

ILLINOIS STATE BOARD OF INVESTMENT
Request for Competitive Proposal: Passive, Separately Managed Mid-Cap Growth U.S. Equity
Investment Advisory Services

I. OVERVIEW

The Illinois State Board of Investment (the “Board” or “ISBI”) hereby issues a request for competitive proposals (“RFP”) from qualified investment advisory firms interested in providing **passive, separately managed mid-cap growth U.S. equity investment advisory services** (the “Respondents” or “Advisers”) in order to diversify ISBI’s equity investments and complement existing advisers within the asset class. The relative performance benchmark for this mandate will be the Russell Mid-Cap Growth Index. All forms needed for submitting a response to this RFP are available on the Board’s website at <http://www.isbi.illinois.gov>. **Respondents to this RFP are responsible for monitoring the Board’s website for information pertaining to the RFP, while the RFP is outstanding.**

The Board is a non-appropriated state agency that is responsible for managing and investing the pension assets of the Illinois General Assembly Retirement System, the Judges’ Retirement System of Illinois and the State Employees’ Retirement System of Illinois. ISBI’s net assets totaled \$11.4 billion as of June 30, 2011. More information regarding ISBI can be found by reviewing its enabling statute at 40 ILCS 5/22A and its website at: <http://www.isbi.illinois.gov>.

II. RFP TIMELINE

A. Date of Issue:	July 25, 2011
B. Deadline to Submit Written Questions:	July 29, 2011, 3:00PM CDT
C. Q & A Document Posted	August 5, 2011
D. Final Filing Date:	August 12, 2011, 3:00PM CDT
E. Potential Interviews:	September 22 or 23, 2011
F. Finalist Notified By:	September 22 or 23, 2011

III. ISBI RFP PROCEDURES

The Board will provide notice of this RFP in the State of Illinois newspaper and in one or more industry periodicals at least 14 days before the response to the RFP is due. Notice will also be provided to the Board’s universe of Advisers. Qualified Advisers that do not receive an RFP from ISBI or the Board’s Consultant are encouraged to compete and may obtain the RFP document from the ISBI website. Neither this RFP nor any response to this RFP should be construed as a legal offer.

All interested Advisers must submit their responses in accordance with the proposal submission instructions below. ISBI reserves the right to reject any or all proposals submitted. All material submitted in response to the RFP will become the property of the Board. ISBI is not responsible for any costs incurred by the Respondents in responding to this RFP.

Staff, in conjunction with the Board’s Consultant, shall open the responses and thoroughly review each for content, quality and compliance with the RFP’s requirements. Staff will compile a list of all

Respondents to the RFP, identifying which responses are complete and incomplete.

If it becomes necessary to revise any part of the RFP, or if additional information is necessary for a clarification of provisions within this RFP, prior to the due date for proposals, a supplement will be provided to all known Respondents and posted on the Board's website. If a supplement is necessary, the Board may extend the due date and time of the proposals to accommodate any additional information requirements.

Respondents are advised that proposal materials are subject to the Illinois Freedom of Information Act (5 ILCS 140). After completion of the RFP, selection by the Board and successful negotiation of a contract, if any, proposals submitted may be viewed and copied by any member of the public, including news agencies and competitors. Respondents claiming a statutory exception to the Illinois Freedom of Information Act for information within the Respondents' proposals must identify relevant language as confidential, and identify in the email transmission of the proposal whether confidential information is included. Further, each page of confidential documentation must be labeled as such. The Respondent must also specify which statutory exemption applies for each piece of confidential information. The Freedom of Information Act can be found at the Illinois General Assembly's website (<http://www.ilga.gov/>).

ISBI reserves the right to make determinations of confidentiality. If ISBI disagrees with a Respondent's confidential designation, it may either reject the proposal or discuss its interpretation of the exemptions with the Respondent. If agreement can be reached, the proposal will be considered. If agreement cannot be reached, ISBI will remove the proposal from consideration.

Following review and evaluation of complete responses from interested Respondents, the field of candidates will be narrowed to a smaller list of the most highly qualified Respondents. The Board's Staff and Consultant may meet with representatives of each Respondent to obtain an independent assessment of the Respondent's capabilities.

Following any interviews with the selected Respondents, the Board's Staff and Consultant will prepare Respondent recommendations for approval by the Board. The finalists may appear before the Board to present their firms' qualifications. The Board shall accept or modify the recommendation and make the final selection, if satisfied with the Respondents' capabilities.

If in any case an Emerging Investment Adviser(s) meets criteria established by the Board and Consultant for a specific search, the Emerging Investment Adviser(s) shall receive an invitation by the Board, or the Board's Investment Policy Committee and/or Emerging Manager Committee, to present the firm(s) for final consideration. In the case where multiple Emerging Investment Advisers meet the search criteria, the Board's Staff may choose the most qualified firm or firms to present to the Board.

The Board shall conduct the RFP process and any potential retainer in accordance with applicable provisions of the Illinois Pension Code, the State Officials and Employees Ethics Act and any other relevant authority under the Illinois Compiled Statutes. All ex parte communications between the Board and its Staff and interested parties, including Respondents, or non-interested parties shall be recorded or disclosed, in accordance with the State Officials and Employees Ethics Act. Board Members and Staff shall comply with all Illinois gift ban restrictions.

