

Request For Quote (RFQ)

State Board of Administration of Florida

Selection of a Pool of Firms to Provide Real Estate Audit, Tax and Other Agreed Upon Procedures Services

Schedule of Events:

Event:

Issue Date:

Request for Clarification:

Responses to Request for Clarification:

Response Deadline:

Date:

May 24, 2021

June 11, 2021, 4:00 P.M. (EST)

June 18, 2021

Will be posted on the SBA website
4:00 P.M. (EST)

July 1, 2021, 4:00 P.M. (EST)

Interviews, if needed, will be held in August 2021. Respondents selected for interviews will be notified at least one week prior to the interview.

Anticipated Award Date:

September 2021

Designated Contact:

Jennifer Williams

State Board of Administration of Florida

1801 Hermitage Boulevard, Suite 100

Tallahassee, Florida 32308

Phone: (850) 413-1281

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Please do not contact other SBA staff regarding this proposal request. Direct all correspondence during the proposal process to the contact listed above.

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Section I: Purpose of the RFQ

The State Board of Administration of Florida (SBA) is issuing this Request for Quote (RFQ) for the purpose of soliciting proposals from reputable accounting/audit firms (hereinafter referred to as Respondents) with sufficient resources to serve in a pool of firms (hereinafter referred to as the Pool) to provide audit, tax, review, agreed upon procedures and other advisory services to SBA real estate title holding entities (Entities) (as detailed in Exhibit A). The SBA Audit Committee intends to create a pool of firms, for a period of up to five years, that can provide the most efficient and cost-effective services, as needed, for these entities.

Each SBA real estate title holding entity is governed by its own Board of Directors (or similar body if not organized as a corporation) (BOD), whose members consist exclusively of SBA executive service staff. The Respondents selected to serve in the Pool will be eligible to perform audits, tax services and other agreed upon procedures as directed by the BODs. See Section VIII for Evaluation Criteria. The Respondents selected for the Pool must agree to execute agreements that include contractual language providing for the performance of audits, tax services and other agreed upon procedures on an ad hoc basis.

Once the Pool is selected, when audit, tax and other agreed upon services are needed by an SBA real estate title holding entity, its BOD will instruct the SBA's real estate investment advisors to request quotes from at least three Pool members. The BODs will select the individual audit firms to conduct the specific services. The firm selected from the Pool by a BOD will be contracted for and paid by the SBA real estate title holding entity and will report directly to the BOD of the contracting entity.

A BOD, with SBA Audit Committee concurrence, is not obligated to use the Pool and may choose to fulfill its needs in ways that do not require the services of the Pool. Selection of a Respondent under this RFQ to be included in the Pool in no way guarantees or assures that a BOD will decide to pursue the services of the Pool or any particular Respondent selected to participate therein for any audits or special projects.

As always, the SBA reserves the right to withdraw this RFQ or a portion of this RFQ, at any time prior to the final award.

Section II: Background Information

Organization of the SBA

The SBA¹ was established on June 21, 1929, pursuant to Chapter 14486, 1929, Laws of Florida, and was subsequently created as a constitutional body corporate on January 1, 1943. The SBA provides a variety of investment and trust services to various governmental entities. These investment services include managing the assets of the Florida Retirement System (FRS) Pension Plan, the Lawton Chiles Endowment Fund, the Local Government Surplus Funds Trust Fund (aka Florida PRIME), the Florida Hurricane Catastrophe Fund (FHCF), and a variety of other mandates. The assets under SBA management have a market value of approximately \$235 billion as of December 31, 2020.

¹ Other information on the SBA is available online at <http://www.sbafla.com/>.

Governing Authority

The Governing Board of the SBA (herein referred to as the “Trustees”) is comprised of Florida’s Governor (as Chair), Chief Financial Officer, and Attorney General. All three are elected statewide to their respective positions as Governor, Chief Financial Officer, and Attorney General.

Administrative Structure

The Trustees delegate authority to the Executive Director & Chief Investment Officer (CIO), who serves at the discretion of the Trustees and is responsible for managing and directing all administrative, personnel, budgeting, investment policy, and investment functions.

Independent Oversight Committees Applicable to Real Estate

1. The Trustees appoint nine members to serve on the Investment Advisory Council (IAC). The IAC provides independent oversight of SBA’s funds and major investment responsibilities. The IAC meets on a quarterly basis.
2. The Trustees appoint three members to serve on the SBA Audit Committee. The Audit Committee assists the Trustees in fulfilling their oversight responsibilities in the areas of financial reporting, internal controls and risks assessment, audit processes, and compliance. The Audit Committee meets at least on a quarterly basis.

FRS Pension Plan

The FRS Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. It is one of the largest public retirement plans in the U.S. and comprises roughly 80 percent of total assets under SBA management. The SBA’s commitment to maximizing returns over the long term, subject to risk considerations, is key to ensuring the FRS Pension Plan continues to help retirees meet their financial goals. Plan assets are broadly diversified across and within six public- and private-market asset classes: Global Equity (both developed and emerging markets), Fixed Income, Strategic Investments, Private Equity, Real Estate, and Cash.

At over 80% funded, the FRS Pension Plan continues to be among the best funded plans in the U.S. and has \$183 billion in assets as of December 31, 2020.

Real Estate Asset Class

The Real Estate Asset Class consists of approximately 8.8 percent of the FRS Pension Plan as of December 31, 2020. The primary responsibility of the Real Estate asset class is to invest in private real estate and real estate securities in order to provide diversification to the FRS, a hedge against inflation, and a competitive total return on a risk-adjusted basis. The Real Estate team manages investments in direct-owned (including wholly-owned, joint ventures, and development), pooled, and REIT strategies.

In most cases, the FRS’s direct investments in real estate properties are acquired by and held in SBA owned or controlled Title Holding Entities (Entities). These are legal entities separate and apart from the SBA and the FRS, and each Entity has its own governing body, e.g. Board of Directors (BOD), if structured as a corporation, each consisting of the SBA’s Senior Investment Officer of Real Estate, the SBA Chief Operating/Financial Officer, and the SBA General Counsel.

The SBA utilizes external Investment Advisors to provide investment advice and to carry out the investment and administrative operations of the Entities, including maintenance of the accounting

records. As such, books of record are located at the respective Investment Advisor's address. With input from the Investment Advisors, the SBA also selects property management companies to perform property management and leasing services.

See Exhibit A for a list of the Entities and their related Investment Advisor/address, Property Manager, and other property information.

Section III: Scope of Services

The scope of services may consist of audit, tax, review, agreed upon procedures or other advisory services which will be determined as the need arises. These services may be provided to the Entities in specific geographic areas. As such, the SBA will consider including qualified regional and local firms in the Pool.

Each BOD will approve the scope of services, deliverables, and timeline for each engagement for which proposals will be solicited from the Pool. Upon approval, the scope of services, deliverables, and timeline will be sent to at least three firms in the Pool who will be asked to submit a condensed proposal, including fee quote, specific to those services. The BOD will review the proposals and engage one or more firms for the proposed scope of services.

Typically, the types of services required are as follows:

1. Audit of the financial statements of the Entities as identified in Exhibit A. Books of record are located at the Investment Advisor's address listed on Exhibit A.
 - a. The audit report should express an opinion as to whether the financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States.
 - b. The audit should be conducted in accordance with the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.
 - c. The Statement of Auditing Standards 114 letter (SAS 114 Letter) should be addressed to the management of the entity and the BOD.
 - d. A management letter that communicates ways to improve the efficiency of the entity's operations or other recommendations concerning internal controls should be addressed to the management of entity and the BOD.
2. Tax Services
 - a. Prepare local, state, and federal tax returns and supporting schedules for certain entities as detailed in Exhibit A. The engagement may be limited to review of tax returns only.
 - b. Determine whether all applicable local, state, and federal tax requirements have been complied with.
 - c. Determine whether all appropriate local, state and federal taxes are filed and/or paid on time.
 - d. File tax returns with the appropriate regulatory entity.
3. Other agreed upon procedures as deemed necessary

Section IV: Deliverables

The firm selected from the pool to perform the required services must provide the following deliverables to the BOD:

1. Interim Progress Reports
2. Draft Reports
3. Final Reports
4. Presentation of Final Reports and Required Communication to the Board of Directors

Section V: Minimum Qualifications

Respondents must be able to affirmatively respond to each of the following statements in order to be considered for the Pool:

1. The Respondent's key professionals, consultants, and the organization must disclose any actual or potential conflict of interest that may impair the Respondent's independence from the SBA in accordance with AICPA standards at a minimum. The Respondent agrees to keep such disclosures current with each solicitation.
2. The Respondent agrees to the active and onsite participation (onsite at the relevant Entity) of its principal or partner and senior level staff.
3. The Respondent must accept and enter into a written Master Services Agreement (MSA) as defined below in Section VI as supplied by the BOD. The anticipated MSA is included as Exhibit E. Final language will be negotiated in the MSA negotiation phase.
4. The Respondent must confirm that, if selected, it will cooperate with agents or public bodies of the State of Florida as directed by the SBA Audit Committee.
5. The Respondent must confirm that, if selected, it will be available to make presentations to the BOD, or other persons, bodies or organizations as determined necessary or appropriate by the SBA Audit Committee.
6. The Respondent must confirm that, if selected, it will agree that in the event the SBA, the SBA Audit Committee, or the Trustees become a party to, or become involved in any litigation or other proceeding in connection with any of the services or activities contemplated by this RFQ, the Respondent, if selected, will cooperate with the SBA, the SBA Audit Committee, the Trustees and the court or other authority in all related matters, including, without limitation, discovery requests, providing testimony and otherwise appearing in court.
7. The Respondent must confirm that, if selected, upon the issuance of deliverables as outlined in this RFQ, the Respondent will provide copies of the workpapers to the SBA upon request.

Section VI: Required Information

The purpose of this section is to identify the information that should be submitted in response to the RFQ, and the order in which it should appear in the proposal response package. Each proposal response package should include the following, in the order listed below:

1. Cover Letter

The proposal shall contain a cover letter addressed to the designated contact identifying the Respondent's name and principal address. Provide the name, telephone number and email address of a person authorized to represent the Respondent regarding all matters related to the proposal. The cover letter shall explicitly affirm the following:

- a. The Respondent has thoroughly reviewed the RFQ and understands the requirements and the scope of services to be performed.
- b. The Respondent has the current capability to provide the proposed services and is able to provide services to a reasonable number of Entities within a particular geographic area. If geographic area is limited, please identify the applicable service areas and entities.
- c. The Respondent has reviewed the minimum qualifications set forth in Section V of this RFQ and accepts/confirms each statement therein.
- d. The Respondent acknowledges and accepts all terms and conditions included in the RFQ.
- e. A person authorized to bind the Respondent to all commitments made in its proposal is the signatory of the cover letter.

2. Services Questionnaire

The Respondent shall complete and submit the Services Questionnaire attached hereto as Appendix I. When completing the questionnaire, the Respondent must give clear, concise, definitive replies to all questions, restating each question in bold face type and using no smaller than twelve (12) point font, with its response directly below. The length of responses to individual questions are at the discretion of the Respondent; however, responses are expected to be brief, to contain full and fair disclosure of essential elements, and should not be redundant or contain references to an appendix or attachment, except as specified within this RFQ. The entire response should be limited to no more than thirty (30) pages using twelve (12) or larger type font. Tables and graphs are exempt from the font requirement, but must be readable. Any omitted or incomplete responses may eliminate a Respondent from evaluation.

3. Service Requirements Affirmation Statement

The response shall include a signed copy of the Service Requirements Affirmation Statement attached hereto as Appendix II.

Section VII: Proposal's Terms and Conditions

The purpose of this section is to indicate the terms and conditions that will govern the submission and review of proposals made in response to the RFQ.

1. Completeness

A response must be complete, and must include a cover letter, responses to service questionnaire, and affirmation statement, on the date submitted. Additional information submitted after the original response or separate from the original response will not be

considered unless additional information was specifically requested by the SBA and then only to the extent requested. Incomplete responses may be eliminated from further consideration.

2. Requests for Modification of a Response

A Respondent to this RFQ may withdraw and modify its response prior to the response deadline specified in item # 5 below, only upon written request and approval by the SBA. A request for modification of any response must be in writing to Jennifer Williams at Procurement@sbafla.com and must adequately explain the reasons for the request to modify the response. If the SBA approves the request, a modified response may then be submitted. The SBA will not consider modifications offered in any other manner, whether oral or written. Under no circumstances may the Respondent modify a response unilaterally at a date or time subsequent to the response deadline specified in item # 5 below. The SBA may, however, permit any Respondent to modify its response after the deadline specified in item # 5 below, if the SBA determines that such modification is in the best interests of the SBA.

