

STATE OF TEXAS §

COUNTY OF TRAVIS §

Division Number:	110	Program Name:	Permanent School Fund
Org. Code:	701	Legal/Funding Authority:	Texas
Speed Chart:	6A012	Constitution, Article VII	
Payee Name:		Payee ID:	1205319476
ISAS Contract #:	2196	PO #:	34492

Amendment No. 2

**AMENDMENT TO
STANDARD CONTRACT
BETWEEN
TEXAS EDUCATION AGENCY
AND**

BlackRock Investment Management LLC
NAME OF CONTRACTOR

1 University Square Drive, Princeton, NJ 08540
MAILING ADDRESS INCLUDING ZIP CODE

It is mutually understood and agreed by and between the undersigned contracting parties of the above numbered contract to amend the Texas Education Agency Standard Contract, effective January 1, 2009, as last amended September 1, 2011 (the "Original Contract") effective September 1, 2015 (the "Second Amendment", together with the Original Contract, the "Contract"), as follows. All capitalized terms defined herein shall have the meanings set forth in the Contract:

- 1) TEA shall pay contractor in connection with the Contract Project during the period beginning September 1, 2015 and ending August 31, 2017 at the rates, terms, and conditions as specified in the Original Contract with no changes, except the matters addressed in the items below:
- 2) The following items are hereby appended to the General Provisions in their original or modified form herein :

CC. Information Security Requirements: Access to Confidential TEA Information. Contractor represents and warrants that it will use commercially reasonable efforts to safeguard Confidential TEA Information and to protect it from unauthorized disclosure. If Contractor discloses any Confidential TEA Information to a subcontractor or agent, Contractor will require the subcontractor or agent to comply with the same restrictions and obligations as are imposed on Contractor pursuant to the Contract. Contractor shall access TEA's systems or Confidential TEA Information only for the purposes for which it is authorized. TEA reserves the right, upon written request, to review the Contractor's security policy applicable to the Contractor's performances hereunder, to ensure that any data that is on the Contractor's servers is secure. Contractor shall cooperate fully by making resources, personnel, and systems access available to TEA and TEA's authorized representative(s), to the extent legally permissible and reasonably practicable.

Contractor shall ensure that (i) any Confidential TEA Information in the custody of Contractor is properly sanitized, destroyed or returned to TEA when such information is no longer reasonably required to be retained by Contractor in accordance with this Contract and (ii) electronic media used for storing any Confidential TEA Information must be sanitized by clearing, purging or destroying in accordance with such standards established by the National Institute of Standards and Technology and the Center for Internet Security; each, to the extent legally permissible.

For purposes of this section (2)(CC), "Confidential TEA Information" shall be defined as any confidential information provided by TEA to the Contractor in connection with the Contract; provided, that Confidential TEA Information shall not include confidential information (i) that is known or becomes known to the public (other than as a result of a breach of the Contract by the Contractor); (ii) was or is in the Contractor's possession prior to the Original Contract; (iii) is or has been made known or disclosed to the Contractor by a third party without a known breach of any obligation of confidentiality such third party may have to TEA; or (iv) is or has been independently developed or conceived by the Contractor without use of the Confidential TEA Information.

DD. HUB Subcontracting Plan: Contractor's approved HUB Subcontracting Plan (HSP) states that Contractor will perform all contract work without the use of subcontractors. If the Contractor intends to subcontract any part of the contract during the contract term, the Contractor must submit a revised HSP

for TEA's approval. If the Contractor subcontracts any of the work without approval from TEA, the Contractor is deemed to have breached the contract and is subject to any remedial actions provided by either Chapter 2161 of the Texas Government Code or the administrative rules of the Texas Comptroller of Public Accounts.

EE. Compliance with Laws: Contractor shall comply with all applicable federal, state, and local laws, statutes, ordinances, rules and regulations, and the orders and decrees of any court or administrative bodies or tribunals in any matter applicable to the Contract and affecting the Contractor's performance hereunder; provided, however, that any immaterial failures to comply with the foregoing shall not be deemed a breach of this section 2EE.

FF. Liability for and Payment of Taxes: Contractor represents and warrants that it shall pay all taxes or similar amounts resulting from this Contract, including, but not limited to, any federal, State, or local income, sales or excise taxes of Contractor or its employees. TEA shall not be liable for any taxes resulting from this Contract.