No Respondent shall retain a person or entity to influence (i) the outcome of an investment decision or (ii) the procurement of investment advice or services of the Board for compensation, contingent in whole or in part upon the decision or procurement.

ISBI shall post the name of the successful Respondent, if any, on the Board's website, along with a disclosure including the total amount applicable to the contract, the total fees paid or to be paid and a description of the factors that contributed to the selection of the Adviser.

IV. PROPOSAL SUBMISSION

The Board's Consultant shall oversee the RFP process. If Respondent is interested in submitting a proposal, Respondent must submit an electronic copy of the complete proposal by **3:00 PM, CDT, August 12, 2011** to:

SEARCH CONTACTS: ISBI Search 1
Marquette Associates, Inc.
ISBISearch1@marquetteassociates.com

AND

ISBI.backstop@illinois.gov

Questions concerning the RFP must be submitted in writing via e-mail to the Search Contacts by **3:00 PM, CDT, July 29, 2011**. Responses to properly submitted questions will be consolidated into a single Q & A document and posted on the Board's website on or about **August 5, 2011**. The Q & A document will not identify the source of the query.

PLEASE NOTE: Respondents WILL NOT receive individualized responses from the Search Contacts, in response to questions submitted by a Respondent. Respondents must review the Q & A document posted on the Board's website to receive answers to all questions submitted.

If Staff and/or Consultant has/have a question(s) regarding how to interpret a Respondent's proposal, Staff and/or Consultant is/are authorized to request additional information from that Respondent.

ANY PROPOSAL RECEIVED AFTER THE AUGUST 12, 2011 DUE DATE AND TIME WILL NOT BE CONSIDERED.

PROPOSALS MUST CONTAIN THE FOLLOWING DOCUMENTS:

- A. Transmittal Letter. A transmittal letter must be submitted on the Respondent's official business letterhead. The letter must identify all documents provided collectively as a response to the RFP, and must be signed by an individual authorized to bind the Respondent contractually. **An unsigned proposal shall be rejected.** The letter must also contain the following:

- Statement that the proposal is being made without fraud or collusion; that the Respondent has not offered or received any finder's fees, inducements or any other form of remuneration, monetary or non-monetary, from any individual or entity relating to the RFP, the Respondent's proposal or the Board's resulting selection.
 - Statement that discloses any current business relationship or any current negotiations for prospective business with the Board or any ISBI Board Members or ISBI Staff.
- B. Minimum Qualification Certification. The Respondent must complete the certification and provide all supporting documentation.
- C. Questionnaire. The Respondent must address the questionnaire items in the RFP in the order in which they appear in the RFP. Further, each question number and question in the RFP shall be repeated in its entirety before stating the answer. Please note that certain questions require supporting documentation. This additional documentation should be submitted as attachments to the questionnaire.
- D. Appendix I. The Respondent must complete the excel data sheet referenced in Appendix I.
- E. Vendor Disclosure Attachment(s).

V. SCOPE OF SERVICES

The Respondent, a qualified investment adviser, will manage assets for the Board in a separate account for a passive U.S. equity mid-cap growth mandate. The benchmark for the portfolio is the Russell Mid-Cap Growth Index.

VI. POST PERFORMANCE REVIEW

Any Respondent retained by the Board will undergo quarterly performance reviews, at Staff's discretion, wherein the Respondent's compliance with agreement objectives and deliverables will be assessed. Evidence of material non-compliance will be reviewed by the Board's Staff and Consultant, as well as the Board, if necessary.

VII. MINIMUM QUALIFICATION REQUIREMENTS AND CERTIFICATION

Respondents must satisfy each of the following minimum qualifications for this RFP, in order to be given further consideration by the Board. Failure to satisfy each of the requirements will result in the immediate rejection of the proposal. Failure to provide complete information will result in the rejection of the proposal.

Please circle "YES" or "NO" where indicated. If evidence is requested, please provide complete documentation.

1. Respondent is an investment adviser registered with the Securities and Exchange Commission under the federal Investment Advisers Act of 1940. (Yes/No): _____
If yes, please provide ADV Forms I and II.