3. Respondent Guarantees

All terms and conditions submitted in response to the RFQ (all parts) must be guaranteed to remain effective and may not be changed, amended, modified, qualified, or otherwise altered by the selected Respondent(s) for a period beginning on the date of the response filing deadline for this RFQ, and ending at the conclusion of the Master Services Agreement (MSA) as defined below in number 10. All fees and charges, as proffered in response to this RFQ must be guaranteed for the term of the MSA.

4. Request for Clarification

All questions regarding the clarification of any requirement, standard, or question in this RFQ must be received by the SBA no later than June 11, 2021, 4:00 P.M. (EST).

Requests for clarification should be sent via e-mail to: Procurement@sbafla.com.

The SBA reserves the right to accept or reject any or all requests for clarification, either in whole or in part, and may require requests to be clarified or supplemented through additional written submissions. Respondents will be notified in the event of rejection of a request for clarification.

Oral requests for clarification will not be accepted.

Written requests for clarification accepted by the SBA, along with the corresponding clarifications, will be posted on the SBA website at www.sbafla.com under [“Doing Business with the SBA”](#). Respondents unable to download responses should direct their requests for electronic copy via e-mail to Procurement@sbafla.com. Such clarifications shall be considered an addendum to and, as such, an integral part of this RFQ.

The SBA does not guarantee the validity or reliability of information obtained from other sources. If it becomes necessary to revise any part of this RFQ, an addendum will be posted on the SBA website at www.sbafla.com under [“Doing Business with the SBA”](#), and may be provided directly to the Respondents/Finalists upon request. **The Respondent is responsible for checking the website for any addendums or updates.**

5. **Response Deadline**

To be considered for this engagement, a Respondent must submit a proposal that demonstrates the ability to comply with Sections III, IV, and V of this RFQ no later than 4:00 PM (EST) on July 1, 2021.

Please submit an electronic copy of your response in PDF format to Procurement@sbafla.com in the following format: reference the RFQ title in the subject line; preferred RFQ response format is a single searchable .pdf document; any questions should be emailed to the designated contact: Jennifer Williams: Procurement@sbafla.com. Procurement@sbafla.com in the following format: reference the RFQ title in the subject line; preferred RFQ response format is a single searchable .pdf document; any questions should be emailed to the designated contact: Jennifer Williams: Procurement@sbafla.com.
6. **SBA and SBA Audit Committee Not Liable for Respondent's Cost**

Neither the SBA nor the SBA Audit Committee shall be liable or responsible for any costs incurred by any Respondent responding to this RFQ or prior to the issuance of an MSA. The SBA shall pay costs incurred by the selected Respondent(s) after the issuance of the MSA in accordance with the applicable compensation schedule as agreed upon by the SBA and the successful Respondent(s). The SBA will not pay expenses and costs incurred outside the scope of the applicable compensation schedule.
7. **Respondent's Responsibility**

Each Respondent should be familiar with the service requirements and the work to be performed before submitting a response. All proposals shall remain valid for at least 180 days from the date of submission.
8. **Oral Interview**

Respondents that submit a proposal in response to this RFQ may be required to give an oral presentation(s) of their proposals to the Evaluation Team or the SBA Audit Committee. Should oral presentations be requested, each selected Respondent will be given an opportunity to clarify or elaborate on its proposal. The Evaluation Team or the SBA Audit Committee will determine the occurrence, date, time, and location of such presentation(s) if needed.
9. **Rejection of Response**

The Evaluation Team will be the sole judge of the Respondent's responsiveness to the RFQ and reserves the right to reject, in whole or in part, any or all responses, with or without cause, without incurring any liability whatsoever. The Evaluation Team may also waive any material or immaterial defect in a response or deviation from the requirements of this RFQ. Any waiver exercised under this section will not modify any provision of this RFQ.
10. **Master Services Agreement Execution**

After selection of the finalists, the SBA will enter into negotiations for Master Services Agreement (MSA) with the selected Respondent(s) to finalize terms, hourly rate, and conditions. This RFQ and the selected Respondent(s) proposal(s), or any part thereof, may be included in and made a part of the final MSA. The resulting MSA and all attachments shall be considered a public document. See Exhibit E for anticipated MSA.

If, in the opinion of the SBA, an acceptable MSA with the selected Respondent or Respondents cannot be reached, the SBA reserves the right to terminate MSA negotiations

with the selected Respondent(s) and/or to take any other actions, in its sole discretion, as contemplated by this RFQ.

MSA Term

The term of the MSA with the Pool is anticipated to be five (5) years. The MSA will be subject to termination by the SBA upon written notice given under the terms and conditions of the MSA.

The SBA Audit Committee retains sole discretion to decide not to utilize the services of the selected Respondent. Issuance of this RFQ in no way constitutes a commitment by or obligation of the SBA to enter into any MSA.

11. False or Misleading Statements

Any response which contains false or misleading statements, or which provides references which do not support an attribute, condition, or capability claimed in the response document, will not be considered by the SBA or the SBA Audit Committee if, in the opinion of the SBA or the SBA Audit Committee, such false or misleading statement was intended to mislead the SBA or the SBA Audit Committee in its evaluation of the response.

12. Collusion

By responding, the Respondent represents that the proposal is not made in connection with any competing Respondent submitting a separate response to the RFQ and is in all respects fair and without collusion or fraud. It is further represented that the Respondent did not directly or indirectly induce any party to submit a false or sham proposal or to refrain from proposing. In addition, the Respondent represents that it did not participate in the RFQ development process, had no knowledge of the specific contents of the RFQ prior to its issuance, and that no employee of the SBA participated directly or indirectly in the Respondent's proposal preparation.

13. Conflicts of Interest

The Respondent must disclose within its proposal whether any officer, director, employee, or agent is also a current or former employee of the SBA. All Respondents must further disclose any factors, financial or otherwise, known to them which may give rise to a conflict of interest between the Respondent and the SBA and its employees, or have the effect of impacting the ability of the Respondent to meet its responsibilities, duties, and obligations to the SBA, as set forth in this RFQ.

14. Quiet Period

The Respondent (its agents, officers, principals, and employees, including any individual assisting the Respondent in this process) will not engage in any written or verbal communication during the "selection period" (defined below) with the SBA (including the Trustees, the Trustees' staff, SBA Executive Director & CIO, the Evaluation Team, or any SBA employee, whether or not such individual or employee is assisting in the selection of the Respondent) or the SBA Audit Committee regarding the merits of the Respondent, or regarding whether the SBA should retain or select the Respondent. An exception is given for the Procurement Manager. Any unauthorized contact may disqualify the Respondent from

further consideration. Normal business communications are allowed for current SBA service providers who are also RFQ respondents.

The Respondent, its agents, officers, principals, employees, or lobbyists will not engage in any lobbying efforts or other attempts to influence the Trustees, the Trustees' staff, SBA Executive Director & CIO, the Evaluation Team, SBA employees, or the SBA Audit Committee in an effort to be selected. Any and all such efforts made by the Respondent or its agents, officers, principals, employees, or lobbyists will be disclosed by the SBA Respondents to the Procurement Manager within five (5) calendar days of its becoming known.

The "selection period" for this RFQ begins on May 24, 2021 and will continue until the final selection has been announced or the selection process is otherwise concluded.

Nothing herein shall preclude the SBA from seeking clarification about the substance of the response to the RFQ within the time frame as provided herein. Nothing herein shall preclude a Respondent from seeking a request for clarification as provided herein.

15. Disclosure of Response Contents

All material submitted by Respondents shall become the property of the SBA and will not be returned. Proposals submitted may be reviewed and evaluated by persons designated by the SBA, in its sole discretion. Pursuant to Chapter 119, Florida Statutes (F.S.), the Florida Public Records Law, proposals submitted in response to the RFQ are public records and must be made available for inspection in accordance with the provisions of this chapter. If information is provided that could reasonably be ruled a "trade secret" as defined in Section 812.081, F.S. include such information in a separate attachment clearly marked "Trade Secret Information." Include a table of contents within this attachment with a detailed listing of and explanation for EACH item marked as a "trade secret." **Designation of items as "trade secrets" by Respondents is not dispositive and does not guarantee that the items will not ultimately be disclosed pursuant to Chapter 119, F.S.** Florida places a high priority on the public's right of access to governmental meetings and records.

16. Further Instructions and Conditions

- a. All responses to this RFQ must conform to these instructions. Failure to conform may be considered appropriate cause for rejection of the response.
- b. Terms and conditions of the RFQ – Submission of a response indicates the Respondent's acceptance of the conditions contained in this RFQ, unless clearly and specifically noted in the response submitted and confirmed in the MSA between the SBA and the Respondent selected.
- c. Conformance with statutes – Any MSA awarded as a result of this RFQ must be in full conformance with statutory and other legal requirements of the State of Florida.
- d. Timing and sequence – The timing and sequence of events resulting from this RFQ will be determined solely by the SBA.
- e. Oral agreements – No oral response, offer or other discussion between a Respondent and the SBA or any employee of the SBA shall constitute a valid MSA or other agreement. All MSA's must be in writing and signed by the parties. Any alleged oral agreement or

arrangement made by a Respondent with the SBA and any employee of the SBA or SBA Audit Committee shall be superseded by the written MSA between the SBA and such Respondent.

- f. Amending or withdrawing the RFQ – The SBA reserves the right to amend or withdraw this RFQ, at any time prior to the final award, at its sole discretion.

Any corrections or amendments to this RFQ will be issued by the SBA, will be identified as a correction or amendment, and will be posted on the SBA website.

Corrections or amendments made in any other manner will not be binding. It is the responsibility of the Respondent to obtain all corrections or amendments.

- g. Rejection for default or misrepresentation – The SBA reserves the right to reject the response of any Respondent that is in default of any prior MSA, for misrepresentation, or otherwise as determined by the SBA.
- h. Clerical errors – The SBA reserves the right to correct inaccurate awards resulting from its clerical errors.
- i. Respondent’s presentation of supporting evidence – A Respondent, if requested, must be prepared to present evidence of experience, ability, service facilities, and resources necessary to satisfactorily meet the requirements set forth or implied in its proposal.
- j. Right to reject previous vendors – The SBA reserves the right to reject a proposal by a Respondent that has previously provided work to the SBA or whose services have been previously rejected by the SBA. Dispute Resolution – The MSA shall not include binding arbitration provisions, such as those typically found in Alternative Dispute Resolution Procedures.
- k. Respondent’s Credentials – The SBA may make such investigations, as deemed necessary, to determine the ability of the Respondent to perform the services specified in this RFQ. The SBA reserves the right to reject any response if the evidence submitted by the Respondent fails to satisfy the SBA that the Respondent is properly qualified to carry out the obligations of the MSA.
- l. Proposal Content and Format – In determining the capabilities of a Respondent to perform the services specified herein, the information required in this RFQ must be provided by the Respondent and will be weighed by the Evaluation Team as indicated in Section VIII below. **(Note: Each requirement must be thoroughly addressed. Taking exception to any requirement listed in the RFQ may disqualify the response.)**

Section VIII: Evaluation Criteria

The SBA Audit Committee in conjunction with the SBA Chief Operating/Financial Officer will appoint an Evaluation Team. The Evaluation Team will evaluate the written responses to this RFQ, select a short list of Respondents to interview (if needed) and recommend a Pool to the Audit Committee for approval.

The Evaluation Team will assign a score for each category in the table below for each Respondent. The score of each member of the Evaluation Team will be aggregated to establish an overall ranking to create a short list of Respondents to interview, if needed. If the Evaluation Team, in its sole discretion, decides not to do an interview, the overall ranking shall be used to identify the Respondent(s) to be recommended for inclusion in the Pool.

The SBA Audit Committee has the sole/final authority to approve the recommendation of the Evaluation Team and to determine the number of Respondents that would comprise the SBA's Pool.

The Evaluation Team will utilize the following broad scoring categories:

Resources and range of services offered	40%
Experience, qualifications, specialized capabilities and expertise	40%
Overall completeness & clarity of response	15%
Fee proposal	5%
Total	100%

Commitments made by the Respondents at the interviews (if needed) will be considered binding.

The SBA encourages small business enterprises, including those owned by women, minorities, and service disabled veterans as defined in Section 288.703 and 295.187, F.S., to respond.

Appendix I: Services Questionnaire

Responses to each item below should appear in the same order as listed in this RFQ. Please restate each item in bold face type at the beginning of an answer. Your entire response should be limited to no more than thirty (30) pages using twelve (12) or larger type font. The SBA requires direct answers to each item and does not require generalized marketing information.

- A. Give a brief overview of your firm: firm's history, year founded, ownership structure, and location of firm's headquarters. Also, provide your firm's contact information.

