

**REQUEST FOR PROPOSALS FROM
CERTIFIED PUBLIC ACCOUNTING FIRMS
TO SERVE AS INDEPENDENT AUDITOR FOR
THE ARKANSAS INSTITUTIONAL FUND, LLC (AIF, LLC)**



**SPECIAL NOTE: YOUR IMMEDIATE ATTENTION IS CALLED TO SECTION I.C.
YOU NEED TO SEND TO US AN E-MAIL ADDRESS FOR
TRANSMISSION OF NOTICES OF INQUIRIES.**

December 22, 2016

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

SECTION I: INSTRUCTIONS TO PROPOSER/GENERAL INFORMATION

A. PROGRAM INFORMATION. With the passage of the Arkansas Venture Capital Investment Act of 2001 (the VC Investment Act) by the 83rd General Assembly of the State of Arkansas, the Arkansas Development Finance Authority (ADFA) was granted the authority to implement a Venture Capital Investment Program. The VC Investment Act calls for the identification and retention of a Designated Investor Group (DIG), as defined therein, to perform services required for implementation of the provisions of the VC Investment Act. The Arkansas Institutional Fund, LLC (the Fund) was organized on December 17, 2003, as a limited liability company under the laws of the state of Arkansas (the State) and is the entity appointed by ADFA to serve as the DIG contemplated under the VC Investment Act. The mission of the Fund is to increase the availability of equity and near-equity capital for emerging, expanding, relocating and restructuring enterprises in the State, with the ultimate goal of strengthening the State's economic base and the creation of jobs.

The general operations of the Fund are specified in the First Amended and Restated Limited Liability Company Agreement (the LLC Agreement) executed on December 23, 2003, by and between the Class A Member, Cimarron Capital Associates I, LLC (a Delaware limited liability company); and the Class B Member, Arkansas Venture Capital Investment Trust (a public trust of the state of Arkansas). The Amended and Restated Designated Investor Group Agreement (DIG Agreement) delineates the scope of services to be provided by the DIG; the formation and management of the Fund; Fund Manager responsibilities, goals and compensation; permissible investments; allowable Fund expenses; the issuance and guarantee of Fund obligations and Fund reporting requirements. Effective December 31, 2015, the ADFA Board of Directors appointed Arkansas Venture Capital Investment Trust as the Replacement Fund Manager effective January 1, 2016. The Fund will continue operations in perpetuity until it is dissolved by consent of the Class A Member and ADFA or by operation of law.

The Fund invests in private equity, seed and venture capital funds organized as limited partnerships or limited liability companies, focusing on investments in companies that may have a positive impact on the economy in Arkansas. The Fund owns less than 20% of the total equity of each limited partnership or limited liability company in which it invested. In addition, the Fund was not a controlling partner or member of and did not exercise significant influence over any of the Investment Capital Funds.

All of the services requested are outlined in detail in Section II of this Request For Proposal.

More information about ADFA and AIF, LLC can be found at <http://adfa.arkansas.gov/adfa-venture-capital-programs>.

B. SUBMISSION OF PROPOSALS. Written proposals responding to the questions and requests for information in the manner specified in this Request For Proposal ("RFP") should be submitted to the following:

rfp@adfa.arkansas.gov

To be considered, one (1) copy of the proposal should be delivered to ADFA not later than 12:00 p.m. (CST), January 17, 2017, via email. An email will be returned to the proposer

acknowledging receipt of the proposal. Late proposals will not be accepted. ADFA reserves the right to reject any or all proposals.