2. Respondent and its proposed team have all authorizations, permits, licenses and certifications required by federal and state laws and regulations to perform the services specified in this RFP at the time Respondent submits a response to the RFP. (Yes/No):_____
3. The allocation for this passive, separately managed U.S. equity mid-cap growth mandate will be approximately **\$450 million**. Per Marquette Associates' Separate Account Fee Study¹, the bottom quartile fee for an allocation of this size and asset class is 5 basis points. Respondent is at or below this fee. (Yes/No):_____
4. Respondent has a minimum of **three-years**, GIPS Verified, performance track record. (Yes/No): _____
If yes, please provide the GIPS Verified track record.
5. Respondent has at least **\$1 billion** in firm assets under management and at least **\$300 million** in the passive, separately managed mid-cap growth U.S. equity product. (Yes/No):_____
6. Respondent has at least **\$2 million** in Errors & Omissions Insurance. (Yes/No):_____
If yes, please provide evidence.
7. If retained for investment advisory services, Respondent agrees to serve as a fiduciary as defined by the Illinois Pension Code. (Yes/No):_____
8. Respondent has reviewed the Board's Investment Policy (the "Policy"), which includes the Board's Minority and Illinois Brokerage and Money Manager Policy, Sudan Divestment Policy and Iran Divestment Policy, found via the Board's website (<http://www2.illinois.gov/isbi/Pages/Reporting.aspx>), and agrees that, if retained, Respondent can provide investment advisory services in furtherance of the Policy. (Yes/No):_____
9. Respondent has both (i) reviewed the Board's Vendor Disclosure Policy (attached as **Exhibit A**) **and** (ii) provided all disclosures required under the Policy. If Respondent has no disclosures to report, Respondent has indicated that fact in the firm's response. (Yes/No):_____
10. Respondent has (i) reviewed the representations and certifications, outlined in **Exhibit B**, **and** (ii) agrees that, if retained to provide investment advisory services, such representations and certifications will be incorporated into the investment advisory agreement. Limited drafting changes may be negotiated during any contract negotiation. (Yes/No):_____
11. Respondent agrees to provide the services as detailed in the Scope of Services section of this RFP and any other requirements as stated in this RFP. (Yes/No):_____
12. If retained, Respondent will, in conjunction with the Board's Staff, submit periodic written reports, on at least a quarterly basis, for the Board's review at its regularly scheduled

¹ Source: www.eVestmentAlliance.com

meetings. All returns on investment shall be reported as net returns after payment of all fees, commissions, and any other compensation, in addition to any other reporting requested. (Yes/No):_____

13. Respondent maintains sufficient procedures and capabilities necessary to ensure the timely and accurate backup and full recovery for all computers and other data storage systems related to an ISBI account(s). (Yes/No): _____

If yes, please provide a complete description of these procedures and capabilities, including your firm's disaster recovery and business continuity plan.

IF RESPONDENT PROVIDED A "NO" RESPONSE TO ANY OF THE MINIMUM QUALIFICATION REQUIREMENTS ABOVE, RESPONDENT SHOULD NOT SUBMIT A PROPOSAL TO THE BOARD.

PLEASE CERTIFY THE RESPONDENT'S SATISFACTION OF THE MINIMUM QUALIFICATIONS BY PROVIDING THE RESPONDENT'S AUTHORIZED SIGNATURE BELOW.

Authorized Signer Name: _____

Title: _____

Respondent Firm: _____

Signature: _____

Date: _____

VIII. QUESTIONNAIRE

Firm

- 1) Please provide the year your firm was established and give a brief history of your firm.
- 2) Please provide the organization's name, and the name, title, address, phone number, fax number, and email address of the individual who will be our primary contact.
- 3) Please provide the address and website of the firm's headquarters and all branch offices.
- 4) Please comment on the financial solvency of your firm.
- 5) Do you have any firm debt?
- 6) What is the amount of firm debt?
- 7) What are the plans, with timeframe described, to pay off the firm debt?
- 8) What is the minimum asset level required for your firm to remain profitable? Please be specific.
- 9) Please provide a brief description of your firm's plans for growth, such as asset growth, personnel growth, succession planning, over the next three to five years.
- 10) Please give succession plans for key employees if retirements are planned within five years.

Ownership

- 11) Please discuss your general ownership structure, including what percentage of your firm is owned by current active employees.
- 12) Have there been any changes in the ownership structure of your firm in the past five years? If yes, please explain in detail.
- 13) Please explain any known or potential changes in firm ownership or personnel.

Client Breakdown

- 14) Please provide the firm's and product's breakdown by clients as of the current date (as measured by % of assets under management) using the following format. Please provide a brief explanation as to the contents of "other."

	Corporate	Foundation/ Endowment	HNW/ Family	Insurance/ Financial	Mutual Fund	Public
Firm						
Product						

	Religious	Taft- Hartley	Sub- Advisory	Wrap*	Other
Firm					
Product					

15) Please provide the firm's and product's breakdown by clients as of the current date (as measure by # of clients under management) using the following format. Please provide a brief explanation as to the contents of "other."

	Corporate	Foundation/ Endowment	HNW/ Family	Insurance/ Financial	Mutual Fund	Public
Firm						
Product						

	Religious	Taft- Hartley	Sub- Advisory	Wrap*	Other
Firm					
Product					

16) Please provide the approximate client turnover in the *firm* using the format below.

	2006	2007	2008	2009	2010
# of Clients Gained					
Assets (\$MM) Gained					
# of Clients Lost					
Assets (\$MM) Lost					

17) Please provide the approximate client turnover in the *product* using the format below.