Firm name:

Contact person (name, title):

Address:

Telephone/fax:

E-mail/website:

States in which your firm is authorized to provide audit and tax services:

- B. If the Respondent is a firm/corporation, provide the names and locations of key personnel² who will oversee various services performed for the SBA and provide a résumé on each person, including any other professional or academic qualifications, and experience. Also, indicate their length of employment with the firm and provide references from clients that are familiar with the key personnel.

If the Respondent is a sole proprietor, state the name of the individual responsible for potential services performed for the SBA, provide a résumé, including any other professional or academic qualifications and experience.

- C. The SBA supports diversity and encourages participation of small and minority business enterprises. In order to identify minority, woman and service disabled owned businesses or other firms which actively pursue providing opportunities to minorities, women and service disabled veterans, provide the following information. Indicate if your firm is a minority-owned business, a woman-owned business or a service disabled veteran-owned business and identify the principal shareholders who qualify your firm for that classification. Indicate the percentage of professionals within your firm who are minorities, women or service disabled veterans and list the number of positions of any minority professionals. Provide a brief description of your firm's minority hiring/equal employment opportunity program.
- D. Describe the range of services your firm provides, including your firm's methodology, tools, and available resources for those services.
- E. Describe your firm's experience, qualifications, specialized capabilities and expertise related to the services described above.

² Key personnel include partners and senior managers.

- F. Describe your firm's experience, qualifications, specialized capabilities and expertise related to providing audit and tax services to the following industries:
 - 1. Commercial real estate investments
 - 2. Agriculture real estate investments
 - 3. Large public pension funds and/or investment management
- G. Describe your approach to tax compliance work and how your tax services are integrated with the audit.
- H. Describe how your firm will discuss any material potential issues with those charged with governance.
- I. Describe how your firm handles routine phone calls and minor research or consultations. Please indicate if any fees are charged and, if so, the rate.
- J. Describe how much assistance you would normally expect from the client's personnel.
- K. Demonstrate your capability for protecting confidential information.
- L. Describe how you will keep the SBA Audit Committee and the SBA Management informed of industry trends and developments that affect our business as well as how your firm identifies and shares industry best practices.
- M. Detail programs you have in place to help ensure that clients are satisfied with your services.
- N. Set forth a fixed hourly rate by professional staff level such as, Partner, Senior Manager, Manager, Senior Auditor, etc. In addition, describe your firm's approach to out of pocket expenses. Specifically, identify out of pocket expenses that may be charged.

The fee proposal will be a factor in the selection process. However, the SBA is not required to select the lowest bidder.

- O. Submit a copy of the report of your firm's most recent external quality control review with a statement of whether the quality control review included a review of governmental engagements. (Please submit a copy of the full report, including any comments, as an attachment to the proposal. The full report submitted is excluded from the 30-page limit.)
- P. Describe the levels of coverage for errors and omissions insurance and/or professional liability insurance your company carries. List the insurance carriers, insurance type and coverage amounts.
- Q. Is your firm currently being or has it been investigated by the Florida Department of Financial Services, the Attorney General of the State of Florida, or any other court or regulatory body, within the last five (5) years? If yes, please explain. Describe any disciplinary action taken or pending against your firm during the past three (3) years with state regulatory bodies or professional organizations.

- R. Has your firm been a party to any litigation, regulatory or other legal proceedings or government investigation involving allegations of fraud, negligence, and criminal activity within the last five (5) years? If so, please describe the issue and the final outcome or current status.
- S. The SBA contemplates that the MSA will not include binding arbitration provisions, such as those typically found in Alternative Dispute Resolution Procedures. Please indicate your firm's position related to this provision.
- T. List and describe non-audit work performed for the SBA or any entity under the oversight of the SBA for the past five (5) years and why this work would not impair the firm's independence in performing audits.
- U. Disclose whether any officer, director, employee, consultant, or agent is also a current or former employee of the SBA. All Respondents must further disclose any factors, financial or otherwise, known to them which may give rise to a conflict of interest between the Respondent and the SBA and its employees or between the Respondents and any member of the SBA Audit Committee, or have the effect of impacting the ability of the Respondent to meet its responsibilities, duties and obligations to the SBA, as set forth in this RFQ.
- V. References
Provide three (3) client references for which the Respondent has performed services similar to the services outlined in this RFQ. Include relevant contact information for the clients.

Appendix II: Service Requirements – Affirmation Statement

By inclusion and execution of the statement provided herein, Respondent certifies that:

- The selection of the Respondent will not result in any actual or potential conflict of interest with the SBA or the SBA Audit Committee. Alternately, should any potential or existing conflict be known by the Respondent, the proposal shall specify the party with which the conflict exists or might arise, the nature of the conflict and whether the Respondent would step aside or resign from that engagement creating the conflict.
- The proposal is made without prior understanding, agreement, or connection with any corporation, Respondent, or person submitting a proposal for the same services, and is in all respects fair and without collusion or fraud.
- The selection of the Respondent will not violate Section 215.684, Florida Statutes, which prohibits the State from selecting certain providers that have been convicted of or entered a plea of nolo contendere to fraud within a period of two (2) years of such conviction.
- The Respondent and the agents, officers, principals, and professional employees thereof have not and will not participate in any communication prohibited in this RFQ.
- The Respondent's responses to the RFQ are those of the Respondent and have not been copied or obtained from any other Respondent responding to any other RFQ or competitive proposal whether in Florida or elsewhere either in the past or present.

The Respondent hereby agrees to abide by all conditions of this RFQ for Selection of a Pool, and I hereby certify that all information provided in this response is true and correct, that I am authorized to sign this response for the Respondent and that the Respondent is in compliance with all requirements of this RFQ, including but not limited to, requirements in this appendix.

Authorized Signature (Manual)

Name and Title (Typed)

Date (Typed)

EXHIBIT A WHOLLY-OWNED TITLE HOLDING ENTITIES														
Updated May 5 2021														
	Investment Location	Property Type	Investment Advisor Location	Property Mgt Co.	Units	# Tenants (approx)	Square Feet	Acquisition Date	Year End	Market Value	Debt Balance Lender	Maturity Date	Current Firm	Tax Requirements
1	278 Post Street, Inc. San Francisco, CA	Retail	Heitman Chicago, IL	Madison Marquette		5	73,074	9/24/1998	31-Mar	\$101.6M	N/A	N/A	Ernst & Young	State: CA 199
2	NALI Portfolio, LLC Various Locations	Industrial	Heitman Chicago, IL	Jones Lang LaSalle		40	9,012,377	2010 - 2012	31-Mar	\$745.8M	\$323.5M MetLife	9/1/2026	Ernst & Young	TX & CA State Filings
3	Portico Apartments Investor LLC Sunrise, FL	Apartment	Heitman Chicago, IL	ZRS Management	417		433,397	6/5/2019	31-Mar	\$123.3M	N/A	N/A	Ernst & Young	N/A
4	Colony at the Lakes LLC West Covina, CA	Apartment	MetLife Atlanta, GA	Legacy	450		411,667	6/26/2019	31-Mar	\$174.5M	N/A	N/A	Cohn Reznick	State: CA 199
5	Astoria Central Park West, Inc. Irvine, CA	Apartment	Heitman Chicago, IL	Pinnacle	240		382,175	10/12/2006	30-Jun	\$156M	N/A	N/A	Ernst & Young	State – CA 199
6	Dimension Seattle, Inc. Seattle, WA	Apartment	Heitman Chicago, IL	Holland Residential	298		191,982	9/21/2015	30-Jun	\$132.9M	\$72.0M Mass Mutual	10/10/2025	Ernst & Young	N/A
7	Linton Delray, LLC Delray Beach, FL	Retail	Heitman Chicago, IL	Madison Marquette		35	313,913	7/21/2015	30-Jun	\$98.5M	\$41.6M Allianz Life Ins. Co.	9/10/2023	Ernst & Young	N/A
8	Sunrise Harbour Multifamily, Inc. Ft. Lauderdale, FL	Mixed Use (APT / RTL)	Invesco Real Estate Dallas, TX	ZRS	368	4	425,403 Apartment 7,075 Retail	1/1/2002	30-Jun	\$189.2M	\$75.2M Prudential	8/1/2027	RSM	N/A
9	Airport North Industrial, Inc. Miami, FL	Industrial	L&B Realty Advisors Dallas, TX	Butters Realty & Management	N/A	4	899,708	12/28/2012	30-Jun	\$140.5M	N/A	N/A	KPMG	N/A
10	Cheli Distribution Center, Inc. Bell, CA	Industrial	L&B Realty Advisors Dallas, TX	Cushman & Wakefield		25	1,515,345	5/30/2003	30-Jun	\$240.7M	\$80M Nationwide Life Insurance	N/A	KPMG	State: CA 199
11	Two Nine North, Inc. Boulder, CO	Apartment	L&B Realty Advisors Dallas, TX	Lincoln Property Co.	238		26,720	7/30/2014	30-Jun	\$115.2M	N/A	N/A	KPMG	N/A
12	Orchard Commons LLC San Jose, CA	Office	MetLife Atlanta, GA	Cushman & Wakefield		7	319,864	7/7/2017	30-Jun	\$125.1M	N/A	N/A	RSM	State: CA 199
13	First Portland Portland OR	Office	Stockbridge Atlanta, SFO	Colliers International		1	185,809	9/8/2017	30-Jun	\$107.9M	\$41.3M Nationwide Life Insurance	12/1/2024	RSM	N/A
14	Centrewood Drive Apartments, Inc. Centreville, VA	Apartment	Heitman Chicago, IL	Bozzuto	686		586,698	10/18/1994	30-Sep	\$174M	N/A	N/A	Ernst & Young	N/A
15	Greenridge Shops, Inc. Greenville, SC	Retail	Heitman Chicago, IL	Colliers International			479,207	1/28/2016	30-Sep	\$109.3M	N/A	N/A	Ernst & Young	N/A
16	Pierhouse Channelside, Inc. Tampa, FL	Apartment	Heitman Chicago, IL	ZRS Management	356		322,460	2/11/2014	30-Sep	\$91.6M	N/A	N/A	Ernst & Young	Fed & FL temp
17	Stadium Apartments CSU Ft. Collins, CO	Student Housing	Heitman Chicago, IL	B.Hom Student Living	102		151,774	11/16/2018	30-Sep	\$51.2M	N/A	N/A	Ernst & Young	N/A
18	Tyndall Avenue Student Housing LLC Tucson, AZ	Student Housing	Heitman Chicago, IL	B.Hom Student Living	150		194,565	12/5/2019	30-Sep	\$95.2M	N/A	N/A	Ernst & Young	N/A