C. ADDITIONAL INFORMATION. It is the responsibility of the proposer to inquire about and clarify any aspect of the RFP. Questions should be directed to Brad Henry, (brad.henry@adfa.arkansas.gov), Vice President for Development Finance, at (501) 682-5905; Cheryl Schluterman, (Cheryl.schluterman@adfa.arkansas.gov), Vice President for Finance and Administration, at (501) 682-5995; or Patrick Patton, (patrick.patton@adfa.arkansas.gov), Vice President for Internal Audit, at (501) 682-5902. Substantive questions and answers will be documented in letterform and will be sent by electronic mail to all the proposers who provide us with an e-mail address. **IN ORDER TO BE ON THE DISTRIBUTION LIST FOR INTERNET TRANSMISSION OF ALL RESPONSES TO INQUIRIES, YOU MUST IMMEDIATELY ADVISE PATRICK PATTON OF ADFA THE INTERNET E-MAIL ADDRESS TO WHICH YOU WANT ALL SUCH TRANSMISSIONS SENT.**

D. PROPERTY OF ADFA and AIF. Any information or materials submitted as a response to this RFP shall become the property of ADFA and AIF and will not be returned. All submitted materials will be available for public review.

E. RESPONSE TO REQUEST FOR PROPOSAL. Firms wishing to respond to this RFP may contact the Chair of the Professional Selection Committee, Patrick Patton. **NO CONTACT WITH ADFA BOARD MEMBERS, TRUSTEES OF THE ARKANSAS VENTURE CAPITAL INVESTMENT TRUST OR MEMBER OF AIF IS ALLOWED AND ANY SUCH CONTACT WILL BE GROUNDS FOR IMMEDIATE REJECTION OF A FIRM'S PROPOSAL.**

F. SELECTION TIMETABLE.

December 22, 2016	Request for proposal issued
January 17, 2017	Proposals due by 12:00 p.m. (CST), via email
TBA	Oral Interviews, if needed
February 10, 2017	Final Decision

G. SELECTION PROCESS. The ADFA serves as administrator of the Arkansas Venture Capital Investment Trust and ADFA staff will be overseeing this process. The ADFA Staff Professional Selection Committee will review the submitted proposals and present them to the AIF for final decision. Proposals will be evaluated by AIF based on responses to specifics outlined in the Proposal Format section of this RFP and based upon the selection criteria. Proposals which omit any of these items may be rejected as non-responsive. From this review, a select group of firms could be chosen for interviews. The final selection will be made by the members of the AIF.

AIF may at any time prior to the selection of independent auditor reject any and all proposals and cancel this RFP, without liability therefor, upon finding that there is good cause for rejecting all proposals and that it would be in its interest to cancel the solicitation. Further, regardless of the number and quality of proposals submitted, ADFA nor AIF shall under no circumstances be responsible for any proposer costs and expenses incurred in submitting a response to this RFP. Each proposer who submits a response does so solely at the proposer's cost, risk and expense. ADFA or AIF accepts no responsibility for the return of successful or unsuccessful proposals. This RFP in no way obligates AIF to select a firm.

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

H. SELECTION CRITERIA. The ADFA Staff Professional Selection Committee composed of selected members of ADFA will review the proposals and submit them to AIF. AIF will make the final decision and will generally use the following criteria to evaluate all acceptable proposals. However, the AIF reserves the right to evaluate proposals based upon factors beyond the listed criteria.

Criteria

1. Engagement office and firm's experience as independent auditor for:
 - a. private equity funds
 - b. venture capital funds
 - c. limited partnerships
 - d. limited liability companies
2. General description of the accounting methods and rules applied by the firm to audit the financial statements and valuation of the entity's assets
3. Organization, size and structure of firm
4. Qualifications of staff to be assigned. Position in firm and years and type of experience will be considered
5. Responsiveness of written proposal to the scope of services and requirements
6. Fee proposal

SECTION II: SCOPE OF SERVICES AND REQUIREMENTS

The independent auditor will be expected to perform all the normal duties associated with being an independent auditor for a limited liability company including, but not limited to:

A. INDEPENDENT AUDITOR'S REPORT. Examine and submit an independent auditor's report on the AIF LLC's financial statements as of and for the year ending December 31, 2016. The AIF anticipates that the year end field work for the 2016 audit will begin in March or April 2017.

Audited financial statements and management letter must be completed and in final draft form by May 2nd for distribution to the Audit Committee with expectation of distribution on May 18th to the Board of Directors. Ten (10) copies of the final statements should be provided to the Authority on or before May 29th.