	2006	2007	2008	2009	2010
# of Clients Gained					
Assets (\$MM) Gained					
# of Clients Lost					
Assets (\$MM) Lost					

18) Please provide the following information on the product's client breakdown:

	Assets (in Millions)
Average Client Size:	
Largest:	
Smallest:	

Investment Professionals

Firm Specific:

- 19) Please provide brief biographies of the investment professionals (analysts/portfolio managers/traders) in the firm.
- 20) List ownership and % held by the investment professionals of your firm.
- 21) List directorships or board positions held by the investment professionals of other firms.
- 22) Please discuss the compensation plan of the investment professionals. Please distinguish the differences between the portfolio manager's compensation and analyst compensation.
- 23) Please specifically describe whether the bonus plans are based on asset growth, investment performance, or some combination. If any or part of the compensation is based on investment performance, please specifically cite the performance measurement (performance vs. peers, vs. benchmark) and the time period involved (1 year, 3 years, or a weighted measurement).
- 24) Are the investment professionals under employment contracts with the firm?
- 25) What are the terms of the employment contracts, including non compete clauses?
- 26) Discuss all turnover of investment professionals (analysts/portfolio managers/traders/marketers) in the firm during the last three years.

Compliance

- 35) Please attach a copy of your firm's Code of Ethics.
- 36) Is your firm affiliated with a broker dealer?
- 37) Are you compliant with GIPS® Standards?
- 38) If no to #37, please explain why.
- 39) Have you contracted with an outside firm to conduct a GIPS® verification? If yes, please indicate the last verification year and name of outside firm. If yes, please provide the most recent verification letter.
- 40) Are you a registered investment advisor? Please attach a copy of your ADV Part II.
- 41) Please provide a brief description of any past or pending regulatory action, litigation, or other legal proceedings involving the firm or any registered employees and/or principals as defendants in the last five years.
- 42) Are you currently or have you been in the last five years out of compliance with the DOL? If yes, please explain thoroughly.
- 43) Are you currently or have you been in the last five years out of compliance with the SEC? If yes, please explain thoroughly.
- 44) Are you currently or have you been in the last five years out of compliance with any regulatory agency? If yes, please explain thoroughly.
- 45) Has your firm been audited by the SEC, DOL, or any regulatory agency in the past five years?
- 46) When was your last audit, please be specific by month and year, by the SEC, DOL or any regulatory agency?
- 47) Please explain any and all findings on your most recent SEC audit, including minor deficiencies. Please attach a copy of the SEC Review findings and firm responses.
- 48) Do you have a dedicated compliance officer?
- 49) Does your compliance officer serve other roles within the firm? If so, please describe.
- 50) Who is the firm's independent auditor?
- 51) How long has the firm's independent auditor been serving in this capacity?
- 52) Who is the firm's legal counsel or do you use an in-house legal team?

- 53) Please provide brief biographies for your legal counsel, indicating how long they have been serving in this capacity.
- 54) Please describe your firm's disaster recovery and business continuity plans.
- 55) Please address the most recent dates and the numbers of times you have practiced and tested your disaster recovery procedures in the past five years, and the results of those exercises.
- 56) Please provide a copy of your firm's disaster recovery and business continuity procedures.
- 57) Please address your back-up capabilities and/or offsite location, particularly related to your trading desk, in the event your primary office location was inaccessible.
- 58) What is your firm's personal trading policy?
- 59) What are your procedures for personal trading policy violations?
- 60) How many violations of your personal trading policy have occurred in the past 12 months? Please describe the nature of each violation.
- 61) What software, systems and/or processes ensure client-specific guidelines and regulations are adhered to?

Trading and Soft Dollars

- 62) Please describe your firm's policy on soft dollar trading.
- 63) If your firm utilizes soft dollar, please list the top five brokers utilized in the **last calendar year**:

Broker
1)
2)
3)
4)
5)

64) If your firm utilizes soft dollars, please rank by dollar value, in descending order, your top-five soft dollar relationships within the last year:

Item/Vendor	Dollar Value (\$)
1)	
2)	
3)	
4)	
5)	

65) If a client requests no soft dollars be used in the construction of their separate account, can you comply?

66) If you didn't use soft dollars, what impact would that have on portfolio performance and trading costs?

67) Please describe the trading platforms utilized by your firm's trading desk.

68) Do you utilize minority-owned brokerage firms for trades?

69) Please provide a list of the minority-owned brokerage firms you utilize.

70) Are you conducting step-outs or direct trades with minority-brokerage firms? Please indicate the breakout of step-outs to direct trades.

71) What percentage of your firm's actual trades are with minority-owned brokerage firms?

72) Please discuss your portfolio manager's interaction with your trading desk.

73) How are orders communicated, does the portfolio manager specify price, etc.

Product Investment Process

74) What distinguishes your firm from other investment managers with respect to this product?

75) How does your firm replicate the index – full replication or sampling?

76) If the answer is “sampling”, please provide a detailed explanation of the process.

77) What is the expected active risk, i.e. tracking error, of the index product?

78) Based upon the size of this mandate, do you expect the active risk to differ from what has been experienced in the product historically?

79) How are trading and transaction costs minimized?

- 80) How does the product manage index reconstitution (if applicable)?
- 81) Has performance of the product been impacted positively or negatively by index reconstitution (if applicable)?
- 82) Has there been a time when the product has either underperformed or outperformed the relevant index by more than 0.05% for a month? Please detail all periods.
- 83) How is liquidity managed for the product? If cash is held, how is equity exposure maintained?