EXHIBIT A

WHOLLY-OWNED TITLE HOLDING ENTITIES

Updated May 5 2021

	Investment Location	Property Type	Investment Advisor Location	Property Mgt Co.	Units	# Tenants (approx)	Square Feet	Acquisition Date	Year End	Market Value	Debt Balance Lender	Maturity Date	Current Firm	Tax Requirements
19	Savannah Trade Center I Savannah, GA	Industrial	Invesco Real Estate Dallas, TX	Lincoln Property Co.		2	1,067,674	1/20/2021	30-Sep	\$90.8M	N/A	N/A	TBD	TBD
20	Meadowlands Composite Industrial, Inc. New Jersey	Industrial	L&B Realty Advisors Dallas, TX	NAI Hanson Management		50	971,485	4/10/2014	30-Sep	\$191.3M	N/A	N/A	KPMG	N/A
21	Ontario Warehouse I, Inc. Ontario, CA	Industrial	L&B Realty Advisors Dallas, TX	CBRE		4	1,036,333	1996 -1997	30-Sep	\$153M	\$46.5M State Farm Life Insurance Co.	6/1/2030	KPMG	State: CA 199
22	The Bowie Austin, TX	Apartment	L&B Realty Advisors Dallas, TX	Pinnacle		1	361,531	12/12/2012	30-Sep	\$195M	\$80M Nationwide Life Insurance	8/1/2027	KPMG	N/A
23	Ventura in Manhattan, Inc. New York, NY	Mixed Use (APT/RTL)	L&B Realty Advisors Dallas, TX	Rose Associates	246	1	224,712	3/2/2000	30-Sep	\$239M	\$100M Nationwide Life Insurance	3/1/2033	KPMG	N/A
24	Alliance Buckhead LLC Atlanta, GA	Office	Stockbridge Atlanta, SFO	CBRE		25	498,364	1/5/2018	30-Sep	\$305.5M	N/A	N/A	RSM	N/A
25	Goose Pond Agriculture, Inc. Multiple Locations	Agriculture (permanent plantings & row crops)	Hancock Boston, MA		22,826 planted acres			1996	31-Dec	\$287M	N/A		Ernst & Young	Federal: 1120 State: CA 199, FL F-112, GA 600
26	10100 Santa Monica, Inc. Los Angeles, CA	Office	Heitman Chicago, IL	Hines		35	605,657	10/31/1996	31-Dec	\$709M	\$115M Principal	2/7/2023	Ernst & Young	State – CA 199, FL 1120; Fed 1120
27	260 Franklin, Inc. Boston, MA	Office	Heitman Chicago, IL	Jones Lang LaSalle		50	348,901	12/31/1997	31-Dec	\$263.4M	\$95M Allianz	3/10/2030	Ernst & Young	N/A
28	770 Tamalpais Drive, Inc. Corte Madera, CA	Retail Office	Heitman Chicago, IL	Colliers International		95	312,209 Retail 76,570 Office	9/29/1994	31-Dec	\$286M	\$120.5M Prudential	N/A	Ernst & Young	State: CA 199
29	8650 Villa La Jolla, Inc. San Diego, CA	Retail	Heitman Chicago, IL	CBRE		35	416,319	3/14/1997	31-Dec	\$199M	N/A	N/A	Ernst & Young	State: CA 199
30	Commons at Issaquah, Inc. Issaquah, WA	Retail	Heitman Chicago, IL	Madison Marquette		40	248,594	1/5/2001	31-Dec	\$131M	N/A	N/A	Ernst & Young	N/A
31	Great Hills Retail, Inc. Austin, TX	Retail	Heitman Chicago, IL	The Retail Connection		35	283,005	5/27/2005	31-Dec	\$83.1M	N/A	N/A	Ernst & Young	N/A
32	Romeo Industrial, LLC Chicago, IL	Industrial Land	Heitman Chicago, IL	The Pizzuti Companies		4	2,165,884	10/15/2014	31-Dec	\$148.3M	N/A	N/A	Ernst & Young	N/A
33	SBAF Running Fox, Inc. Newington, NH	Retail	Heitman Chicago, IL	Keystone		21	477,921	10/10/2006	31-Dec	\$97.6M	N/A	N/A	Ernst & Young	State: NH-BET-ES
34	Shops at Saddle Creek, Inc. Germantown, TN	Retail	Heitman Chicago, IL	Trademark		50	173,676	12/4/2003	31-Dec	\$87.8M	N/A	N/A	Ernst & Young	N/A
35	801 Dexter Investors, Inc. Seattle, WA	Apartment	Invesco Real Estate Dallas, TX	Holland Residential	286		194,233	8/14/2012	31-Dec	\$126.2M	\$49M Allianz Life Ins. Co.	4/10/2026	RSM	N/A
36	Broadway Times Square, Inc. New York, NY	Office	Invesco Real Estate Dallas, TX	Normandy Realty		25	275,758	4/22/2014	31-Dec	\$204.8M	\$75M Principal	5/1/2024	KPMG	N/A

EXHIBIT A

WHOLLY-OWNED TITLE HOLDING ENTITIES

Updated May 5 2021

	Investment Location	Property Type	Investment Advisor Location	Property Mgt Co.	Units	# Tenants (approx)	Square Feet	Acquisition Date	Year End	Market Value	Debt Balance Lender	Maturity Date	Current Firm	Tax Requirements
37	Chestnut Denver, Inc. Denver, CO	Office Development Completion 2018	Invesco Real Estate Dallas, TX	Hines		3	435,035	6/10/2016	31-Dec	\$298.8M	\$105M Mass Mutual Life Co	N/A	RSM	N/A
38	Potomac Center CF, LLC Washington, DC	Office	Invesco Real Estate Dallas, TX	Jones Lang LaSalle		2	427,463	12/29/2011	31-Dec	\$229M	N/A	N/A	RSM	N/A
39	Potomac Center North, Inc. Washington, DC	Office	Invesco Real Estate Dallas, TX	Jones Lang LaSalle		1	502,997	8/12/2009	31-Dec	\$225.4M	\$77M Northwestern Mutual	7/3/2022	RSM	N/A
40	Stockton Street Properties, Inc. San Francisco, CA	Retail	Invesco Real Estate Dallas, TX	Madison Marquette		0	134,372	1/25/2000	31-Dec	\$159.2M	N/A	N/A	KPMG	State: CA 199
41	2039 Wilson Blvd., Inc. Arlington, VA	Retail	L&B Realty Advisors Dallas, TX	Lincoln Property Co.		1	8,400	3/14/1995	31-Dec	\$2.6M	N/A	N/A	KPMG	N/A
42	2111 Wilson Blvd., Inc. Arlington, VA	Office	L&B Realty Advisors Dallas, TX	Lincoln Property Co.		55	750,160	3/14/1995	31-Dec	\$387M	\$140M Northwestern Mutual	8/5/2023	KPMG	N/A
43	Buckhead Village Atlanta LLC Atlanta, GA	Apartment	L&B Realty Advisors Dallas, TX	Hanover	371		275,034	9/4/2015	31-Dec	\$155M	\$70M Northwest Mutual		KPMG	N/A
44	Franklin Court, Inc. Washington, DC	Office	L&B Realty Advisors Dallas, TX	Lincoln Property Co.		33	458,998	12/14/1999	31-Dec	\$276.9M	N/A	N/A	KPMG	N/A
45	Goose Pond Corporation Tallahassee, FL	Office	L&B Realty Advisors Dallas, TX	Talcor		3	146,726	4/1/1995	31-Dec	\$25M	N/A	N/A	KPMG	N/A
46	South Beach Marina, Inc. San Francisco, CA	Mixed Use	L&B Realty Advisors Dallas, TX	Maynard Rich	414	3	329,524	9/23/1999	31-Dec	\$275.2M	\$90M Nationwide	8/1/2029	KPMG	State: CA 199
47	NHP Holdings Multiple Locations	Senior Housing Agriculture (permanent plantings & row crops)	PGIM Atlanta, GA	Multiple	798			2007	31-Dec	\$110M	N/A	N/A	RSM	TBD
48	Sunshine Agriculture, Inc. Multiple Locations		PGIM Ag Lisle, IL		11,635 acres			1996	31-Dec	\$285.3M	N/A		Ernst & Young	Federal: 1120 State: CA 199, FL F-1120, IL 1120 & WI Form 4
49	Cool Springs Corporate Centre, Inc. Franklin, TN	Office	Stockbridge Atlanta, SFO	Cushman & Wakefield		50+	699,208	7/27/2016	31-Dec	\$176.1M	\$82.5M Jackson National Life Co	10/01/2026	RSM	TBD

**State Board of Administration
 Real Estate Direct-Owned Investment (Non-JV's)
 Audit Timelines**

Deadline	Activity
Sixty Days after year-end.	<p>Beginning sixty (60) days after year-end, Investment Advisor will submit to SBA and to Auditor, draft financial statements with all required notes to the financial statements.</p> <p>Investment Advisor will also submit a schedule showing a comparison of the current and previous years' balances including an explanation of all significant changes. Significant changes are defined as an increase or decrease of 20% or more in an account balance compared to the previous year's balance.</p> <p>The submission of the reports may be done on a staggered basis (i.e., 1/3 of their reports at 1 ½ month mark, 1/3 a week later, and 1/3 a week later).</p>
Two weeks after receipt of the draft reports.	<p>Auditor will submit to the SBA and Investment Advisors all proposed adjusting entries and edits to the notes to the financial statements.</p> <p>Auditor will track the changes to facilitate the review of the proposed changes.</p>
Two weeks after receipt of all proposed adjusting entries	Investment Advisor will complete review of proposed adjusting entries and edits to notes to the financial statements and provide comments to the SBA and Auditor.
120 days after year-end.	Auditor to issue final reports.

Draft—October 2014

FINANCIAL STATEMENTS

Name of Corporation or LLC
As of and for the Years Ended _____, 20YY and 20XX
With Report of Independent Auditors

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

Name of Corporation or LLC

Financial Statements

As of and for the Years Ended _____, 20YY and 20XX

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PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

Report of Independent Auditors

The Shareholder
State Board of Administration of Florida
Name of Corporation or LLC

Report on the Financial Statements

We have audited the accompanying financial statements of *the Name of Corporation or LLC* (the Corporation) as advised by *Name of Investment Advisor* (Advisor), which comprise the statements of net assets as of ____, 20YY and 20XX, and the related statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management (including the Corporation's Advisor) is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *the Name of Corporation or LLC* at _____, 20YY and 20XX, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 20YY on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

_____, 20YY

Name of Corporation or LLC

Notes to Financial Statements

_____, 20YY and 20XX

1. Organization

Name of Corporation or LLC (the Corporation) was incorporated under the laws of the State of Florida on *(Date)*. The Corporation was organized for the exclusive purpose of acquiring and holding title to real property and collecting income thereon, and remitting the entire amount of income therefrom, less expenses, to its sole shareholder, the State Board of Administration of Florida (SBA). On *(Date)*, the SBA entered into an investment management agreement (Agreement) with *Name of Investment Advisor* (the Advisor). Pursuant to the Agreement, the Advisor serves as the investment advisor and carries out the investment and administrative operations of the Corporation, including maintenance of the accounting records.

The Corporation owns *(description property)* located in *(location)* (the Property).

In accordance with the Corporation's Articles of Incorporation, the Corporation is authorized to issue a maximum of 1,000 shares of common stock with a par value of \$1.00 per share. All authorized shares of the Corporation have been issued to the SBA. *MODIFY ACCORDINGLY FOR PARTNERSHIPS AND LIMITED LIABILITY COMPANIES*

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

Fair Value Estimates

The Corporation applies Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, which provides guidance for using fair value to measure assets and liabilities. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable input be used when available. Observable inputs are used by market participants in

Name of Corporation or LLC

Notes to Financial Statements (continued)

_____, 20YY and 20XX

pricing the asset or liability based on market data obtained from sources independent of the Corporation.

Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. In instances where the determination of the fair value is based on input from more than one level of the fair value hierarchy, the entire fair value is classified based on the lowest level input that is significant to the fair value measurement in its entirety.

The hierarchy is measured in three levels based on the reliability of inputs:

Level 1 –Valuations are based on quoted prices in active markets for identical assets as of the reporting date. At ____, 20YY and 20XX, the Corporation did not hold any Level 1 investments.

Level 2 –Valuations are based on pricing inputs that are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date. At ____, 20YY and 20XX, the Corporation did not hold any Level 2 investments.

Level 3 –Valuations are derived from other valuation methodologies, including pricing models, discounted cash flow models and similar techniques. Level 3 valuations incorporate certain assumptions and projections that are not observable in the market and require significant professional judgment in determining the fair value assigned to such assets or liabilities. At _____, 20YY and 20XX, all of the Corporation’s real estate investments and mortgages payable are valued on the basis of Level 3 inputs.

Starting December 31, 2012 and for the year ended ____, 20YY, the real estate investments are carried at estimated fair value in accordance with ASC 820 based on the following procedures and parameters:

- The Corporation records internal valuations quarterly and obtains an independent third party valuation (independent valuation) annually.
- Any capitalized costs relating to the real estate investments incurred during periods between independent valuations and internal valuations will be added to the most recent independent valuation or internal valuation to determine the current carrying value of the real estate investments.

Name of Corporation or LLC

Notes to Financial Statements (continued)

_____, 20YY and 20XX

- The real estate investments are carried at estimated fair value based on an internal valuation until an independent valuation is obtained.

For the year ended ____, 20XX, the Corporation did not obtain an independent valuation.

The ____, 20YY and 20XX estimated fair value of the real estate investment was calculated by the Advisor using the discounted cash flow method. The discounted cash flow method requires an estimate of cash flows for each investment over the anticipated holding period. The most significant estimates include (1) the amount of expected future cash flows, (2) the timing of receipt of those cash flows, and (3) the discount and/or capitalization rates for each investment. Cash flows are derived from property rental revenue (base rents plus reimbursements) less operating expenses, real estate taxes, capital and other costs, plus projected sales proceeds in the year of exit. Property rental revenue is based on leases currently in place and an estimate of future leasing activity, which are based on current market rents for similar space plus a projected annual growth factor. Similarly, estimated operating expenses, real estate taxes and other costs are based on amounts incurred in the current period plus a projected annual growth factor. Capitalized costs include all expenditures that add value to the investments beyond one year and include building improvements, tenant improvement allowances, and leasing commissions. Anticipated sales proceeds at the end of the investments' assumed holding period are estimated based on the net cash flow of the investment in the year of exit, divided by a residual capitalization rate. These rates are based on the location, type, and nature of each property, and current and anticipated market conditions. In isolation, significant increases or decreases in discount or capitalization rates could result in a significantly lower or higher fair value measurement, respectively

Determination of the fair value of the real estate investments involves subjective judgment as the value of real estate can be determined only by negotiation between independent parties in a sales transaction. Therefore, the values reflected in the financial statements may materially differ from the values that would be determined by negotiations held between parties in a sales transaction.

