

**ARKANSAS DEVELOPMENT FINANCE AUTHORITY
REQUEST FOR PROPOSALS FROM
UNDERWRITER
FOR
DEPARTMENT OF ARKANSAS HERITAGE BUILDING
(DAH) PROJECT**

+/- \$10,000,000

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.



March 24, 2014

**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 Department of Arkansas Heritage (DAH) has been working with ADFa and the Arkansas Building Authority (ABA) on the acquisition, renovation and equipping of existing buildings at 1100 North Street, Little Rock, Arkansas. The project will also include the construction of a new building. The cost of the project is expected to not exceed \$10,000,000. ADFa will own the property, lease to the ABA who will then sublease to DAH. The team of bond professionals that is being assembled will need to assist DAH, ABA and ADFa in developing an optimal financing plan.

Brief Discussion of Statutory Responsibilities and Primary Activities of DAH:

The Department of Arkansas Heritage was created in 1975 to combine the state programs and agencies dealing most directly with the preservation of Arkansas's natural and cultural heritage. The Department's seven agencies are each assigned to one of two divisions. The Museums Division is comprised of the Delta Cultural Center, in Helena, and the Historic Arkansas Museum, the Old State House Museum, and the Mosaic Templars Cultural Center all located in Little Rock. The Heritage Resources Division is comprised of the Arkansas Arts Council, the Arkansas Natural Heritage Commission and the Arkansas Historic Preservation Program. The operation of the Department's Collection Management Facility was added in 2005.

The Department aggressively and successfully seeks federal and private funding to augment its biennial state funding. The DAH director's office coordinates the activities of the Department's two divisions. It administers activities that span the Department, including fiscal and personnel operations, purchasing, public information, and development. In the realm of heritage education, the Department coordinates the education programs of its two divisions and collaborates with the regional educational service cooperatives. Arkansas Heritage Month is a department-wide effort to promote cultural, historic, and natural heritage in local communities around Arkansas.

The Museums Division agencies preserve, present, and interpret historic structures, objects, and cultural assets. They serve as partners in education with public and private schools throughout Arkansas. The Department's four museums are the Old State House Museum (which also manages Trapnall Hall), the Historic Arkansas Museum, the Delta Cultural Center and the Mosaic Templars Cultural Center. The Historic Arkansas Museum and Old State House Museum are two of the seven museums in Arkansas accredited by the American Association of Museums. In 2005 DAH acquired 53,000 sq. ft. building for use as a collections storage facility.

The Heritage Resources Division agencies are concerned with the State's natural and cultural resources. The Arkansas Natural Heritage Commission identifies, preserves, and promotes Arkansas's natural resources that are rare, unique or endangered. The Arkansas Arts Council and the Arkansas Historic Preservation Program identify, preserve, and promote the State's cultural resources while serving as conduits for federal and state grant funds that conserve or develop these resources.

The Department currently maintains: 35 buildings (of which 24 are historic structures that require special maintenance needs), approximately 75,500 artifacts in the 4 museum collections, a nationally recognized herbarium with over 6,500 plant specimens, a collections storage facility of 50,000 square feet and over 58,000 acres (7 sites) of natural areas across the state. Current General Revenue does not cover basic operations such as utilities, office rent, telephones, and maintenance. Nine percent of the annual proceeds from the Conservation Tax are dedicated to the Department to provide additional programs and to supplement-not replace-general revenue funding for basic operating expenses. With these additional funds, DAH historic sites, museums, arts programs, natural areas, public education programs, and public outreach initiatives are maintained and available to the public. The Department continues its commitment to the voters to use these proceeds to fund improvements to and adequately care for historic structures, artifacts in museum collections natural areas held in trust for Arkansas, encouragement of the arts historical documentation, and the expansion of knowledge of Arkansas's unique heritage from prehistoric times to the present.

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 April 4, 2014, 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 Brad Henry (brad.henry@adfa.arkansas.gov), Vice President for Development Finance at 501-682-5905, Charlie Lynch (charles.lynch@adfa.arkansas.gov), Economic Development Officer at 501-682-5910 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.

March 24, 2014	Request for Proposal Issued
April 4, 2014	Proposals Due @ 12:00 p.m.
TBA	Oral Presentations (if necessary)
April 17, 2014	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 the DAH Building 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. 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 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. 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.
 - d. Provide ADFA with the proposed scale for the bond issue assuming the bonds were to be priced as of the market close of business, April 4, 2014. This is not a bid. ADFA is interested in learning more about pricing thoughts, ideas and structures.
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

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

<p>TOTAL - UNDERWRITER SPREAD \$ _____ /\$1000 <i>Gross Spread</i></p>
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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	\$ _____
Other (please specify)	
_____	\$ _____
_____	\$ _____
TOTAL	\$ _____

ADFAs 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, ADFAs will assume there will be no charge for same day funds.