B. OTHER AUDITS OR PROCEDURES. Procedures in addition to auditing the financial statements are required on an annual basis due to certain economic interests held by the Class A member. The additional work is outlined below. Firms intending to submit a proposal should contact ADFA staff for additional information on these items.

- a. Review the "Round One Investment Allocation Workbook".
- b. Review the Fund by Fund Performance Distribution calculation.
- c. Assist in researching and evaluating other accounting and reporting issues, as needed.

- d. Provide information to the Fund's tax accountants to assist in the calculation of profit allocations and tax distribution amounts in accordance with the Fund's Operating Agreement.

C. REPRINTS OF REPORTS. Review and approve reprints of audited financial statements and independent auditor's reports which are to be reproduced in annual reports, official statements, Authority's website and other documents published by the Authority. The Authority will provide its independent auditor a reasonable opportunity to proof all reprints of the audited financial statements before final publication.

SECTION III: STATEMENT OF QUALIFICATIONS

An updated statement of qualifications should be maintained on file at ADFA for all firms submitting proposals as independent auditor.

SECTION IV: PROPOSAL FORMAT

A. TRANSMITTAL LETTER. A one-page transmittal letter prepared on the proposer's business stationery should accompany the proposal.

B. PROPOSAL. The proposal should be labeled "Proposal to serve as Independent Auditor for the Arkansas Institutional Fund, LLC." The submission must contain sufficient information to enable the ADFA Staff and members of AIF to evaluate the proposal. It should be prepared in a clear and concise manner and should address each of the following subsections:

1. **Experience as Independent Auditor for Providers of Financing.** Provide a representative list of private equity funds, venture capital funds, limited partnerships and limited liability companies for which your engagement office recently served as independent auditor. Provide a summary of this data, which includes the following:
 - a. Name of client;
 - b. Approximate total assets of client;
 - c. Duration of auditor/client relationship;
 - d. Services performed for client;
 - e. General description of the accounting methods and rules applied to audit the financial statements and valuation of assets; and
 - f. Your firm's engagement team.
2. **General Information Regarding the Firm.** How many professionals employed by your firm's Arkansas office has substantial expertise in:
 - a. Private equity fund accounting/auditing;
 - b. Venture capital fund accounting/auditing; and
 - c. Other accounting/auditing activities which will contribute to your firm's ability to serve as independent auditor for the AIF, LLC.

3. **Independent Auditor Team and Personnel.** Describe the manner in which you would organize your firm's resources to serve as independent auditor for the AIF. In doing so, please address the following questions or issues:
 - a. Identify the individual who will manage this engagement on a day-to-day basis. Define this individual's position within the firm and indicate the degree to which he or she will be able to commit the firm's resources to the Authority. What is this person's availability for this engagement, and what other commitments does he or she have? Provide a brief summary of his or her professional qualifications and experience.
 - b. Identify other professionals from your firm who will be assigned to work on this engagement, their roles and responsibilities and relevant aspects of their background.
4. **Comments on Scope of Services.** Elaborate on your approach to performing services as requested in Section II of this Request For Proposal.
5. **Client References.** Provide three client references that you feel are somewhat similar to the AIF, LLC. Furnish name, title, agency/company and telephone number for these references.
6. **Rationale for Appointment and Proposal Summary.** This section of the proposal should be used by each Proposer to present the case for its appointment to the position sought. In addition, the key points raised in the proposal should be summarized.
7. **Independent Auditor Fee Proposal.** Provide a schedule of fees for each of the services outlined in Section II of this Request For Proposal. Either quote a separate flat amount or a separate maximum amount based on an hourly rate for **each** service requested in Section II (A-B).
8. **Equal Opportunity Statement.** Please submit your Equal Opportunity Policy to ADFA in accordance with Arkansas Act 2157 of 2005. This act requires any firm wishing to respond to an RFP or submit a proposal or statement of qualifications to provide ADFA with your Equal Opportunity Policy.
9. **Acceptance.** Submission of proposals, in response to this Request for Proposal, constitutes acceptance of all conditions, requirements and limitations described in this document.