Expenditures for major renewals and betterments are capitalized and expenditures for repairs and maintenance are expensed when incurred. Acquisition fees (*IF APPLICABLE*) and leasing commissions are capitalized as additions to real estate investments when incurred.

Depreciation and amortization of the real estate investments are not recognized as any decline in fair value due to use or obsolescence is considered in the determination of fair value.

Name of Corporation or LLC

Notes to Financial Statements (continued)

_____, 20YY and 20XX

Cash and Cash Equivalents

The Corporation considers all highly liquid investments with maturities of 90 days or less to be cash and cash equivalents. At times, the Corporation's cash and cash equivalent balances exceed federally-insured limits. The Corporation's management believes that credit risk associated with cash and cash equivalents is low since the accounts are maintained with high credit-quality financial institutions.

Fair Value of Other Assets and Liabilities

All assets and liabilities other than real estate investments and mortgages payable are carried at cost (which approximates fair value), since these are the amounts at which they are expected to be realized or liquidated.

Revenue and Expense Recognition

Rental income is recognized when due as provided under the lease agreements, without consideration of rent escalations and rental concessions such as free rent periods. Because the Corporation's real estate investments are carried at estimated fair value, rent escalations and rental concessions are not recognized over the life of the lease. All leases between the Corporation and tenants are operating leases. Operating expense recoveries represent operating expenses which are billed to tenants pursuant to the terms of the lease. Operating expense recoveries are recognized as earned in the same period the expenses are incurred assuming collectability is reasonably assured. Expenses are recognized when incurred.

3. Accounts Receivable, net

The Corporation provides for accounts that are doubtful of collection. The Corporation monitors the collectability of its accounts receivable from specific tenants, and analyzes historical bad debts, customer credit worthiness, current economic trends and changes in tenant payments when evaluating the adequacy of the allowance for bad debts. When tenants are in bankruptcy, the Corporation makes estimates of the expected recovery of pre-petition and post-petition claims. The ultimate resolution of these claims can exceed one year. Management exercises judgment in establishing these allowances. At _____, 20YY and 20XX, the Corporation provided an allowance for potentially uncollectible amounts of \$____ and \$____, respectively. During the years ended _____, 20YY and 20XX, the Corporation incurred bad debt expense of \$____ and \$____, respectively.

Name of Corporation or LLC

Notes to Financial Statements (continued)

_____, 20YY and 20XX

4. Income Taxes

No provision for federal and state income taxes has been made in the accompanying financial statements because the Corporation is exempt from income taxes under applicable sections of the Internal Revenue and State Codes.

In accordance with authoritative guidance on how to account for uncertainty in income taxes, the Corporation has determined that no material unrecognized tax benefits or liabilities exist as of _____, 20YY and 20XX. If applicable, the Corporation will recognize interest and penalties related to underpayment of income taxes as income tax expense. As of _____, 20YY and 20XX, the Corporation had no amounts related to unrecognized income tax benefits, accrued interest, or penalties.

5. Contributions and Distributions

The SBA may enter into transactions that are considered contributions on the statements of changes in net assets. These types of transactions may include asset management fees billed by the Advisor, disposition fees, and capital calls for insurance and real estate taxes. In such transactions, the corresponding cash may not always pass through the Corporation. Contributions were \$ _____ and \$ _____ for the years ended _____, 20YY and 20XX, respectively.

The SBA may also enter into transactions that are considered distributions on the statements of changes in net assets. These types of transactions may include distributions of excess earnings or proceeds from the disposition of a property. Distributions were \$ _____ and \$ _____ for the years ended _____, 20YY and 20XX, respectively.

6. Risks and Uncertainties

In the normal course of business, the Corporation encounters economic risk, including credit risk and market risk. Credit risk is the risk of default on the Corporation's real estate investments that results from an underlying tenant's inability or unwillingness to make contractually required payments. Market risk reflects changes in the valuation of real estate investments held by the Corporation.

The real estate and capital markets are cyclical in nature. Real estate investment values are affected by, among other things, the availability of capital, occupancy rates, rental rates, interest rates, and inflation rates. As a result, determining real estate investment values involves subjective assumptions and estimates. Amounts ultimately realized from the real estate investments may vary significantly from the fair value presented.

Name of Corporation or LLC

Notes to Financial Statements (continued)

_____, 20YY and 20XX

7. Real Estate Investments

At _____, 20YY and 20XX, the Corporation’s real estate investments are classified within Level 3 of the ASC 820 valuation hierarchy. The following is quantitative information about Level 3 fair value measurements on a recurring basis as of ____:

Fair Value	Valuation Technique	Unobservable Inputs	Value
<u>20YY</u>			
\$ _____	Discounted cash flow	Residual Cap Rate	____%
		Discount Rate	____%
		10-year Average Rental Growth Factor	____%
		Expense Growth Factor	____%
		Assumed Holding Period	____ Years
<u>20XX</u>			
\$ _____	Discounted cash flow	Residual Cap Rate	____%
		Discount Rate	____%
		5-year Average Rental Growth Factor	____%
		Expense Growth Factor	____%
		Assumed Holding Period	____ Years

The following is a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended _____:

	<u>20YY</u>	<u>20XX</u>
Beginning balance, real estate investments	\$ _____	\$ _____
Unrealized gain (loss) included in changes in net assets		
Purchases		
Sales		

PRELIMINARY AND TENTATIVE FOR DISCUSSION ONLY

Name of Corporation or LLC

Notes to Financial Statements (continued)

_____, 20YY and 20XX

Ending balance, real estate investments	<u>\$</u>	<u>\$</u>
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The amount of total gain (loss) for the period included in earnings attributable to the change in unrealized gain (loss) relating to the investment still held at year-end	_____	_____
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The Properties are approximately ___% and ___% (unaudited) leased at _____, 20YY and 20XX, respectively, to tenants under operating leases with varying expirations. These leases typically provide for guaranteed minimum rental payments and other charges to cover operating costs.

Future, non-cancelable minimum rental payments due under existing tenant leases as of _____, 20YY are as follows:

Year ending _____:	
20YY + 1	\$
20YY + 2	
20YY + 3	
20YY + 4	
20YY + 5	
Thereafter	<u>\$</u>

The amounts above do not include operating expense recoveries, which may be received based upon recoveries of certain operating expenses. Such operating expense recoveries totaled \$___ and \$___ for the years ended _____, 20YY and 20XX, respectively.

THE RENTAL INCOME DISCLOSURE FOR LEASES WILL NEED TO BE MODIFIED FOR MULTI-FAMILY AND APARTMENT PROPERTIES.

8. Major Tenants

The Corporation considers tenants that provide rental income in excess of 10% of the Corporation's total rental income to be major tenants. During the year ended _____, 20YY, _____ tenants, with aggregate rental income of approximately \$___ were considered major tenants. *(PRESENT IN A TABLE IF THERE IS MORE THAN 1 MAJOR TENANT)*

9. Mortgage Payable

Name of Corporation or LLC

Notes to Financial Statements (continued)

_____, 20YY and 20XX

On _____, the Corporation entered into a mortgage payable agreement with _____ for \$_____. The mortgage is secured by the Property and has a maturity date of _____. The mortgage bears interest at a *variable/fixed* rate of _____ and requires monthly *interest-only* payments with the unpaid principal balance due at maturity.

At _____, 20YY and 20XX, the Corporation’s mortgage payable is classified within Level 3 of the ASC 820 valuation hierarchy. The following is quantitative information about Level 3 fair value measurements on a recurring basis as of _____:

Fair Value	Valuation Technique	Unobservable Inputs	Value
<u>20YY</u>			
\$ _____	Net present value	Loan to value ratio	____%
		Remaining term	____ Years
		Applied treasury rate	____%
		Interest rate	____%
<u>20XX</u>			
\$ _____	Net present value	Loan to value ratio	____%
		Remaining term	____ Years
		Applied treasury rate	____%
		Interest rate	____%

The following is a reconciliation of the beginning and ending balances for liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended _____:

Name of Corporation or LLC

Notes to Financial Statements (continued)

_____, 20YY and 20XX

	20YY	20XX
Beginning balance, mortgage payable	\$	\$
Repayments of mortgage payable		
Proceeds from mortgage payable		
Unrealized loss (gain) on mortgage payable		
Ending balance, mortgage payable	\$	\$

Interest expense incurred by the Corporation for the mortgages was \$____ and \$____ for the years ended _____, 20YY and 20XX, respectively.

For the years ended _____, 20YY and 20XX, loan origination costs of \$____ and \$____, respectively, were incurred and are included in interest expense in the accompanying statements of operations.

10. Investment Management Agreement

The SBA has engaged the Advisor to advise the SBA with respect to the purchase and sale of investments and to administer the day-to-day operations of the Corporation. As compensation under the Agreement, the Advisor receives asset management fees which include the following: *CONSIDER PRESENTING AMOUNTS IN TABULAR FORMAT (AFTER NARRATIVE DISCUSSION REGARDING THE NATURE OF EACH FEE).*

Base Asset Management Fee

The Advisor is paid an annual base asset management fee of \$_____, which is expensed as incurred. Under the Agreement, the Advisor earned a base fee of \$_____ for each of the years ended _____, 20YY and 20XX, and the amount is included in asset management fees expense in the accompanying statements of operations.

Incentive Asset Management Fee

The Advisor earns an incentive asset management fee calculated as ___% of gross receipts, as defined, plus ___% of *(annual/quarterly)* net operating income, as defined. The incentive asset

Name of Corporation or LLC

Notes to Financial Statements (continued)

_____, 20YY and 20XX

management fee is expensed as incurred. The Advisor earned incentive fees of \$ _____ and \$ _____ for the years ended _____, 20YY and 20XX, respectively, and the amounts are included in the asset management fees expense in the accompanying statements of operations.

Acquisition Fee

Acquisition fees are to be negotiated by the SBA at the time of acquisition. Acquisition fees are capitalized as part of the real estate investments at the time of acquisition. The Advisor earned acquisition fees of \$ _____ and \$ _____ for the years ended _____, 20YY and 20XX, respectively.

Disposition Fee

Disposition fees are to be negotiated by the SBA at the time of disposition. Disposition fees are recorded as closing costs in determining the net proceeds from sale of the real estate investments in the accompanying statements of operations and changes in net assets. The Advisor earned disposition fees of \$ _____ and \$ _____ for the years ended _____, 20YY and 20XX, respectively.

Financing Fee

The Advisor earned a one-time financing fee of \$ _____, for the procurement of debt on the property and the amount is included in the asset management fees expense in the accompanying statement of operations..

EXPLAIN WHERE EACH COST IS INCLUDED IN THE FINANCIAL STATEMENTS (E.G. ASSET MANAGEMENT FEE EXPENSE, CAPITALIZED WITH ASSET, ETC.)

11. Property Management Fees

The Corporation engaged _____ (the Manager) to perform property management and leasing services. For performing the various services, the Manager is entitled to receive a monthly property management fee equal to ___% of the gross receipts, as defined in the property management agreement, derived from the Property. Property management fees of \$ _____ and \$ _____ were incurred for the years ended _____, 20YY and 20XX, respectively, and are included in property operating expenses in the accompanying statements of operations.

12. Commitments & Contingencies

Name of Corporation or LLC

Notes to Financial Statements (continued)

_____, 20YY and 20XX

In the normal course of business, from time to time, the Corporation is involved in legal actions relating to the ownership and operation of its real estate investments. In management's opinion, the liabilities, if any, that may ultimately result from such legal actions are not expected to have a material adverse effect on the Corporation's net assets, results of operations, or liquidity.

Generally, the Properties acquired by the Corporation have been subjected to environmental reviews. While some of these assessments have led to further investigation and sampling, none of the environmental assessments have been revealed, nor is the Corporation aware of any environmental liability that the Corporation believes would have a material adverse effect on the Corporation's net assets, results of operations or liquidity. *ONLY INCLUDE IF APPLICABLE.*

13. Subsequent Events

The Corporation has evaluated its subsequent events through _____, 20YY, the date the Corporation's financial statements were available for issuance.

[Audit Firm Letterhead]
[Date]

[Title Holding Company Name and Address]

Attention: Board of Directors

This letter (the Engagement Letter) confirms our understanding of our engagement to provide professional services to the [Title Holding Company Name].

Objectives and Limitations of Services

Audit Services

You are requesting that we audit [Title Holding Company Name] (the Company's) consolidated financial statements as set forth in Appendix I.