Fees

- 84) What is your standard fee schedule for this product?
- 85) What is your proposed fee schedule for this mandate specifically?
- 86) What is the current Most Favored Nations Policy?
- 87) How do you ensure compliance with this policy?

Miscellaneous

- 88) Please describe the process you use for selecting and monitoring broker/dealers and how you ensure transaction prices reflect "best execution."
- 89) Describe how trading costs are monitored.
- 90) How are trades allocated among accounts?
- 91) For those trades executed with full service proprietary brokers, please describe products/services received with commission dollars beyond trade execution, including approximate cost of products/service.
- 92) Please describe your firm's evaluation process of products/services received with commission dollars.
- 93) Please include GIPS compliant performance composite report for search product as of 06/30/2011.

Attachments and Disclosures

Please check off items included as attachments. If any **required** items are excluded, please indicate an alternate means for our review of requested items.

Required

Included?

- ADV Part II
- SEC Review Findings Letter
- Disaster Recovery and Business Continuity Plans
- Code of Ethics
- Proof of E&O Insurance
- Vendor Disclosure Policy Attachments
- GIPS Verification Letter
- GIPS Performance Composite Report 6/30/11

Include, if Applicable

Included?

State or Local Registration for M/WBE

Chief Compliance Officer Signature

I, chief compliance officer of _____, have reviewed all of the aforementioned statements and documents. To the best of our ability, we believe all statements and documents to be accurate, truthful and timely.

Signature

Print Name

Appendix I

Please complete the excel datasheet, titled U.S. Equity Data Sheet 2Q11, and submit as a separate attachment to this RFP.

Exhibit A

The Illinois State Board of Investment (ISBI) acts as fiduciary for the General Assembly Retirement System, Judges' Retirement System and State Employees' Retirement System of Illinois. As fiduciaries, the Board is responsible for managing, investing, reinvesting, preserving and protecting fund assets.

It is the policy objective of the Illinois State Board of Investment (ISBI) to prevent actual, potential or perceived conflicts of interest with its current and prospective vendors on behalf of its participants.

In furtherance of this policy, ISBI shall require the following disclosures:

1. Political Contribution Disclosure

All (i) vendors submitting bidding proposals to ISBI and (ii) vendors retained by ISBI, as well as each of the aforesaid vendors' solicitors, finders, officers, directors, partners, principals, and lobbyists, must provide written disclosures of all political contributions made during the preceding five years to a Board Member or a Board Member's Campaign Committee, and provide disclosures in writing of any future political contributions made to Board Members or a Board Member's Campaign Committee.

Additionally, (i) vendors submitting bidding proposals to ISBI and (ii) vendors retained by ISBI, as well as each of the aforesaid vendors' solicitors, finders, officers, directors, partners, principals, and lobbyists, must provide written disclosures of any future instances where a Board Member or a Board Member's Campaign Committee solicits any political contributions from such persons, regardless of the candidate or political campaign committee for whom the solicitation is requested.

The failure to provide written disclosures of political contributions or solicitations may result in the disqualification or termination of the vendor.

PROVIDE RESPONDENT'S POLITICAL CONTRIBUTION DISCLOSURES IN AN ATTACHMENT.

IF RESPONDENT HAS NO POLITICAL CONTRIBUTIONS TO REPORT, INDICATE THAT RESPONDENT HAS NO DISCLOSURES TO REPORT IN AN ATTACHMENT.

2. Public Act 95-0971 Disclosures

Public Act 95-0971 (the Act) amends the Illinois Procurement and Election Codes (i) to require certain "business entities" to register with the State Board of Elections; (ii) to require state bidding documents and contracts to contain language referencing a business entity's duty to register with the State Board of Elections and duty to provide a registration-related certification; and (iii) to restrict business entities from making political contributions to any political committee established to promote the candidacy of the officeholder responsible for awarding the contract on which the business entity has submitted a bid or proposal, which is the Governor in the case of the Board.

ISBI constitutes a “State Agency” under the Act. On January 30, 2008, the Board resolved to apply the Act’s requirements to the Board’s contracts.

All (i) vendors submitting bidding proposals to ISBI and (ii) vendors retained by ISBI must comply with all requirements of the Act that are applicable to the particular vendor. Please note that any contract formed between the Board and vendor is voidable for vendor’s failure to comply with the requirements of the Act.

Please read the Act carefully, as it may affect your ability to do business with ISBI. The Act may require registration and disclosures by you with the State Board of Elections, and requires specific language to be present in ISBI bidding materials and contracts. Further, the Act may restrict you from making political contributions to certain state officeholders.

DISCLOSE WHETHER RESPONDENT CONSTITUTES A “BUSINESS ENTITY” UNDER THE ACT.

IF RESPONDENT IS A BUSINESS ENTITY, RESPONDENT MUST ATTACH REGISTRATION CERTIFICATION IN AN ATTACHMENT.

