

**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.

July 10, 2012

**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. 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 is “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 <http://www.arkansas.gov/adfa/>.

The board and management of ADFA plan to engage one or more financial advisory 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 four categories: financial advisor for bond transactions; structuring agent for single family 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 and structuring agent for bond transactions” services for its Single Family program and “pricing advisor or financial advisor for bond transactions” for some of its state facility and tobacco bond transactions.

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.

The appointment of the Financial Advisor will be for a period of approximately two (2) years (term can be extended for additional one (1) year terms, with a maximum of 5 extensions, at the discretion of the ADFA Board), subject to successful fee negotiations.

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 July 27, 2012, 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 related to this RFP should be directed to Leigh Ann Biernat

(leighann.biernat@adfa.arkansas.gov), Vice President of Finance and Administration, at (501) 682-5995 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 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.

July 10, 2012	Request for Proposal Issued
July 27, 2012	Response to Proposals Due by 12:00 p.m., via email
TBD	Short list to be announced
To be announced	Oral Presentations (if necessary)
August 16, 2012	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, 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 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.

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

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. Structuring and analytic capability as well as experience performing financial advisory services for various types of organizations, including, in particular, state housing finance or development finance agencies, other governmental agencies, non-profit organizations or other similar organizations.
2. Qualifications of the staff to be assigned to perform 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 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. Provide background summaries on staff members who would be assigned routine responsibility for ADFA's account, indicating the year first employed by your firm. If employees to be assigned to ADFA'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 and/or 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 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 ADFA's account, 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 Categories of Service (outlined in the Attachment) you propose to perform as the Authority's 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. 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 no more than 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. Include in your response how you would conduct the financial advisory

services with ADFA and its staff, and, specifically, how you would serve as structuring agent for the single family housing program.

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 four 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 financial advisor fee 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. **Acceptance.** Submission of Proposals, in response to this Request for Proposal, constitutes acceptance of all conditions, requirements and limitations described in this document.

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. Advise on the need for and selection of national and local underwriters or the acceptance of an offer to purchase from an investor in the case of a private placement;
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 (when requested by the Authority);
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. 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 bond allotments, prepare for and participate in closing of financings, generate post bond sale analyses and reports on financing; and
14. 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.

Structuring Agent for Single Family Bond Transactions

1. Work with underwriters to develop marketable structure for bond issue;
2. Provide assistance with the Single Family Warehousing Program including volume considerations, short-term and long-term financing options and tax ramifications;
3. Prepare 32-year rule analyses in conjunction with draws on the Authority's drawdown bond program (tax-exempt warehousing facility);
4. Assist in developing rating agency presentations and follow-up, including agendas and required cash flow analyses;
5. Assist in the preparation of the preliminary and final official statements, ensuring the bond documents properly reflect the structure of the transaction;
6. Prepare final cash flows, 10-year rule analyses, 32-year rule analyses, bond redemption analyses, yield analyses, debt service reserve analyses and assist in analyses and preparation of yield memorandum for arbitrage certifications;
7. Prepare consolidated cash flows for both open indentures at least annually;
8. Assist with issues involving bond redemptions and universal cap considerations as they arise;
9. Provide GIC broker with information for guaranteed investment contracts, such as draw schedule and average life information;
10. Assist the agency with subsidy management and related yield runs/cash flow analysis.
11. Provide other advice/analysis as needed.

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 the areas of a financing relative to timing, method of sales (competitive versus negotiated), strategies, economic considerations, market conditions, maturity structures, interest rates, 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. Formulating, coordinating and participating in information meetings with institutional investors, credit analysts, underwriters and other public presentations as requested by the Issuer;
4. Provide pre-pricing books and pre-sale market analyses and updates, pricing recommendations and assistance in pricing negotiations;
5. Review underwriter compensation recommendations and assist in underwriter compensation negotiations; and
6. 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
TKG Advisors Ashley Dubra-Gales adgales@tkgadvisors.net ckm@tkgadvisors.net kpatterson@tkgadvisors.net	First Southwest Steve Kantor Steven.kantor@firstsw.com Steven.D.Johnson@firstsw.com
CSG Advisors Gene Slater gslater@csgadvisors.com bdetgen@csgadvisors.com fgibson@csgadvisors.com trittenhouse@csgadvisors.com	