We have the responsibility to conduct and will conduct the audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, with the objective of expressing an opinion as to whether the presentation of the consolidated financial statements that have been prepared by management with the oversight of those charged with governance, conforms with U.S. generally accepted accounting principles.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. In conducting the audit, we will perform tests of the accounting records and such other procedures, as we consider necessary in the circumstances, based on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, to provide a reasonable basis for our opinion on the consolidated financial statements. We also will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, and evaluate the overall consolidated financial statement presentation.

Our audit of the consolidated financial statements will be planned and performed to obtain reasonable, but not absolute, assurance about whether the consolidated financial statements are free of material misstatement, whether caused by error or fraud. Absolute assurance is not attainable because of the nature of audit evidence and the characteristics of fraud. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements, fraud (including fraud that may be an illegal act), and other illegal acts may exist and not be detected by an audit of financial statements even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. Also, an audit is not designed to detect matters that are immaterial to the consolidated financial statements, and because the determination of abuse is subjective, *Governmental Auditing Standards* do not expect auditors to detect abuse.

We will also perform certain limited procedures to the required supplementary information as required by auditing standards generally accepted in the United States of America. However, we will not express an opinion or provide any assurance on the information. Our report relating to the consolidated financial statements will include our consideration of required supplementary information.

Subject to the remainder of this paragraph, we will issue a written report upon completion of our audit of the Company's consolidated financial statements addressed to the audit committee of the SBA. We

cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add emphasis-of-matter or other-matter paragraphs or withdraw from the engagement. If, during the performance of our audit procedures, circumstances arise which make it necessary to modify our report or withdraw from the engagement, we will communicate to those charged with governance our reasons for modification or withdrawal.

While our report may be sent to the Company electronically for your convenience, only the hard copy report is to be relied upon as our work product.

Internal Control over Financial Reporting and Compliance and Other Matters

In making our risk assessment as part of planning and performing our audit of the consolidated financial statements, we will consider the Company's internal control relevant to the preparation and fair presentation of the consolidated financial statements in order to determine the nature, timing and extent of our audit procedures for the purpose of expressing an opinion on the consolidated financial statements but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

As part of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatement, we will perform tests of the Company's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However our objective is not to provide an opinion on compliance with such provisions.

In accordance with *Government Auditing Standards*, we will prepare a written report, *Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards* (GAGAS report), on our consideration of internal control over financial reporting and tests of compliance made as part of our audit of the consolidated financial statements. While the objective of our audit of the consolidated financial statements is not to report on the Company's internal control and we are not obligated to search for material weaknesses or significant deficiencies as part of our audit of the consolidated financial statements, this report will include any material weaknesses and significant deficiencies to the extent they come to our attention. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the consolidated financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. This report will also include instances of:

- Fraud and noncompliance with provisions of laws or regulations that have a material effect on the consolidated financial statements or other financial data significant to the audit objectives and any other instances that warrant the attention of those charged with governance;
- Noncompliance with provisions of contracts or grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives; or
- Abuse that is material, either quantitatively or qualitatively.

The report will describe its purpose and will state that it is not suitable for any other purpose.

In accordance with *Government Auditing Standards*, we will also issue a management letter to communicate instances of noncompliance with provisions of contracts or grant agreements or abuse that have an effect on the consolidated financial statements that is less than material but warrant the attention of those charged with governance.

In accordance with *Government Auditing Standards*, we are also required in certain circumstances to report fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse directly to parties outside the Board of Directors of the Company.

Offering Documents

Should the Company wish to include or incorporate by reference these consolidated financial statements and our audit report thereon into an offering of exempt securities, prior to our consenting to include or incorporate by reference our report on such consolidated financial statements, we would consider our consent to the inclusion of our report and the terms thereof at that time. We will be required to perform procedures as required by the standards of the American Institute of Certified Public Accountants, including, but not limited to, reading other information incorporated by reference in the offering document and performing subsequent event procedures. Our reading of the other information included or incorporated by reference in the offering document will consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the consolidated financial statements. However, we will not perform procedures to corroborate such other information (including forward-looking statements). The specific terms of our future services with respect to future offering documents will be determined at the time the services are to be performed.

Should the Company wish to include or incorporate by reference these consolidated financial statements and our audit report thereon into an offering of exempt securities without obtaining our consent to include or incorporate by reference our report on such consolidated financial statements, and we are not otherwise associated with the offering document, then the Company agrees to include the following language in the offering document:

[“_____, our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the consolidated financial statements addressed in that report. _____ also has not performed any procedures relating to this official statement.”]

Our Responsibility to Communicate with [Board of Directors of the Company]

We will report to the Board of Directors of the Company or those charged with governance, in writing, the following matters:

- Material, corrected misstatements that were brought to the attention on management as a result of audit procedures.
- Uncorrected misstatements accumulated by us during the audit and the effect that they, individually or in the aggregate, may have on our opinion in the auditor’s report, and the effect of uncorrected misstatements reflected in prior periods.
- Significant difficulties and disagreements with management, if any, encountered during our audit.
- Other matters required to be communicated by auditing standards generally accepted in the United States of America.

- All non-audit services being performed by [*The Audit Firm*] for the Company.
- Any changes in key audit personnel.

We will also read minutes, if any, of relevant Board of Director meetings for consistency with our understanding of the communications made to the Board of Directors of the Company and determine that the Board of Directors of the Company has received copies of all material written communications between ourselves and management. We will also determine that the Board of Directors of the Company has been informed of i) the initial selection of, or the reasons for any change in, significant accounting policies or their application during the period under audit, ii) the methods used by management to account for significant unusual transactions, and iii) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

To the extent that they come to our attention, we will inform the appropriate level of management about any illegal acts, unless that are clearly inconsequential, material errors in the consolidated financial statements and any instances of fraud. Further to the extent they come to our attention, we will also communicate directly with the Board of Directors of the Company illegal acts that come to our attention, unless they are clearly inconsequential, material errors in the consolidated financial statements and any instances of fraud that involve senior management or that, in our judgment, cause a material misstatement of the consolidated statements.

Management Responsibilities

The management of the Company acknowledges and understands that they have responsibility for the preparation and fair presentation, in accordance with U.S. generally accepted accounting principles, of the consolidated financial statements and all representations contained therein. Management also is responsible for identifying and ensuring that the Company complies with laws, regulations, contracts, and grant agreements applicable to its activities, and for informing us of any known material violations of such laws and regulations and provisions of contracts and grant agreements. Management also is responsible for preventing and detecting fraud, including the design and implementation of programs and controls to prevent and detect fraud, for adopting sound accounting policies, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the consolidated financial statements whether due to error or fraud. Management is also responsible for informing us, of which it has knowledge, of all material weaknesses and significant deficiencies in the design or operation of such controls. The audit of the consolidated financial statements does not relieve management or those charged with governance of their responsibilities.

Management of the Company also acknowledges and understands that it is their responsibility to provide us with: i) access to all information of which management is aware that is relevant to the preparation and fair presentation of the consolidated financial statements such as records, documentation, and other matters; ii) additional information that we may request from management for purposes of the audit; and iii) unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence. As required by auditing standards generally accepted in the United States of America, we will make specific inquiries of management about the representations embodied in the consolidated financial statements and the effectiveness of internal control, and obtain a representation letter from management about these matters. The responses to our inquiries, the written representations, and the results of audit tests, among other things, comprise the evidential matter we will rely upon in forming an opinion on the consolidated financial statements.

To facilitate our audit planning, in accordance with *Government Auditing Standards*, management agrees to identify and provide copies of reports, if applicable, or previous audits, attestation engagements, or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented, prior to _____.

Management is responsible for adjusting the consolidated financial statements to correct material misstatements and for affirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated financial statements being reported upon, taken as a whole. Because of the importance of management's representations to the effective performance of our services, the Company will release [The Audit Firm Name] and its personnel from any claims, liabilities, costs and expenses relating to our services under this letter attributable to any misrepresentations in the representation letter referred to above. The provisions of this paragraph shall apply regardless of the form of action, damage claim, liability, cost, expense, or loss asserted, whether in contract, statute, tort (including but not limited to negligence) or otherwise.

Management is also responsible for providing us with written responses in accordance with *Government Auditing Standards* to the findings included in the GAGAS report within 10 days of being provided with draft findings. If such information is not provided on a timely basis prior to release of the report, the GAGAS report will indicate the status of management's response.

Management is responsible for the distributions of the reports issued by [The Audit Firm].

Dispute Resolution

Any dispute or claim arising out of or relating to this Engagement Letter or the services provided hereunder, or any other audit or attest service provided by or on behalf of [The Audit Firm] or any of its subcontractors or agents to the SBA or at its request, shall be submitted first to non-binding mediation. The mediation shall be treated as a settlement discussion and shall therefore be confidential subject to the Florida Public Records Law. The mediator may not testify for either party in any later proceeding relating to the dispute. The mediation proceedings shall not be recorded or transcribed. Each party shall bear its own costs in the mediation. The parties shall bear equally the fees and expenses of the mediator.

Any proceeding to resolve disputes regarding or arising out of the Engagement Letter shall take place in Leon County, Florida. To the extent permitted by Florida law, damages that are inconsistent with any applicable agreement between the parties, that are punitive in nature, or that are not measured by the prevailing party's actual damages shall be unavailable in any forum.

Either party may seek to enforce any written agreement reached by the parties during mediation in any court of competent jurisdiction. Notwithstanding the agreement to such procedures, either party may seek equitable relief to enforce its rights in any court of competent jurisdiction.

Other Matters

This letter shall serve as the Company's authorization for the use of email and other electronic methods to transmit and receive information, including confidential information, between [The Audit Firm] and the Company and between [The Audit Firm] and outside specialists or other entities engaged by either [The Audit Firm] or the Company. The Company acknowledges that email travels over the public Internet, which is not a secure means of communication and, thus, confidentiality of the transmitted information could be compromised through no fault of [The Audit Firm]. [The Audit Firm] will employ commercially reasonable efforts and take appropriate precautions to protect the privacy and the confidentiality of transmitted information.

Further, for purposes of the services described in this letter only, the Company hereby grants to *[The Audit Firm]* a limited, revocable, non-exclusive, non-transferable, paid up and royalty-free license without right of sublicense, to use all logos, trademarks and service marks of the Company solely for presentations or reports to the Company or for internal *[The Audit Firm]* presentations and intranet sites.

[The Audit Firm] is a **[limited liability partnership]** comprising both certified public accountants and certain principles who are not licensed as certified public accountants. Such principals may participate in the engagements to provide the services described in this letter.

In connection with the performance of services under this Engagement Letter, *[The Audit Firm]* may utilize the services of entities controlled by *[The Audit Firm]*, member firms and/or third party service providers of *[The Audit Firm]* within the United States to complete the services under the Engagement Letter. Moreover, *[The Audit Firm]* may utilize third party service providers within and without the United States to provide administrative and clerical support services to *[The Audit Firm]*. Notwithstanding the foregoing, *[The Audit Firm]* alone will be responsible for the execution of the services described above and other obligations under this Engagement Letter. *[The Audit Firm]* shall be liable, and agrees to accept responsibility, absolutely and without qualification, for any negligent acts or omissions and any willful misconduct of any entity utilized by *[The Audit Firm]* in providing the services under the Engagement Letter.

The audit documentation for this engagement is the property of *[The Audit Firm]*. Pursuant to *Governing Auditing Standards*, we are required to make certain audit documentation is available in a full and timely manner to Regulators upon request for their reviews of audit quality and for use by their auditors. In addition, we may also be requested to make certain audit documentation available to Regulators pursuant to authority provided by law or regulation. If so requested, access to such audit documentation will be provided. Furthermore, Regulators may obtain copies of selected audit documentation. Such regulators may intend, or decide, to distribute the copies or information contained therein to others, including other government agencies.

In the event *[The Audit Firm]* is requested pursuant to subpoena or other legal process to produce its documents and/or testimony relating to this engagement for the Company in judicial or administrative proceedings to which *[The Audit Firm]* is not a party, the Company shall reimburse *[The Audit Firm]* at standard billing rates for its professional time and expenses, including reasonable attorney's fees, incurred in responding to such requests.

Other Government Auditing Standards Matters

As required by *Government Auditing Standards*, we have attached a copy of the most recent peer review report of *[The Audit Firm]*.

Additional Reports and Fees for Services

Appendix I to this letter lists the additional reports we will issue as part of this engagement and our fees for professional services to be performed under this letter.

In addition, fees for any special audit-related projects, such as research and/or consultation on special business or financial issues, will be billed separately from the audit fees for professional services set forth in Appendix I and may be subject to written arrangement supplemental to those in this letter.