3. Vendor Disclosure of Financial Interests and Potential Conflicts of Interest

All bidding materials from potential ISBI vendors must be accompanied by a disclosure of any ownership of the vendor in excess of 5%, as well as a disclosure of any distributive income share in excess of \$100,000.00 of the bidding entity and its parent entity. If the vendor is a publicly traded entity subject to Federal 10K reporting, it may submit its 10K disclosure to satisfy the 5% ownership disclosure. Distributive income share, in this instance, is a fee, commission, bonus or any other form of remuneration conferred by the bidding entity or its parent contingent on the bidding entity’s selection for procurement of services by ISBI.

Disclosures must include at least the names, addresses, and dollar or proportionate share of ownership of each person identified and their instrument of ownership.

PLEASE PROVIDE OWNERSHIP DISCLOSURES IN AN ATTACHMENT.

IF RESPONDENT HAS NO OWNERSHIP DISCLOSURES TO REPORT, INDICATE THAT RESPONDENT HAS NO OWNERSHIP DISCLOSURES TO REPORT IN AN ATTACHMENT.

Further, the bidding entity must disclose whether any of the following relationships, conditions, or statuses are applicable to representatives of the bidding entity or its parent entity:

- a. State employment, currently or in the previous three years, including contractual employment services;
- b. State employment by spouse, father, mother, son, daughter or immediate family including contractual employment for services in the previous two years;
- c. Elective Status: the holding of elective office of the State of Illinois, the government of the

United States, any unit of local government authorized by the Constitution of the State of Illinois or the statutes of the State of Illinois currently or in the previous three years;

d. Relationship to anyone (spouse, father, mother, son, daughter or immediate family) holding elective office currently or in the previous two years;

e. Employment, currently or in the previous three years, as or by any registered lobbyist of the State government;

f. Relationship to anyone (spouse, father, mother, son, daughter or immediate family) who is or was a registered lobbyist of the State government in the previous two years;

g. Compensated employment, currently or in the previous three years, by any registered election or re-election committee registered with the Secretary of State or any county clerk in the State of Illinois, or any political action committee registered with either the Secretary of State or the Federal Board of Elections;

h. Relationship to anyone (spouse, father, mother, son, daughter or immediate family) who is or was a compensated employee in the last two years of any registered election or re-election committee registered with the Secretary of State or any county clerk in the State of Illinois, or any political action committee registered with either the Secretary of State or the Federal Board of Elections.

PROVIDE DISCLOSURES APPLICABLE UNDER SECTION 3.a. – 3.h. IN AN ATTACHMENT.

IF RESPONDENT HAS NO DISCLOSURES TO REPORT FOR 3.a. – 3.h., INDICATE RESPONDENT HAS NO DISCLOSURES TO REPORT FOR 3.a. – 3.h. IN AN ATTACHMENT.

These disclosures are not intended to prohibit or prevent any contract. The disclosures are used to fully and publicly disclose any potential conflict to ISBI so that ISBI may adequately discharge its duty to protect its participants.

When a potential for a conflict of interest is identified, discovered, or reasonably suspected, the Executive Director shall review and comment on it in writing to the Board's Audit and Compliance Committee. This Committee shall recommend in writing to the Board whether to void or allow the contract, bid, proposal or response weighing the best interests of the State of Illinois. The comment and determination shall be a part of the associated file.

These thresholds and disclosures do not relieve ISBI, or its designees, from reasonable care and diligence for any contract, bid, proposal or response. ISBI, or its designees, shall use any reasonably known and publicly available information to discover any undisclosed potential conflict of interest and act to protect the best interest of the State of Illinois.

Failure to make any disclosure required by this provision may render the contract, bid, proposal, response or relationship voidable by the Board and may result in the termination of any existing relationship, suspension from future contracts, bids, proposals, responses or relationships for a

period up to ten years. Reinstatement must be reviewed and commented on in writing by the Executive Director. The Board shall determine in writing whether and when to reinstate the party at issue. The comment and determination must be a part of the associated file.

Additionally, all disclosures must note any other current or pending contracts, leases, bids, proposals, responses or other ongoing procurement relationships the bidding, proposing, or responding entity has with any other unit of State government and must clearly identify the unit and the contract, lease, bid, proposal, response or other relationship.

This policy shall be disclosed to all vendors as early as possible in the marketing process, ideally at the initial point of contact with ISBI. However, a failure on the part of ISBI to make such disclosure shall in no way detract from the application of this policy.

