expected to generate \$50 million in bond proceeds, with no more than a two year call and will be used for building construction. The second series, although a general obligation of the State of Arkansas, is expected to be repaid by a loan agreement between ADFA and BRS and will also be secured by a real estate mortgage on two buildings with a cost of \$74 million. BRS has an incentivized option to prepay the loan early within four years qualifying them to receive a ten percent (10%) discount of \$5 million on the loan. To be eligible for the discount, BRS must not only prepay the loan but also announce, raise the money and start construction a Phase II \$500 million dollar expansion at the Osceola plant in Mississippi County AR. If not prepaid, the loan balance will be paid out over time.

Prior to the issuance of the bonds by ADFA, BRS must raise \$300 million in private equity capital. After the bonds are issued, proceeds can only be released towards the project once BRS has expended \$250 million of their own capital towards the completion of the project. It is anticipated that a Payment in Lieu of Tax Agreement (PILOT) will be negotiated between BRS and Mississippi County. There is also a commitment of local investment of \$14 million from Mississippi County and \$2.5 million from the City of Osceola.

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.arkansas.gov

To be considered, one (1) copy of the proposal should be delivered to ADFA not later than May 6, 2013, 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 (gene.eagle@adfa.arkansas.gov), Vice President for Development Finance at 501-682-5905 or Patrick Patton (patrick.patton@adfa.arkansas.gov), 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.

April 23, 2013	Request for Proposal Issued
May 6, 2013	Proposals Due @ 12:00 p.m.
TBA	Oral Presentations (if necessary)
May 16, 2013	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 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 or firms 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(s).

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, particularly state general obligation bonds
 - 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 and minority representation including relevance to this transaction
2. Merits of the proposed marketing plan
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. Work with the financial advisor and review, comment and assist in all aspects of the financing, including but not limited to the following:
 - * the timing of sale

- * maturities and other structuring elements
 - * lien structure and security type
 - * restrictions and covenants to be included in financing documents
 - * cash flow modeling of revenues and debt service requirements
 - * the need for reserve funds and other provisions
 - * credit enhancements
 - * bond ratings and rating agency discussions/presentations
2. Advise the Authority concerning market conditions and its correlation to this 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; and
 11. Provide detailed Cost of Issuance breakdown in format requested by ADFA.

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 (if any) 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 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 transaction.

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 Amendment 82 Bonds." 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. Identify who would be a proposed selling group.
3. **Financing Approach and Recommendation for the Financing Plan.** Please respond briefly to the following issues as you deem appropriate:
 - a. What do you expect the term of the optional redemption of these taxable general obligation bonds could be, without call premium? Why?
 - b. What are likely credit concerns associated with the bonds?
 - c. Describe your firm's specific marketing plan for selling these bonds and any issues that might impact this considering the challenges presented in the current market environment. Include a discussion of the types of buyers or market sectors that are most likely to participate in the sale.
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 its successfulness.

6. **Cost Proposal.** Provide an estimate of your total underwriting costs associated with serving as senior manager on this transaction. Please note that any payment to the underwriter is contingent on the closing of the bonds. Please use the form provided at the end of this RFP. Your response should include:
 - a. Proposed takedown on a maturity-by maturity basis as well as average takedown for the entire bond issue;
 - b. Management fee, if any;
 - c. 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

Assumptions: Two (2) series of bonds; 20 year level debt. The first series is expected to generate \$75 million in bond proceeds, with no more than a ten year call (without call premium). The second series is expected to generate \$50 million in bond proceeds, with no more than a two year call.

Management Fee \$ _____ /\$1000
 Average Takedown \$ _____ /\$1000 (detail next page)
 Underwriters' Expenses \$ _____ /\$1000

TOTAL - UNDERWRITER SPREAD \$ _____ /\$1000 <i>Gross Spread</i>

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

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.

SEE TAKEDOWN BY MATURITY – NEXT PAGE.