Our engagement herein is for the provision of annual audit services for the consolidated financial statements and for the periods described in Appendix 1, and it is understood that such services are provided as a single annual engagement. Pursuant to our arrangement as reflected in this letter we will provide the services set forth in Appendix 1 as a single engagement for each of the Company's subsequent [two] fiscal years until either those charged with governance or we terminate this agreement, or mutually agree to the modification of its terms. **[The fees for each subsequent year will be annually subject to negotiation and approval by those charged with governance.]**

We shall be pleased to discuss this letter with you at any time. For your convenience in confirming the arrangements, we enclose a copy of this letter. Please sign and return it to us to indicate your acknowledgement of, and agreement with, the arrangements for our audit of the consolidated financial statements including our respective responsibilities.

Very Truly Yours

[Audit Firm]

ACCEPTED:

[Title Holding Company Name]

Authorized Signature

Title

Date

MASTER AGREEMENT FOR AUDIT AND ACCOUNTING SERVICES

This Master Agreement for Audit and Accounting Services (the "Agreement") is made and effective as of the ___ day of _____, 2017, by and between _____ (the "Accountant"), having a principal address of _____, and the State Board of Administration of Florida (the "SBA"), located at 1801 Hermitage Boulevard, Tallahassee, Florida 32308.

Now, therefore, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the SBA hereby retains Accountant to act on the terms and conditions hereinafter set forth:

I. APPLICABLE SBA INVESTMENT FUNDS

Accountant will render the services described in Section II of this Agreement to assist the SBA with the tax, audit, other agreed upon procedures and other audit and accounting issues associated with the administration of certain single purpose entities that are wholly owned by the SBA within its real estate asset class (each a "Title Holding Entity" and collectively, the "Title Holding Entities"). The Accountant shall serve as one of a pool of accountants that may provide services to the Title Holding Entities. The Accountant will only provide services with respect to those matters and those Title Holding Entities for which it is selected and engaged. The selection and engagement of the Accountant to provide any Services with respect to any particular matter or Title Holding Entity shall be subject to the discretion of the SBA and the board of directors of the Title Holding Entity to which the Services shall be rendered and may be subject to a bidding process at the election of the SBA or board of directors of the Title Holding Entity.

II. ACCOUNTANT SERVICES TO BE PROVIDED

Accountant shall provide tax, audit, other agreed upon procedures and other audit and accounting services to the SBA and particular Title Holding Entities (collectively, the "Services"), pursuant to the terms and conditions of separate engagement letters to be entered into between the Accountant and the particular Title Holding Entities with respect to each engagement. The engagement letter shall constitute a part of this Agreement and shall set forth the scope of services, deliverables, period of services, fees and other terms and conditions related to the engagement and Services to be provided thereunder. The form for the engagement letter for a financial audit is attached hereto as Exhibit "A." To the extent practicable, the engagement letter for other services shall be substantially similar to the form set forth on Exhibit "A." In the event of any conflict between the terms set forth herein and a specific engagement letter, the terms of the engagement letter will control.

In addition, the Accountant shall provide other general accounting and auditing services as may be requested by the SBA.

III. TERMS AND CONDITIONS

A. Term of Contract

This Agreement will have an initial term of five (5) years, commencing on March 1, 2022, and expiring on February 28, 2027, subject to termination by either party upon written notice under the terms and conditions of the Agreement. For clarification, this Agreement shall cover all engagements entered into on an effective date on or before the date of the expiration or termination of this Agreement, and this Agreement shall continue to apply to such engagements, even though the completion of the associated Services may occur subsequent to the expiration date of this Agreement.

B. Fees

1. Compensation for Services shall be established in the engagement letter associated with each engagement.
2. When rendering the Services under this Agreement, Accountant shall be entitled to reasonable expenses for travel when authorized in advance by the SBA's Executive Director or his or her designee, as provided in Section 112.061, Florida Statutes, as amended from time to time, and administrative rules interpreting the same. The SBA will provide Accountant with a summary of per diem rates and other travel related requirements to assist Accountant in abiding with the State of Florida's requirements. The SBA shall not be obligated to pay any other expenses incurred by the Accountant in the performance of the Services. Accountant will provide an itemization of any such expenses incurred.

C. Key Personnel and Ownership Structure

Accountant shall determine which of its personnel shall be assigned to perform the Services under this Agreement and reserves the right to replace or reassign such personnel during the term hereof; provided, however, that Accountant shall, subject to scheduling and staffing considerations, use commercially reasonable efforts to honor SBA's request for specific individuals for performing the Services. In addition, at any time during the term of this Agreement, Accountant shall provide the SBA with written notification of changes in the ownership structure or Key Personnel (as hereinafter defined) at least two weeks in advance of any such changes. Notwithstanding the foregoing, in the event that Accountant experiences changes in its ownership structure or Key Personnel which take effect less than two (2) weeks after the Accountant's President or Managing Director becomes aware that such change will occur, the Accountant shall notify the SBA of such changes within two (2) business days from the date on which the Accountant's President or Managing Director becomes aware of such change. In the event that such notification is provided during such period, the terms of this Agreement shall be deemed to have been satisfied, notwithstanding that two (2) weeks notice was not provided. For purposes of this Agreement, the Key Personnel shall initially be _____ and thereafter shall include any of their replacements as reasonably approved by the SBA under this Section III(C) (The "Key Personnel"). This Agreement may be terminated in accordance with Section III(K) hereof upon written notice from the SBA to Accountant because of changes to the ownership

structure or changes in the Key Personnel not made in accordance with the immediately preceding two sentences or otherwise. The SBA will also have full access to any personnel, other than the Key Personnel, that produce work product or recommendations under the terms of this Agreement. The SBA reserves the right to disallow any of Accountant's personnel from providing services under this Agreement upon 30 day prior written notice to Accountant.

D. Standard of Performance.

The performance standards applicable to this Agreement shall be set forth in each Engagement Letter.

E. Confidentiality

The Accountant, in the course of performing its duties, will have access to and will handle investment, financial, accounting, statistical and other information pertaining to the SBA and the Title Holding Entities. All such information may be confidential, pursuant to the provisions of Section 215.4401, Florida Statutes, as amended from time to time. Except to the extent otherwise required by any applicable federal or state law (including subpoenas), or requested by regulatory authority, or as authorized in a prior writing or otherwise requested by the SBA, the Accountant will keep confidential, and will not transmit or disclose to any person, entity or organization other than the SBA, any and all information concerning the SBA, its Funds, or their respective activities and offices, or the Services provided by the Accountant under this Agreement, whether obtained under this Agreement, through interaction with the SBA or its vendors or otherwise. Prior to making any disclosure of such information as authorized by this Section, the Accountant shall promptly notify the SBA that it is required by federal or state law to make such disclosure or that a regulatory authority has made a request for disclosure, as applicable. The Accountant shall take all reasonable precautions and measures to prevent disclosure to third parties (except as otherwise permitted by this Agreement). The Accountant may not identify the SBA for purposes of business development or press releases without the express prior written consent of the SBA.

F. Conflict of Interest

1. Accountant shall not directly or indirectly receive any benefit from recommendations made to the SBA and shall disclose to the SBA any actual or potential personal investment or economic interest of the Accountant or, any officer, director or employee thereof which may be enhanced by the recommendations made to the SBA. Accountant acknowledges and understands that the SBA is subject to the provisions of Chapter 112, Part III, Florida Statutes, "Code of Ethics for Public Officers and Employees," and all rules adopted thereunder, and Accountant agrees to comply promptly with any requirements that may be applicable to it thereunder. Accountant represents that it and/or its parent organization currently has, and further covenants that it and/or its parent organization will have at all times during the term of this Agreement, a code of ethics, code of professional conduct or other policies and procedures that prohibit all officers, directors or employees thereof from engaging in any activity or conduct that

would constitute an actual or perceived conflict of interest between such person and the Accountant's clients without the prior written approval of Accountant.

2. Accountant agrees that any relationship between Accountant or any of its divisions, subsidiaries or affiliates and any subcontractor or third party, or the lack thereof, shall not affect Accountant's decision to include or exclude such subcontractor from any search or evaluation or otherwise affect Accountant's analysis or recommendations to the SBA regarding such subcontractor or third party.
3. Accountant shall promptly notify the SBA of any pending or threatened action by Accountant's clients regarding the retention of Accountant based on any allegation of an actual or perceived conflict of interest between such client and Accountant (including any divisions, subsidiaries or affiliates).

G. Hold Harmless

Accountant shall indemnify and hold the SBA harmless from any and all losses, claims, damages, liabilities, judgments, actions, costs and expenses (including reasonable attorneys' fees), arising out of negligence, willful misconduct or breach of duty or contract or the violation or non-compliance with any law, rule, regulation or other legal requirement (including without limitation, the securities laws) of Accountant or its agents, employees, representatives, nominees, appointees or subcontractors.

H. Insurance

Accountant represents and covenants that it currently has, and at all times during this Agreement will maintain, professional liability, or errors and omissions, or any other appropriate insurance that provides coverage in an amount not less than \$10,000,000 with respect to any loss or claim resulting from Accountant's breach of professional duties as an Accountant hereunder. Accountant shall provide to the SBA an officer's certificate annually, or more frequently if requested by the SBA, regarding the effectiveness of such coverage, together with a copy of documentation reflecting payment of such insurance coverage premium.

I. Nondiscrimination

Consistent with the SBA's Equal Employment Opportunity (EEO) Policy, the Accountant shall not discriminate in its employment decisions on the basis of race, color, religion, sex, national origin, age, handicap or marital status, and the Accountant shall make reasonable accommodations for qualified individuals with known disabilities unless doing so would result in undue hardship, safety, and/or health risk.

J. Public Records

1. Both parties acknowledge and understand that the SBA and its records are subject to the provisions of Chapter 119 (Public Records), Florida Statutes, and further

acknowledge, understand and agree that any of the SBA's records held on the premises of Accountant or under the control of Accountant are likewise subject to public access, inspection and analysis pursuant to the provisions of Chapter 119, Florida Statutes. Section 119.07(1)(a), Florida Statutes, prescribes the fees which Accountant may charge for the actual costs of duplication. The term "records" includes, without limitation, those records described in Section 119.011(12), Florida Statutes, and further specifically includes, without limitation, the e-mails and other original documents provided to Accountant by the SBA or its advisors, data and information provided to Accountant by the SBA or its advisors, as well as other records which are a product of modifying, processing or operating on the original documents, data and information by Accountant. The term "any person" as used in Section 119.07(1)(a), Florida Statutes, is deemed to include the SBA.

2. To the extent applicable, Accountant shall comply with Chapter 119, Florida Statutes. In particular, Accountant shall:
 - (a) Keep and maintain public records required by the SBA in order to perform the services under this Agreement;
 - (b) Upon request from the SBA's custodian of public records, provide the SBA with a copy of the requested public records or allow such records to be inspected or copied within a reasonable time at a cost that does not exceed the cost provided in Chapter 119, Florida Statutes or as otherwise provided by Florida law;
 - (c) Keep public records that are exempt or confidential and exempt from public records disclosure requirements confidential and not disclose such records except as authorized by law for the duration of the contract term and following the completion of the contract if Accountant does not transfer the records to the SBA when the Agreement is completed;
 - (d) Upon completion of the Agreement, transfer, at no cost, to the SBA all public records in Accountant's possession or keep and maintain the public records required by the SBA in order to perform the services under this Agreement. If Accountant transfers all public records to the SBA upon completion of the contract, Accountant shall destroy any duplicate public records that are exempt or confidential and exempt from public records disclosure requirements. Notwithstanding the foregoing, Accountant may, in accordance with applicable legal, disaster recovery and professional requirements, store copies of Confidential Information in electronic archives or backups made in the ordinary course of business which shall not be returned or destroyed but which would remain subject to the confidentiality obligations set forth herein. If Accountant keeps and maintains public records upon completion of the contract, Accountant shall meet all applicable requirements for retaining public records. Accountant shall, upon request from the SBA's custodian of records, provide all records that are stored electronically to the

SBA in a format that is compatible with the information technology systems of the SBA.

- (e) To the extent permitted by federal or Florida law, Accountant agrees to keep the SBA's records confidential and shall not disclose such records to any person, organization or entity other than the SBA as more particularly described in Section III(E) above.
- (f) Accountant consents and agrees to be sued in, and subject to the exclusive jurisdiction of, Florida state courts located in Leon County, Florida with respect to any civil or criminal litigation required to enforce the provisions of Chapter 119, Florida Statutes, or the provisions of this Section.
- (g) All requests, including telephone requests, for inspection of public records shall be promptly forwarded to the SBA's Office of General Counsel.
- (h) IF ACCOUNTANT HAS QUESTIONS REGARDING THE APPLICATION OF CHAPTER 119, FLORIDA STATUTES, TO ACCOUNTANT'S DUTY TO PROVIDE PUBLIC RECORDS RELATING TO THIS CONTRACT; CONTACT THE SBA'S CUSTODIAN OF PUBLIC RECORDS AT:

STATE BOARD OF ADMINISTRATION OF
FLORIDA
POST OFFICE BOX 13300
TALLAHASSEE, FLORIDA 32317-3300
sbacontracts@sbatla.com
(850) 488-4406

- 3. Accountant acknowledges and agrees that a breach of the confidentiality and other obligations set forth in this Section III(J) and in Section III(E), above, would cause irreparable harm to the SBA and that no adequate remedy is available at law for such breach. Accordingly, it is agreed that the SBA will be entitled to seek an injunction or injunctions to prevent breaches of these confidentiality and other obligations and to enforce specifically the terms and provisions of this Section III(J) and Section III(E), above.