ADOPTED: September 7, 2005

AMENDED: December 16, 2005

AMENDED: January 30, 2009

Exhibit B

Representations and Certifications:

1. _____ shall comply with all applicable laws of the State of Illinois and the United States of America, and any governmental or regulatory authority outside of the United States.
2. _____ certifies that no finder's fee or commission has been or shall be paid to any individual or organization resulting from the establishment of this investment relationship.
3. No party may assign this Agreement, in whole or in part, nor delegate except as contemplated herein all or part of the performance of duties required of it by this Agreement without the prior written consent of the other party, and any attempted assignment or delegation without such consent shall be void.
4. If any provision of this Agreement shall be held invalid, illegal or unenforceable, the validity, legality or enforceability of the other provisions of this Agreement shall not be affected, and there shall be deemed substituted for the provision at issue a valid, legal and enforceable provision as similar as possible to the provision at issue.
5. _____ and the Board each represents to the other that it is duly authorized and fully empowered to execute, deliver and perform this Agreement.
6. _____ certifies that is has not been barred from entering into this Agreement as a result of a violation of Section 33E-3 or Section 33E-4 of the Illinois Criminal Code of 1961.
7. _____ shall maintain, for a minimum of 5 years after the completion of this Agreement, adequate books, records and supporting documents to verify the amounts, recipients, and uses of all disbursements of funds passing in conjunction with this Agreement. _____ further agrees to cooperate fully with any audit and to makes this Agreement, and all books, records and supporting documents related to this Agreement, available to the Auditor General, chief procurement officer, internal auditor, and the purchasing agency. Failure to maintain the books, records and supporting documents required by this Agreement shall establish a presumption in favor of the State of Illinois for the recovery of any funds paid by the State of Illinois under this Agreement for which adequate books, records, and supporting documentation are not available to support their purported disbursement.
8. _____ certifies that _____ is its correct tax identification number and that the manager is doing business as a _____.
9. Any amount of compensation due according to the terms of this Agreement for which an appropriation is required and for which no appropriation has been enacted by the Illinois General Assembly and signed into law by the Governor shall not be due and payable and this Agreement shall become null and void as to such compensation unless and until the required appropriation is made.
10. _____ certifies that neither it, nor any of its affiliates, is participating or shall participate in an international boycott in violation of the provisions of the United States Export Administration Act of 1979.
11. _____ certifies that it is not barred from being awarded a contract under 30 ILCS 500/50-5. Section 50-5 prohibits a contractor from entering into a contract with a State Agency if the contractor has been convicted of bribery or attempting to bribe an officer or employee of the State of Illinois, or if the contractor has made an admission of guilt of such conduct which is a matter of record. Further, _____ acknowledges that the Board may declare this Agreement void if this certification is false.

12. _____ certifies that it is not barred from being awarded a contract under 30 ILCS 500/50-10. Section 50-10 prohibits a contractor from entering into a contract with a State Agency if the contractor has been convicted of a felony and 5 years have not passed from the completion of the sentence for that felony. Further, _____ acknowledges that the Board may declare this Agreement void if this certification is false.
13. _____ certifies that it, and any of its affiliates (as defined in the Illinois Procurement Code), is not barred from being awarded a contract under 30 ILCS 500/50-11. Section 50-11 prohibits a contractor from entering into a contract with a State Agency if the contractor knows or should know that it, or any of its affiliates, is delinquent in the payment of any debt to the State of Illinois, as defined by the Debt Collection Board. Further, _____ acknowledges that the Board may declare this Agreement void if this certification is false.
14. _____ certifies that it is not barred from being awarded a contract under 30 ILCS 500/50-12. Section 50-12 prohibits a contractor from entering into a contract with a State Agency if the contractor, or any affiliate, has failed to collect and remit Illinois Use Tax on all sales of tangible personal property into the State of Illinois in accordance with the provisions of the Illinois Use Tax Act. Further, _____ acknowledges that the Board may declare this Agreement void if this certification is false.
15. _____ certifies that is not barred from being awarded a contract under 30 ILCS 500/50-14. Section 50-14 prohibits a contractor from entering into a contract with a State Agency if the contractor has been found by a court or the Pollution Control Board to have committed a willful or knowing violation of the Environmental Protection Act within the last 5 years. Further, _____ acknowledges that the Board may declare this Agreement void if this certification is false.
16. _____ certifies that during the five years prior to the date of this Agreement, no officer, director, partner or other managerial agent of the _____ has been convicted of a felony under the Sarbanes-Oxley Act of 2002 or a Class 3 or Class 2 felony under the Illinois Securities Law of 1953. Further, _____ acknowledges that the Board shall declare this Agreement void if this certification is false.
18. Public Act 95-0971:
 - a. _____ certifies, in Exhibit ___ to this Agreement, that they are not required to register as a Business Entity with the State Board of Elections pursuant to PA 95-0971 (the "Act"). Further, _____ acknowledges that all Contracts between State Agencies and a Business Entity that do not comply with the Act shall be voidable under the Act; or
 - b. _____ certifies, in Exhibit ___ to this Agreement , that they have registered as a Business Entity with the State Board of Elections and acknowledges a continuing duty to update the registration pursuant to PA 95-0971 (the "Act"). Further, _____ acknowledges that all Contracts between State Agencies and a Business Entity that do not comply with the Act shall be voidable under the Act.
19. _____ certifies that it does not pay dues or fees, or subsidize or otherwise reimburse its employees or agents for any dues or fees to any discriminatory club.
20. _____ certifies that it will provide a drug free workplace and will not engage in the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance during the performance of this Agreement. This certification applies to contracts of \$5,000 or more with individuals, and to entities with 25 or more employees.
21. _____ will furnish to the Board, from time to time, such evidence as the Board may reasonably request that it satisfies the foregoing requirements, and shall promptly notify the Board if it has reason to believe that any of the foregoing representations, warranties or covenants may cease to be satisfied.

