

**ARKANSAS DEVELOPMENT FINANCE AUTHORITY
REQUEST FOR PROPOSALS FROM
UNDERWRITER
FOR
ARKANSAS DEPARTMENT OF CORRECTIONS
PROJECT
+/- \$29,000,000**

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.



January 14, 2009

**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 (ADFA) and the Arkansas Department of Corrections (ADOC) are requesting proposals from investment banking firms to serve as senior underwriter for the issuance of bonds utilizing the Prison Construction Trust Fund. The bonds would finance the expansion of the McPherson Unit, the repair of the Tucker/Tucker Max Wastewater Plant, and various energy savings projects. See Appendix A for details on these projects. The bond proceeds may also be used to fund the debt service reserve and cost of issuance.

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 February 3, 2009, 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 (geagle@adfa.state.ar.us), Vice President for Development Finance at 501-682-5905 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 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.

January 14, 2009	Request for Proposal Issued
February 3, 2009	Proposals Due @ 12:00 p.m.

February 19, 2009 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. The 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 February 19, 2009, 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.

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
 - 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 issue including relevance of presence to this transaction
2. Merits of the proposed financing structure including its creativity and cost effective goals of the program
 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. Assist in structuring the bond issue and allocating proceeds and costs by borrower;
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. 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;
11. Provide detailed Cost of Issuance breakdown in format requested by ADFA;
12. Review, comment and assist in the refinement of the financing plan for the projects; and
13. Cooperate with ADFA and its engaged professionals in the calculation of arbitrage rebates on an as needed basis.

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 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. ADFA and the firm selected will review selling group participants prior to the bond sale.

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 Arkansas Department of Corrections Project." 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.
3. **Financing Approach and Recommendation for the Financing Plan.** Please respond briefly to the following issues as you deem appropriate:
 - a. What financing structure would you recommend that ADFA take? Why?
 - b. What are likely credit concerns associated with the bonds? What credit rating would you expect to be assigned to the bonds? What strategy or approach would you recommend to maximize the credit rating?

- c. Who are likely investors for the bonds? Do you anticipate special marketing problems or issues associated with the bonds? Are there special marketing efforts that might make the bonds more attractive to non-traditional investors in tax-exempt bonds?
 - d. The \$12,985,000 ADFA Correction Facilities Revenue Refunding Bonds, 2003 Series A bonds (the bonds outstanding utilizing the Prison Construction Trust Fund created by Arkansas Code 22-3-1225) allows parity bonds, as long as the Net Receipts of the Fund are 120% of the debt service for all outstanding bonds. To ensure maximum flexibility for future transactions, if the 2003 bond issue is defeased and this requirement is eliminated, is it expected that a 120% requirement would be a requirement within the new issue, for future parity debt issuance?
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 their successfulness.
 6. **Investment Banking Fee Proposal.** The fee proposals are an important component of the evaluation process. State the basic assumptions on which your figures are predicated and any factors that would affect the proposal. In particular, we are interested in a specific proposal as to the management and/or structuring fee, expressed either as a flat fee or in terms of dollars per \$1,000. If a sliding scale is proposed (such as for par amount of bonds issued or number of borrowers in one deal), please indicate.

We are also interested in receiving from you an estimate of the anticipated average takedown for the sale and underwriting of the bonds and your reasonable expectation for a total spread, including expenses. Include takedowns for comparable deals. Recognizing that the takedown and 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 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
Arkansas Department of Corrections Project

Management/Structuring Fee \$ _____/\$1000
Average Takedown \$ _____/\$1000
Underwriters' Expenses \$ _____/\$1000

TOTAL - UNDERWRITER SPREAD \$ _____/\$1000 <i>Gross Spread</i>
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Expense Breakdown	(Maximum not to be exceeded)
Clearance	\$ _____
Computer	\$ _____
Travel	\$ _____
Syndication	\$ _____
Advertising	\$ _____
U/W Printing	\$ _____
Transaction Fees (MSRB, PSA, etc.)	\$ _____
Freight & Communications	\$ _____
Closing Expenses	\$ _____
Underwriter's Counsel Cost	\$ _____
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.

**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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