K. Termination

The SBA may terminate the Agreement at any time for any reason whatsoever upon thirty (30) days advance written notice to the Accountant. The Accountant may resign upon sixty (60) days advance written notice. However, certain provisions of the Agreement may survive the termination of the Agreement by the SBA or the resignation of the Accountant under the Agreement. Except as set forth herein or as otherwise required by law, upon

expiration or termination hereof, Accountant shall have no further obligations under this Agreement including, without limitation, any obligation to update any audit, tax return or related document, except for those matters set forth in the engagement letter and providing updates to modify and correct material errors in such reports or other information. So long as the SBA is not in material breach of its obligations under this Agreement, Accountant shall continue to serve at the SBA's request until the appointment of a successor.

L. Assignments

Except as otherwise allowed in an applicable engagement letter, Accountant shall not assign or delegate its rights or responsibilities hereunder without the prior written consent of the SBA. No person or organization may succeed to or assume Accountant's rights and obligations under the Agreement by operation of law, whether by merger, consolidation, change in control, reorganization or otherwise without the SBA's prior written consent.

M. Accounting Controls

The Accountant will provide to the SBA a certification from an independent accounting firm attesting to the adequacy of the Accountant's internal accounting controls and procedures at such times as the Accountant causes its financial statement to be audited by an independent accounting firm but in no event will such certification be provided less frequently than every two (2) years during the term of this Agreement.

N. Relationship of the Parties

The relationship of the parties is that of independent contractors. None of the provisions in this Agreement shall be construed to create a partnership or joint venture relationship between the parties or the partners, officers, members or employees of the other party by virtue either of this Agreement or actions taken pursuant to this Agreement. No employee or representative of Accountant will hold himself or herself out as, nor claim to be, an officer or employee of the State of Florida or the SBA by reason of this Agreement, nor will he or she make any claim of right, privilege or benefit which would accrue to an employee of the SBA under Florida law.

O. SBA Policies

1. The Accountant shall comply with, and execute all documents and take any and all actions that are necessary and appropriate to satisfy, the standard requirements applicable to the SBA's external service providers under SBA Policy 10-004 ("Communications"), 10-017 ("Investment Protection Principles"), 20-332 ("Investment Valuation"), and to the extent applicable 10-015 ("Corporate Governance"), as such policies may be amended from time to time and as provided to Accountant by the SBA, and all of which (together with any future amendments thereto) are incorporated into this Agreement by this reference.

2. The SBA maintains a fraud hotline at (800) 547-9180 to encourage individuals to report suspected SBA-related fraud, theft, or financial misconduct on an anonymous basis. The hotline is operated 24 hours a day, 7 days a week, by an independent company and tips are anonymously referred to the Inspector General of the SBA. Within 30 days following the effective date of this Agreement, the Accountant agrees to communicate this hotline information to those of its employees that are responsible for providing Services under this Agreement. The Accountant also agrees to re-communicate this hotline information to those employees providing Services under this Agreement upon the written request of the SBA.
3. Accountant shall register with and use the E-Verify system to verify the employment eligibility of newly hired employees performing services within the United States in accordance with Section 448.095, Florida Statutes. Accountant acknowledges that the SBA and its Title Holding Entities are subject to and Accountant agrees to comply with Section 448.095, Florida Statutes, as amended from time to time, to the extent applicable.

P. Compliance with Laws

Accountant covenants and agrees that at all times during the term of this Agreement, Accountant shall comply with all laws, rules, regulations or other applicable legal requirements to which Accountant or any of the activities or transactions contemplated by this Agreement are subject.

Q. Subcontractor Responsibility

Accountant shall not retain or use any subcontractor or other independent contractor to provide any of the Services hereunder without the prior written approval of the SBA. Accountant agrees to accept responsibility, absolutely and without qualification, for the negligent acts or omissions and willful misconduct of any subcontractor or other independent contractor hired or retained by Accountant to assist Accountant in providing the Services to the SBA.

R. Right to Audit

1. During the term of and for a period of ten (10) years after the expiration or termination of the Agreement, the SBA shall have the right to have any person or entity designated by the SBA, including an independent public accountant or auditor and/or any federal or state auditor, to inspect, review and/or audit, any books, records and supporting documents relating to this Agreement and/or the subject matter of the Agreement (the "Audit Records"). In the event such right is exercised and upon no less than ten (10) business days' prior written notice by the SBA, Accountant agrees to permit reasonable access to its premises and the Audit Records during Accountant's normal business hours. The SBA shall have the right, in connection with any such inspection, review and/or audit, to have one or more members of its staff present at all times. During the term of and for a period of ten (10) years after the expiration or termination of this

Agreement, Accountant shall maintain and retain the Audit Records, at its sole expense. In the event the SBA and/or its designees are in the process of conducting such an inspection, review and/or audit upon the expiration of the ten (10) year access and/or retention periods described herein, then this Section shall survive in its entirety until the conclusion of such inspection, review and/or audit, in the SBA's or the SBA designee's reasonable determination. For the avoidance of doubt, the scope of any inspection, review and/or audit under this Section may include, without limitation, Accountant's compliance with the terms of this Agreement, compliance with any applicable foreign, federal, state and/or local law or regulation, an assessment of risks and controls and/or the source and application of the SBA's funds; however, the scope of any such inspection, review and/or audit shall not include access to Accountant's information systems or confidential information belonging to Accountant's other clients, nor will such inspection, review and/or audit take place more than once per year.

2. Accountant shall use best efforts to cooperate with the SBA and any person or entity designated by the SBA in connection with any inspection, review and/or audit under this Section including, without limitation, causing its relevant and knowledgeable employees and/or representatives to be available to assist and to respond to reasonable inquiries and requests of the SBA and/or its designees. Accountant shall respond (including, if relevant and appropriate, with an action plan) within a reasonable time to any reports, findings and/or assessments provided to Accountant by the SBA and/or its designees, and Accountant shall provide a copy of all such responses to the SBA. Accountant acknowledges and agrees that any such report, finding and/or assessment is intended for the sole use and for the benefit of the SBA.
3. Except as set forth herein, the SBA shall bear the costs of any inspection, review and/or audit described in this Section. However, in the event, the SBA and/or its designees conclude that Accountant overcharged the SBA or that Accountant engaged in or committed (including through acts or omissions) any fraud, misrepresentation and/or non-performance, then Accountant shall be obligated to reimburse the SBA for the total costs of inspection, review and/or audit no later than ninety (90) days after the SBA's request for reimbursement thereof. Accountant's reimbursement obligation herein shall be in addition to all other rights, remedies and damages available to the SBA at law or in equity, which shall not be deemed waived or relinquished in any way because of Accountant's additional reimbursement obligation hereunder.

S. Accountant Intellectual Capital

Accountant hereby grants to the SBA and its successors and assigns a perpetual license to use, alter and modify for any purpose any and all work, services (including the Services), records, information, methodologies, processes, documentation, deliverables or any other intellectual capital of any kind, including all modifications, derivations and adaptations thereof (the "Intellectual Capital"), performed, prepared, created or developed, in whole or in part, by the Accountant under this Agreement, subject to the understanding that the SBA

shall not sell or transmit the Intellectual Capital to third persons for compensation (which shall exclude reimbursement or payment for copying and other ministerial costs) unless otherwise required by law. Except as set forth above, Accountant shall retain exclusive rights to the Intellectual Capital. Notwithstanding the foregoing, the Accountant, for itself and its past, present and future successors, assigns, representatives, officers, directors, shareholders, employees and agents, does hereby release, permit, acquit, satisfy, and forever discharge the SBA, its successors, assigns, affiliates, trustees, officers, and employees from any and all claims, demands, actions, causes of action, costs, expenses, attorneys' fees, sums of money, lost profits, damages and all liabilities of any kind whatsoever (the "Liabilities"), at law or in equity, whether known or unknown, that Accountant had, now has and may have in the future relating to the SBA's use, transmission and disclosure of the Intellectual Capital, except for the Liabilities directly resulting from the SBA's material breach of this Section III(S).

T. Governing Law and Jurisdiction

This Agreement shall be governed by, construed under and interpreted in accordance with laws of the State of Florida without regard to conflict of law principles. Subject to any dispute resolution provisions or procedures contained in an applicable engagement letter, any proceedings to resolve disputes regarding or arising out of this Agreement shall be conducted in the state courts located in Leon County, Florida, and the parties hereby consent to the jurisdiction and venue of those courts.

U. Counterparts

This Agreement may be executed in one or more counterparts, and when each party has executed at least one counterpart, this Agreement shall be deemed to be one and the same document.

V. No Waiver

A party's failure at any time to enforce any of the provisions or obligations of this Agreement or any right with respect thereto shall not be construed to be a waiver of such provision, right or obligation, or of any future obligation, nor will it affect the validity of this Agreement. The exercise or non-exercise by a party of any right under the terms or covenants herein shall not preclude or prejudice the exercising thereafter of the same or other rights under this Agreement.

W. Severability

If one or more provisions of this Agreement or the application of any such provisions to any set of circumstances shall be determined to be invalid or ineffective for any reason, such determination shall not affect the validity and enforceability of the remaining provisions or the application of the same provisions or any of the remaining provisions to other circumstances.

X. Remedies

All rights and remedies granted under this Agreement shall be cumulative and not exclusive of any other rights and remedies which the parties may have at law or in equity. The parties may exercise all or any of such rights and remedies at any one or more times without being deemed to have waived any or all other rights or remedies which they may have.

Y. Survival

All representations, warranties, covenants and agreements set forth in Section III(E), (G), (J), (O), (P), (Q), (R), (X) and (Y) of this Agreement or in any instrument, document, agreement or writing delivered in connection therewith, shall survive the completion of any of the Services provided hereunder or the termination of this Agreement.

Z. Entire Agreement

The SBA and Accountant acknowledge that each has read this Agreement and that together with all written amendments, exhibits, schedules, and addenda hereto, including all engagement letters entered into in connection herewith, all of which shall be incorporated by reference herein, this Agreement constitutes the entire and exclusive agreement between the SBA and Accountant with respect to the subject matter hereof, and no statement, agreement, or understanding not contained herein shall be enforced or recognized. The parties may amend this Agreement, including any engagement letter executed in connection herewith, by mutual agreement pursuant to a written amendment executed by both parties. THIS AGREEMENT CANNOT BE MODIFIED OR SUPPLEMENTED BY ORAL OR WRITTEN STATEMENTS MADE EITHER BEFORE OR AFTER EXECUTION OF THIS AGREEMENT. NO COLLATERAL OR PRIOR STATEMENTS, REPRESENTATIONS, UNDERSTANDINGS, OR AGREEMENTS ARE A PART OF THIS AGREEMENT.

aa. Binding Effect

This Agreement shall be binding upon the parties, their successors, legal representatives, and assignees. Accountant and SBA intend this Agreement to be a valid legal instrument, and no provision of this Agreement which shall be deemed unenforceable shall in any way invalidate any other provision of this Agreement, all of which remain in full force and effect. No waiver, alteration, or modification of any of the provisions of this Agreement shall be effective or binding unless in writing and signed by authorized representatives of both parties.

bb. Notices

All notices, requests, instructions, other advice, or documents required hereunder shall be in writing and delivered personally or via a recognized overnight delivery service mailed by first-class mail, postage prepaid, to the following:

If to the SBA:

if mailed:

State Board of Administration of Florida
Post Office Box 13300
Tallahassee, Florida 32317-3300
Attention: Executive Director

if hand delivered:

State Board of Administration of Florida
1801 Hermitage Boulevard
Suite 100
Tallahassee, Florida 32308
Attention: Executive Director

If to the Accountant:

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and attested by their respective officers thereunto duly authorized on the day and year first above written.

ACCOUNTANT

STATE BOARD OF
ADMINISTRATION OF FLORIDA

By: _____

President

By: _____

Ashbel C. Williams
Executive Director

Dated: _____

Dated: _____

Approved as to Legality:

Paul W. Groom II
Deputy General Counsel

EXHIBIT A