22. Adviser represents and warrants to the Board that it is registered as an investment adviser under the Investment Advisors Act of 1940.
23. Adviser acknowledges that it is a “fiduciary” with respect to the Account assets within the meaning of Article 1 of the Illinois Compiled Statutes, Chapter 40, Act 5; warrants that none of the disqualifications described in Section 411 of ERISA apply to the Adviser; and specifically agrees to perform its duties under this Agreement with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in an enterprise of like character and with like aims.
24. _____ shall secure, and maintain throughout the term of the investment management relationship with the Board, insurance that satisfies the requirements set forth below that is provided by insurer(s) rated A- or better by A.M. Best & Company. _____ shall provide the Board:
 - a. A copy of the requisite insurance policies upon initiation of the contract;
 - b. an annual certification that the insurance requirements continue to be satisfied; and
 - c. evidence of continued satisfaction of the insurance requirements upon request.

The minimum insurance requirement shall include:

- d. a bond protecting the Account assets that meets the requirements of, and that is in the amount specified under, ERISA and the regulations thereunder; and
 - e. errors and omissions coverage in an amount equal to the greater of: \$5 million or 5% of the assets under management, up to a maximum of \$10 million of coverage. The errors and omissions insurance shall protect the Account against losses from the negligent acts, errors or omissions of Adviser.
25. _____ shall notify the Board in writing within five (5) business days of any material changes in senior officers, senior personnel involved in the management of the Account, ownership, significant legal actions instituted against Adviser, or any investigations, examinations, or other proceedings commenced by any governmental regulatory agency which is not conducted in the ordinary course of Adviser’s business.
26. _____ agrees that in the event Adviser enters into an investment advisory agreement for the same investment advisory strategy with any other client in which a lower asset based fee schedule is in effect, then the Board shall be entitled to an equal arrangement. The foregoing does not apply to investment management agreements where Adviser acts in a sub-advisory capacity. Adviser will on an annual basis (i) certify to the Board that more favorable fees are not effective between any other client with the same investment management strategy and (ii) disclose (and if requested, document) the fee schedules for the ten (10) clients with the same investment management strategy and closest in asset value to the Board (with the closest five (5) clients with higher and lower asset values being included to the extent applicable).
27. _____ certifies that Adviser and, to the best of its knowledge, Adviser’s subcontractors (if any), have complied with Illinois Executive Order 1-2007.
28. _____ certifies that Adviser is not an Illinois Finance Entity as defined by 40 ILCS 5/1-110.10.
29. _____ acknowledges that Adviser will be responsible for the Adviser’s pro rata share of the purchase cost of the Board’s List of Forbidden Entities and List of Scrutinized Companies, both of which implement certain investment restrictions governed by 40 ILCS 5/1-110.6- 5/1-110.10.

30. _____ is attaching to this Agreement, as Exhibit ____, a Certification For Asset Management, in compliance with Public Act 95-521.
31. _____ agrees to utilize investment strategies designed to ensure that all securities transactions are executed in such a manner that the total explicit and implicit costs and total proceeds in every transaction are the most favorable under the circumstances.
32. If _____ retains any subcontractors to perform any portion of the work hereunder, then Adviser shall promptly provide notification, in writing, to the Board. Adviser shall also disclose the names and addresses of all subcontractors and the expected amount of money each will receive under the contract. Adviser shall provide the Board a copy of any subcontract with an annual value of more than \$25,000 so identified within 20 days after the execution of this Agreement or after execution of the subcontract, whichever is later. In addition, Adviser acknowledges that if at any time during the term of the contract it adds or changes any subcontractors, it will provide notification, in writing, to the Board. For purposes of this certification, “subcontractor” does not include non-investment related professionals or professionals offering services that are not directly related to the investment of assets, such as legal counsel, actuary, proxy-voting advisory services, services used to track compliance with legal standards, and investment fund of funds where the Board has no direct contractual relationship with the investment advisers or partnerships.
33. _____ acknowledges that a description of this Agreement shall be posted on the Board’s website, including the name of the organization, the total amount applicable to the Agreement, the total fees paid or to be paid under the Agreement and a disclosure, approved by the Board, describing the factors that contributed to the selection of the organization.
34. _____ agrees to disclose the names and address of: (i) Adviser; (ii) any entity that is a parent of, or owns a controlling interest in, Adviser; (iii) any entity that is a subsidiary of, or in which a controlling interest is owned by, Adviser; (iv) any persons who have an ownership or distributive income share in Adviser that is in excess of 7.5%; or (v) any persons who serve as executive officers of Adviser.
35. _____ agrees to provide full disclosure of direct and indirect fees, commissions, penalties, and other compensation, including reimbursement for expenses, that may be paid by or on behalf of the organization in connection with the provisions of services to ISBI. Such disclosure shall be updated promptly after a medication of those payments or an additional payment.

NOTE – ADDITIONAL CERTIFICATIONS AND REPRESENTATIONS MAY BE NEGOTIATED IN ANY RESULTING AGREEMENT WITH THE BOARD.