GG. Buy Texas: When applicable under this Contract, in accordance with Texas Government Code Section 2155.4441, Contractor shall purchase products and materials produced in the State of Texas for such products and materials material to the Contract, when available at a price and time comparable to products and materials produced outside the state.

HH. Contractor Performance: All state agencies must report unsatisfactory Contractor performance on purchases over \$25,000. Contractors who are in default or otherwise not in good standing under any other current or prior contract with TEA at the time of selection will not be eligible for award of this contract. A Contractor's past performance will be measured based upon pass/fail criteria, in compliance with applicable provisions of §§2155.074, 2155.075, 2156.007, 2157.003, and 2157.125, Gov't Code. Contractors may fail this selection criterion for any of the following conditions: A score of less than 90% in the Contractor Performance System, currently under a Corrective Action Plan, having repeated negative Contractor performance reports for the same reason, having purchase orders that have been cancelled in the previous 12 months for non-performance (i.e. late delivery, etc.). TEA may conduct reference checks with other entities regarding past performance. In addition to evaluating performance through the Contractor Performance Tracking System (as authorized by 34 Texas Administrative Code §20.108), TEA may examine other sources of Contractor performance including, but not limited to, notices of termination, cure notices, assessments of liquidated damages, litigation, audit reports, and non-renewals of contracts. Any such investigations shall be at the sole discretion of TEA, and any negative findings, as determined by TEA, may result in non-award to the Contractor. Agencies report satisfactory and exceptional Contractor performance to assist in determining best value. In accordance with Texas Government Code, §2155.074 and §2155.75, vendor performance may be used as a factor in future contract awards.

Contractor performance information is located on the CPA web site at:
http://www.cpa.state.tx.us/procurement/prog/vendor_performance/

II. U.S. Department of Homeland Security's E-Verify System: By entering into this Contract, the Contractor certifies and ensures that it utilizes and will continue to utilize, for the term of this Contract, the U.S. Department of Homeland Security's E-Verify system to determine the eligibility of:

1. All key persons and all newly hired persons employed to perform duties within Texas, during the term of the Contract; and
2. All key persons and all newly hired persons (including subcontractors) assigned by the Contractor to perform work pursuant to the Contract, within the United States of America.

The Contractor shall provide, upon request of (agency name), an electronic or hardcopy screenshot of the confirmation or tentative non-confirmation screen containing the E-Verify case verification number for attachment to the Form I-9 for the three most recent hires that match the criteria above, by the Contractor, and Contractor's subcontractors, as proof that this provision is being followed.

If this certification is falsely made, the Contract may be immediately terminated, at the discretion of the state and at no fault to the state, with no prior notification. The Contractor shall also be responsible for the costs of any re-solicitation that the state must undertake to replace the terminated Contract.

- 3) In the General Provisions, Paragraph L, Audit, Section 2262.003 is hereby changed to 2262.154.

- 4) In addition, Section 13 of the Investment Management Agreement attached to the Contract is hereby amended and replaced with the following provision:

SECTION 13. LIABILITY OF MANAGER.

Manager and its directors, officers, employees, and any person acting on its behalf shall not be liable for any error of judgment or any loss arising out of any investment of the Account; provided however, Manager shall indemnify and hold the TEA and Board harmless from and against any and all claims, liabilities, losses, and causes of action which may arise out of bad faith, negligence, willful misconduct, or violation of applicable securities laws on the part of Manager, its directors, officers, employees, or any person acting for on its or their behalf; and agrees it shall be liable for the reasonable attorney's fees of the TEA and Board in the event such is necessitated to enforce the terms of this Agreement or otherwise enforce the obligations of Manager to the TEA. Manager further agrees to indemnify and hold the TEA and Board harmless and to reimburse the TEA and Board for any damages, fines, penalties, reasonable attorneys' fees, incurred by or imposed upon it as a result of any breaches by Manager of its fiduciary duties, responsibilities or obligations.

In addition, if Manager acts as an authorized agent of the TEA under a contract between the TEA and a futures commission merchant ("FCM"), then Manager agrees that it shall comply fully with all terms, conditions, and obligations in the FCM contract and shall be liable for and indemnify and hold the TEA and Board harmless from and against any damages, fines, penalties, losses, costs, and reasonable attorneys' fees incurred by or imposed upon the TEA or Board as a result of Manager's, its directors', officers', employees', or any person acting for on its or their behalf's, bad faith, negligence, willful misconduct, non-compliance with FCM agreement or violation of applicable securities laws in connection with duties performed with respect to such FCM contract.

Notwithstanding the foregoing, neither the Manager nor directors, officers, employees, or any person acting for on its or their behalf shall be liable for any loss to TEA caused directly or indirectly by circumstances beyond the Manager's control, including, but not limited to, government restrictions, exchange or market rulings, actions affecting securities or commodity exchanges including suspensions of trading or extensions of trading hours, acts of civil or military authority, national emergencies, labor difficulties, fires, earthquakes, floods or other catastrophes, acts of God, wars, acts of terrorism, riots or failures of communication or power supply.

Manager agrees to restore to the Fund any profits that have been made by Manager as a result of a violation of any of its duties referred to in this section, it being understood that the fees paid to the Manager under this Agreement shall not constitute "profits".

Pursuant to Section 2252.901 of the Texas Government Code, Contractor certifies that it is not a former employee of TEA or that Contractor has not been an employee of TEA for twelve (12) months prior to the beginning date of this contract.

Contractor must make full disclosure of intent to employ or subcontract with an individual who is a former employee/retiree of TEA. Pursuant to Section 2252.901 of the Texas Government Code, within the first twelve months of leaving employment at TEA, a former employee/retiree selected by the Contractor for employment or subcontracting shall not perform services on a project or fill a position related to or in connection with this Contract that the former employee/retiree worked on while employed at TEA.

Excluded Parties List System: The Texas Education Agency and the contractor must adhere to all laws, including the United States sanctions laws and regulations, and the directions provided in the President's Executive Order (EO) 13224, Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism, which may be viewed at <http://www.whitehouse.gov/briefing-room/presidential-actions/executive-orders>. That Executive Order prohibits any transaction or dealing by United States persons, including but not limited to the making or receiving of any contribution of funds, goods, or services to or for the benefit of those persons listed in the General Services Administration's Excluded Parties List System (EPLS) which may be viewed on the System for Award Management (SAM) site at <http://www.Sam.gov>. No funds transferred to the Contractor by TEA shall be derived from, invested for the benefit of, or related in any to the governments of, or any persons within, any country under U.S. embargo, or any person named on any sanctions lists, including those administered by the United States Office of Foreign Asset Control.

All other terms and conditions of the Original Contract remain the same and are incorporated herein as if specifically written. For the avoidance of doubt, the below provision (Section 2 of Amendment 1, dated September 13, 2011, between TEA and the Contractor), shall continue to have full force and effect hereunder:

Options to be selected by TEA: At any time during this renewal term, the SBOE may select from two options for the international portfolio mandate at the fee rate stated. Such fee rate will become effective on the first day of the month following the implementation of the changed mandate:

- Option A. In addition to the existing portfolio, the SBOE may add a Developed Small Mid-Cap International Equity portfolio to the contract for an additional fee of \$ 4.0 bps, per year paid quarterly in arrears. The additional benchmark will be determined at the time this option is selected. An additional separate account for Developed Small Midcap would be subject to a minimum annual fee of \$150,000.00.
- Option B. The SBOE may convert the existing portfolio to an All Country World (Ex US) plus Developed Small Mid-Cap International Equity portfolio, for a fee of \$ 2.5 bps, per year paid quarterly in arrears. The benchmark will be determined at the time this option is selected.

It is agreed and accepted by a person authorized to bind Contractor that all terms and conditions of this Second Amendment are effective commencing on the above date.

Typed Name:

BRIAN FEUERADO

Typed Title:

MANAGING DIRECTOR



Authorized Signature

This section reserved for Agency use.

I, an authorized official of Agency, hereby certify that this contract is in compliance with the authorizing program statute and applicable regulations and authorize the services to be performed as written above.

AGREED and accepted on behalf of Agency this 9th day of September 2015 (month/year) by a person authorized to bind Agency.

Return three (3) copies with original signature to:

Catherine A. Civileto
Texas Permanent School Fund
Texas Education Agency
400 West 15th Street, Suite 1100
Austin, Texas 78701
512.463.9201


Michael Williams, Commissioner of Education

BlackRock Investment Management LLC

TEA Notes to Contract
As of August 31, 2015

Recap of Funding Over the Life of the Contract
For TPSF Division of TEA

Description	Dates	# of Years	Amendment #	Amount
Initial Term of Contract	01/01/2009 – 08/31/2011	2.7	N/A	\$1,440,000.00
First Renewal	09/01/2011 – 08/31/2015	4	1	\$2,160,000.00
Second Renewal	09/01/2015 – 08/31/2017	2	2	\$1,080,000.00